MINING – GOLD

1994

Mixed results for Consolidated Mining

B/DAY 21/1/94

MADDEN COLE

CONSOLIDATED Mining Corp produced mixed results for the December quarter, with losses incurred offset by the profitability of other operations.

West Wits was in the lead, posting a R1,4m improvement in net profit to R7,7m (R6,3m) The gold price received rose to R38 983/kg (R37 220) The higher mill throughput, combined with a marginally improved grade of 1,48g/t, resulted in gold production showing a corresponding increase to 900kg (882kg)

Working revenue increased to R57,73/t (R54,31/t) against working costs of R45,20/t (R43,94/t), leaving an operating profit of R12,53/t (R10,37/t).

The additional secondary mill commissioned in November increased milling capacity by about 10 000 tons a month

(214)

Satisfactory mining at the Droogebult section resulted in WitNigel reporting a quarterly profit for the first time in years. Net profit came in at R186 000 against a loss of R31 000 in the September quarter

The gold recovery operation at Benoni Gold Holdings was severely affected by heavy rains during the December quarter, resulting in a disappointing operating profit of R211 000 against R2,6m

Royalties and toll payments amounted to R1m, but after a tax bill of R38 000, the company showed a loss of R934 000 against the previous profit of R1,4m.

EXECUTIVE SUIT

Most Anglo mines show rises in available profit

BIDAM 21/1/94

MADDEN COLE

INCREASES in available profit were the hallmarks of the December quarterly results of Anglo American's gold and uranium division, with most sectors reporting improved bottom lines.

MD Lionel Hewitt, who retires in March, said with the improved gold price, mines would be able to spend more in capital and working costs on revenue-generating projects, especially at Vaal Reefs. Costs were being maintained generally.

Freegold had been able to increase earnings a share in spite of declining grades Although gold production was down on the September quarter, year on year it showed a one ton increase

Hewitt said closure of Free State Saaiplaas No 2 shaft was inevitable The shaft had incurred a R5,2m loss in the nine months to December and indications were that grade would not improve on the current 2,57g/t

The closure would take between nine and 24 months, he said

The December quarter coincided with the year end for Transvaal mines and Vaal Reefs declared a final dividend of 710c, up 16,4% from the 610c declared for the 1992 financial year

Hewitt said the mine had consolidated its production position and was well placed for 1994 and against any gold price decreases.

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

Hewitt said because it was abnormally high, the current grade would not necessarily be maintained.

The introduction of old slimes dams at Afrikander Lease adversely affected gold recovery.

Indications were that the problems experienced in the December quarter could be overcome and operations would return to profitability in 1994 — but at a lower level than expected

Western Deep Levels results were characterised by a record area mined, increasing to 256 000m² from 248 000m² in the September quarter Gold production was the highest in 13 years.

(214)

Costs were 14% higher, mainly as a result of infrastructure replacement postponed because of the low gold price. The rise in costs was largely offset by the 13% increase in gold production.

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

Hewitt said Elandsrand would have to increase the mining rate to compensate for decreasing grades if the mine was to maintain current profitability.

Lower grades were compounded by a slight lock-up of gold in the plant "It is not a major loss, amounting to a few hundred kilograms, but enough to be noticed"

A final dividend of 50c, 43% higher than the previous 35c, was declared.

Ergo increased production by improved recovery, better grades and higher tonnage milled The project was well placed to maintain costs, Hewitt said

ANGLO AMERICAN December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	**6 066**	**4,64**	**28 147**	**150**	**32 341**	**40 177**	**167 674**	**127 003**	**107**
September	6 176	4,67	28 820	147	31 455	39 201	171 059	121 426	103
Vaal Reefs	**2 951**	**6,52**	**19 239**	**176**	**27 010**	**39 342**	**217 502**	**71 909**	**376**
September	2 963	6,31	18 708	173	27 327	39 332	127 101	63 818	334
Western Deeps	**1 688**	**6,64**	**11 210**	**183**	**27 486**	**39 728**	**118 929**	**42 340**	**153**
September	1 688	6,37	10 755	174	27 255	39 577	111 345	42 480	153
Elandsrand	**548**	**7,78**	**4 264**	**198**	**25 440**	**39 674**	**60 914**	**21 594**	**23**
September	580	7,71	4 470	179	23 212	39 106	70 934	29 393	30
Ergo	**11 583**	**0,28**	**3 255**			**39 517**	**17 185**	**12 225**	**24**
September	11 327	0,27	3 020			39 785	18 208	12 107	24

GOLD FIELDS

Little movement

Of the major mining houses, Gold Fields derives by far the highest proportion of its income from gold mining In the year to June 55% of net income came from gold and platinum (primarily the former) with 28% from financial and mining finance interests and 12% from cash, 4% was from other minerals FM 21/1/94

Yet the buoyant gold price has so far had a muted effect on earnings In the year to June 1993, EPS fell for the fourth successive year, dropping 4,2% to 301c Interim figures to December are better but still unexciting EPS are up 11,4% to 137c, on a 5% advance in pre-tax income, a R7m drop in the tax charge, to R5m, helped earnings The dividend has stood at 200c since 1989 and there is still no growth, the interim payout is again pegged at 70c (214)

An uninspiring result was presaged by the December quarterlies earlier this month Total gold revenue was virtually unchanged on the previous quarter at R1,222bn, working costs were slightly higher and pre-tax profit was R9m down at R388m

Gold Fields' interim investment income was 15,7% higher, but benefits were eroded by lower income from fees, interest and other Cont

FOX

Gold Fields chairman Robin Plumbridge
.. *modest earnings increase*

sources (down R9m) Higher capital spending at major producers such as Driefontein has drawn down cash reserves At December 31 cash had fallen to R359m from R533m a year ago FM 21/1/94 (214)

As usual, the interim report includes minimal comment The directors hold out the prospect of a "modest" increase in net earnings, assuming the higher rand gold price continues. The share stands at R105, down from the all-time high of R116 set earlier this month It offers little attraction except for those taking a long-term view on the precious metal and commodities cycle *Andrew McNulty*

JCI golds provide cause for cheer

Star 26/1/94

BY DEREK TOMMEY

Shareholders in JCI's four gold mining operations will find much cause for satisfaction in the December quarter figures

Western Areas and Randfontein both report further increases in profits.

Problem-plagued Joel looks like turning the corner within the next 12 months.

Results from South Deep are up to expectations, says Kennedy Maxwell, head of JCI's gold division.

Group profit from gold mining after tax and capital expenditure rose 7,9 percent from R69 million to R74,4 million

This is almost three times the R25,2 million earned a year ago and highlights the major transformation that has taken place in JCI's gold mining division.

Questioned on the possible merger of South Deep and Western Areas, Maxwell said yesterday that the companies were looking at all possibilities.

He said that South Deep did not want to raise more money from shareholders until it was closer to full production.

Various scenarios were being looked at for the refinancing of Joel

As soon as there was anything substantial to report, shareholders would be informed.

(Z14)

Randfontein's working profit was boosted by a higher gold price, an increase in yield and production and lower costs

Working profit rose from R77,2 million to R93,8 million

Taxed profit was R65 million (September, R56,2 million) — equal to 68,9c (60,9c) a share after capital expenditure.

Development results were mixed.

It is tentatively estimated that there are 12 million tons of ore reserves on the Kimberley Reef in the Doornkop area, averaging 5,1g/t.

However, values from the limited exposure of the South Reef to date average only 480cm-g/t. Further exploration is taking place.

Improved recovery grade at Western Areas increased its profit from gold from R35,2 million to R43,8 million

MD Bill Nairn said that 90-level development was on schedule and reef extraction would start in 1995

Joel had a profit from gold of R719 000 (R6 million) The mine is concentrating on building up ore reserves at the expense of current production

Gold production should increase after the June quarter

Knights suffers reduced yields

BDay 21/1/94

MADDEN COLE

KNIGHTS Gold Mining Company maintained tonnage for the December quarter, but reduced yields took their toll on gold production, which fell 7,6%. (2,14)

The drop in yields was caused by lower head grades from the Maretsel dump and the start up of the Rietfontein project

Tonnage treated remained virtually constant at 854 000 tons, with a yield of 0,38g/t (0,41g/t). Lower gold production of 325kg (352kg) was offset by a higher gold price of R38 717/kg (R37 780)

After-tax profit rose to R2,6m (R2,1m) Capex rose to R4,8m (R2,45m)

The company disposed of its rights to treat the 4L7 and 4L8 dumps for R12,8m,

Sunter predicts tricky 1994 gold market

MADDEN COLE

ANGLO American's gold and uranium division achieved a 2% increase in available profit in the December quarter, but had not halted cost escalation, chairman Clem Sunter said yesterday B/DAY

Available profit increased to R275,1m (R292,2m) after gold production rose 1% to 66 115kg (65 773kg). 21/1/94

Average revenue was 1% higher at R39 793/kg (R39 320/kg). Average unit costs rose 1% to R29 358/kg and working costs rose 2% to R1,9bn Capex was 35% up at R314,9m (R233,6m), while R24,8m was paid out to employees under the profit-sharing scheme

Sunter said that unlike last year when the gold market was driven by physical demand from China, 1994 would see a correlation between the gold price and stock markets This would be "a tricky market to get a handle on" (214)

"So we are not taking the current gold price for granted We are running operations in such a way that if the gold price falls, we'll survive"

● See Page 10

Bumper payouts by Anglo golds

Star 21/1/94

BY DEREK TOMMEY

Anglo American's three major operational Transvaal gold mines — Vaal Reefs, Western Deep Level and Elandsrand — and associate South Vaal have all declared sharply higher dividends

Collectively they are paying out R637,6 million in dividends for 1993 — 63 percent more than the R390,4 million paid out in 1992

Vaal Reefs has increased its final by 16,4 percent to 710c a share

This brings the total for the year to 1 270c, an increase of 23,4 percent on the previous year

Western Deep Levels is increasing its final by 45,2 percent to 305c, making 560c for the year — an increase of 80,6 percent

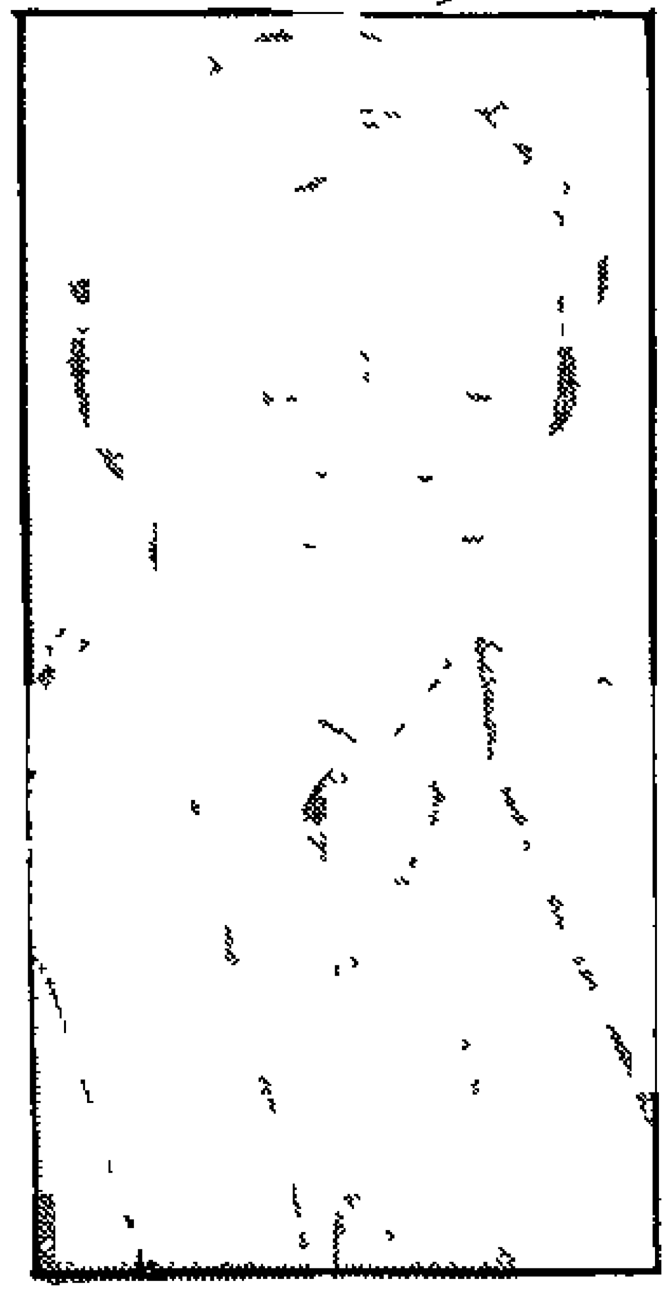
Elandsrand's final of 50c is 42,9 percent higher than last year's and the total for the year is 100c — an increase of 66,7 percent

South Vaal is paying a final 270c — an increase of 92,9 percent — and a total dividend of 475c — an increase of 66,7 percent

But Afrikander Lease, which experienced drought conditions at the start of the year and subsequently metallurgical problems, is paying only 5c a share (17c a year ago)

The gold market was being driven by fund managers and physical demand for the metal was disappointing, Clem Sunter, chairman of Anglo's gold and uranium division said at a press briefing yesterday

He said the old relationship between share



Clem Sunter . . . relationship has changed.

prices and the gold price had changed

The gold price now moved in line with the world's share markets

Whether the gold price rose or fell in the next three months depended on what happened to these share markets

Sunter said the best bullion dealers in Europe were forecasting a price of $360 to $440 in the coming months (214)

Anglo American was not taking the current gold price for granted

It was running its gold mining operations in such a way that they would survive a price fall

He said the group was running down its hedging operations

But if the gold price were to spike, it might consider selling forward at that higher price

The group was hoping its efforts to build up teams of workers on a shaft basis and the resultant esprit de corps would help reduce labour unrest in the run-up to the election

Lionel Hewitt, MD of the division, said the group had successfully kept down costs

Vaal Reefs was consolidating operations against the possibility of a lower price

The South Lease area had put up a remarkable performance.

Western Deep Levels had had a highly successful year

Elandsrand had experienced a minor gold lock-up

Metallurgical problems were being overcome at Ergo Freegold's earnings of 107c a share in the December quarter were more than double the 51c earned in September 1992, even though grade recovered had declined

Hedging hits Gengold's 'good results'

From MADDEN COLE (214)

JOHANNESBURG — Gengold's good results for the December quarter were characterised by stable operational performance which was offset to some degree by the effects of hedging on the bottom line

Forward selling, discontinued in May 1993, resulted in the group receiving a gold price of about R38 000/kg against the spot price of about R40 000, but MD Gary Maude said the practice had been necessary to help struggling mines

CT 20/1/94

Survive

"If we had not sold forward, a number of mines could have been forced to close Forward selling helped us to survive, so I make no apology for it"

The year end for all mines had been changed to end-June, and interim dividends had been declared for the period to end-December

Beatrix's higher gold production and lower capex offset the lower gold price and higher working costs, resulting in a modest improvement to bottom-line profits

Bracken had ceased as an underground operation, but clearing up operations still had to be done

Buffelsfontein had a difficult quarter because of a high level of seismic activity and fires This resulted in lower gold production and higher costs which reduced distributable income

The Multigold Project, which would process 33 000 tons a month of surface material, was under construction At full production of about 130kg a month at a projected cost of R17 000/kg from the end of 1994, gold from this source would provide a supplement to underground production

The mine's lifespan, as a modest surface gold producer, could extend into the next century, Maude said

Grootvlei, which had improved production and reduced costs, was examining the potential of mining the Black Reef from the East Geduld shaft

This year would be critical for Oryx, and development results during the next 12 to 24 months would determine the mine's viability Negotiations were in progress with the major stakeholders in Oryx to secure finance to fund the mine to break-even level

Star

But the star performer was St Helena, which was losing money 12 months ago

"We went back into old areas, and are picking up gold using industrial vacuum cleaners The operation continues seven days a week This quarter's results have been excellent"

Stilfontein's wholly owned subsidiary Chemwes would not be liable for lease payments, thus making the previous provision of R9,4m available for distribution A R10m dividend was paid to Stilfontein, increasing bottom-line profit to R13,1m from R3,3m in the September quarter

St Helena the star in Gengold's fold

BIDay 20/1/94

MADDEN COLE

ST HELENA emerged as the star performer of Gengold's operating gold mines in the December quarter, when bottom-line profits improved 7% on average.

Distributable income climbed to R78,8m from the September quarter's R73,7m. A slight drop in mill throughput to 2,8-million tons was offset to some degree by a marginal increase in average yield to 5,9g/t (5,8g/t).

(214)

Gold production was virtually static at 16 748kg with the average gold price dropping 1,1% to R37 992/kg

The drop in working revenue to R637,8m was not helped by the 2,8% rise in working costs to R471,5m (R458,6m), resulting in a 6,8% decline in net income to R109,2m (R117,2m). The bottom line was helped by a 30% drop in capex to R30,4m (R43,6m), which pushed up distributable income 7% to R78,9m (R73,7m).

An additional boost to profit was received from Stilfontein. Its wholly owned subsidiary Chemwes would not be liable for lease payments, Gengold MD Gary Maude said. This resulted in the previously provided R9,4m now being available for distribution. A dividend of R10m had been paid to Stilfonteon This was included in sundry income

It resulted in distributable income rising nearly fourfold to R13,1m (R3,3m).

Oryx, which Maude said was facing a critical year during which its fate would be decided, disclosed cumulative expenditure of R1,8bn, inclusive of interest of R323m To date R894m of shareholders' loans of R979m has been drawn down.

St Helena, which staged a remarkable turnaround, produced what Maude described as excellent results, increasing distributable income to R9,7m from September's R6,2m

Maude said Bracken had come to an end as an underground mine. As the mine had ceased mining operations, except for cleaning up, it would no longer publish quarterly reports, but would publish an interim report each year.

Although forward sales had depressed the gold price received by about R2 000/kg, Maude said he made no apology for the practice, which had helped struggling mines. "If we had not sold forward, a number of mines could have been forced to close down"

Forward selling was discontinued in May 1993 Gold sales would now be fully exposed to the spot price

● See Page 6

Forward selling helped Gengold pull through

BIDem 20/1/94

MADDEN COLE

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But the star performer was St Helena, which was losing money 12 months ago "We went back into old areas, and are picking up gold using industrial vacuum cleaners The operation continues seven days a week This quarter's results have been excellent"

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GENGOLD 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	**534**	**6,4**	**3 401**	**145,67**	**22 826**	**37 772**	**23 374**	**12 627**	**148,5**
September	527	6,4	3 375	142,12	22 194	39 056	28 893	12 149	79,5
Bracken	**0**	**58,8**	**6**	**—**	**164 167**	**38 287**	**(1 243)**	**570**	**4,1**
September	0	234,7	65	—	13 846	38 870	341	1 038	7,4
Buffels	**547**	**6,4**	**3 500**	**200,75**	**31 376**	**37 727**	**13 360**	**8 208**	**74,6**
September	573	6,4	3 666	188,65	29 487	33 383	17 725	10 773	97,6
Grootvlei	**120**	**5,5**	**660**	**106,56**	**33 012**	**37 550**	**3 058**	**1 123**	**9,8**
September	119	5,2	621	175,75	33 680	38 400	3 384	2 168	19,0
Kinross	**477**	**6,7**	**3 195**	**162,54**	**24 267**	**38 115**	**26 065**	**18 650**	**103,6**
September	469	6,7	3 160	163,38	24 249	38 372	25 682	20 740	115,2
Leslie	**104**	**6,7**	**689**	**185,38**	**27 983**	**38 076**	**5 683**	**2 961**	**18,5**
September	101	6,7	677	181,46	27 072	38 770	6 516	4 374	27,3
St Helena	**200**	**6,7**	**1 349**	**200,78**	**29 767**	**38 807**	**11 667**	**9 672**	**100,5**
September	202	6,2	1 250	190,58	30 799	36 528	6 906	6 206	64,5
Stilfontein	**275**	**1,0**	**274**	**32,44**	**32 558**	**38 120**	**12 386**	**13 078**	**100,1**
September	293	1,0	292	33,05	33 168	36 880	2 200	3 279	25,1
Unisel	**150**	**6,3**	**944**	**207,92**	**33 038**	**38 343**	**5 562**	**1 590**	**5,7**
September	170	5,3	907	180,19	33 774	39 356	5 014	2 196	7,8
Winkelhaak	**415**	**6,6**	**2 730**	**203,19**	**30 855**	**38 011**	**9 325**	**10 325**	**84,8**
September.	421	6,5	2 738	190,04	29 222	38 330	20 584	10 796	88,6

Gengold mine dividends hold some surprises

Star 20/1/94

BY DEREK TOMMEY

All mines in the Gengold stable have changed their year-end to June 30 and have adjusted by declaring dividends today

The next dividends will be declared in six months' time

Shareholders should be pleasantly surprised by some of the dividends

St Helena is paying 130c, compared with 80c in June and 25c in December 1992

Stilfontein is paying 75c, compared with 30c in both June and December 1992

Grootvlei, which was faced with closure six months ago, is paying 25c, against 30c in June and 25c a year ago.

Other dividends declared are: (214)

- Buffelsfontein 165c, against 165c in June,
- Bracken 10c, against 30c in September and 40c in March,
- Kinross 90c, against 180c in September and 120c in March,
- Leslie 15c, against 35c in September and 20c in March,
- Unisel 5c, against 15c in September and 20c in March;
- Winkelhaak 70c, against 130c in September and 70c in March.

Gengold chairman Gary Maude says the Multigold project at Buffelsfontein will be more effective than originally expected.

It will extend the life of the mine from 1997 to 2010 and at the same time significantly increase gold production when it comes into operation this November

Buffels' distributable income dropped to R8,2 million in the December quarter from R10,7 million in the previous quarter

He says plans to work the North Block down-throw at Leslie will extend the life of the mine by about seven years

Gary Maude ... St Helena the star of the quarter.

Grootvlei is investigating the feasibility of reopening the East Geduld No 1 Shaft to examine the Black Reef

Maude says that St Helena was the star of the quarter. It had taxed earnings of R11,7 million, against R6,9 million in September and a loss of R3,4 million a year ago The mine expects a further increase in earnings in the coming year.

Bracken has now ceased production and will issue only interim statements

Development results at Oryx have not yet been good enough to ensure its survival

Stilfontein recovered R9,4 million from the Receiver of Revenue, thereby boosting its dividend

It has sufficient surface dumps to keep it going for about 10 months

If the gold price does not go up, the mine will close. A $50 increase in the gold price would allow it to resume underground mining

Jump in revenue ups Gold Fields profits

(214)

CT 19/1/94

Own Correspondent

JOHANNESBURG — A healthy jump in revenue from its significant gold mining investments helped Gold Fields report an 11% increase in attributable earnings to 132c in the half-year to December 31 from 123c in the same period in 1992

The mining house declared an unchanged dividend of 70c a share

However, the improvement masked poorer news from the group's platinum and base metal interests, with Northam Platinum battling to reach already delayed production targets and the group's base metal mines hit by weak commodity prices for much of the six-month period

Investment income rose to R133m (R115m) and was only partially offset by a decline in interest and fee income, reflecting the impact of lower interest on the group's reduced cash balances

Expenditure was flat at R86m (R87m) including R19m (R20m) in exploration spending of which one third occurred at the group's new gold mining developments in Ghana, Ecuador and Venezuela Pre-tax profit rose to R143m from R136m, with attributable profit higher at R132m (R118m) after tax and preference dividend payments

Chairman Robin Plumbridge said yesterday he was confident the group would report a modest increase in earnings again in the second half, which with the certainty of at least an unchanged dividend, would restore Gold Fields dividend cover towards 2 times, compared with 1,5 in 1992/3

The improvement would also arrest the four-year slide in the group's earnings which has mirrored the sustained trough in gold prices in late 80s and early 90s

Plumbridge said the return of gold prices to more than $390 an ounce was the most encouraging sign of the robustness of the current gold market It seemed the spurt in gold prices to more than $400 in mid-93 had not done severe damage to physical demand for the metal, while gold's improved volatility would continue to lure investors

While some base metal prices had picked up in the past two months, copper prices remained at historic lows, putting immense pressure on Gold Fields copper producers in SA and Namibia He said the mines would be able to weather the difficult period before a likely upturn in copper prices as demand for the metal picked up in line with a synchronised recovery in world economies in 1994/5 — in large part due to their improved operational efficiencies.

"Northam is still struggling" Plumbridge said, with the mine behind revised production targets as it fought to come to terms with difficult operating conditions underground

He said the group's new Ghanaian venture, Tarkwa, was taking longer to overhaul than expected, but it remained profitable and contributed to the exploration programme seeking to define long-term ore reserves

Plumbridge said Gold Fields overseas mining ambitions remained hampered by its lack of significant offshore funds with which to finance or buy into new projects The solution, and only way for the group to reach its ambition of having 30% of its mineral output based abroad within five years, was "to turn to account a good ore body quickly"

He said that was the appeal of the short-lead times it should take to develop the shallow South American and Ghanaian deposits With more funds, Gold Field could pursue opportunities in Argentina and southeast Asia more vigorously

Astute hedging holds up Anglovaal gold revenues

BD 19/1/94

MATTHEW CURTIN

CANNY hedging strategies, particularly at marginal gold mine Loraine, shored up gold revenue for Anglovaal's gold producers in the December quarter with overall gold income down slightly at R421m compared with R424m in the previous three months.

However, an increase in tonnage milled at each of the group's three main gold producers had a mixed effect on profitability.

Loraine drew on more low-grade surface material but paid the price for increasing overall tonnage. Tons milled climbed to 467 000 tons from 448 000 tons, slashing unit production costs and leaving total costs down at R61,8m (R62,5m).

However, the resulting fall in average grades knocked gold output to 1,5 tons from 1,7 tons, so average costs jumped to R40 266/kg from R38 940/kg. Successful forward selling contracts and sales of gold options prevented the leap from plunging the mine into a working loss

Loraine achieved average gold prices well above ruling levels at R41 616/kg compared with only R38 940/kg in the previous quarter. That ensured a working profit of R2,1m (R4,7m)

(214)

Anglovaal mines, finance, and administration GM Rick Menell said hedging remained as critical as ever to the mine's profitability Loraine had timed the selling of call options with the spurt in gold prices above $400 in mid-year and was now reaping the rewards

He said gold options, as opposed to forward sales contracts, were an attractive mechanism for achieving improved gold prices in a volatile market because "you can sell them at a high price without forsaking the upside of a spurt in bullion prices"

Hartebeestfontein, the group's heavyweight producer, increased its output to 798 000 tons in the quarter, but this had no impact on the mine's average grade That was unchanged at 9,2g a ton leaving gold output up at 7,3 tons (7,1 tons)

The mine closed out forward sales contracts in the quarter with the result that the mine suffered a small drop in gold prices received A rise in total working costs to R202,8m (R198,9m) outpaced the improvement in gold revenue at R287,9m (R286,5m) With a similar story played out at the mine's low-grade gold plant, total working profit fell to R102,2m from R107,8m.

Harties benefited from a jump in net interest income and a return to working profit on its sales of uranium and sulphuric acid Along with a lower tax bill, this helped the company achieve an improved after-tax income of R57,5m against R56,3m

Eastern Transvaal Consolidated started to recover from the strike which hit its Sheba mine in the September quarter Production levels returned to normal with gold output improving to 876kg from 835kg

An increase in working profit was enhanced by a reduction in prospecting spending, but higher tax and capital commitments left after-tax and capex profit unchanged at R2,9m

Village Main Reef reported after-tax profit of R633 000 (R797 000) as gold output from its retreatment plant declined to 144kg (161kg), reducing the company's revenue, while costs climbed sharply in the quarter

ANGLOVAAL December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Harties	798	9,2	7 342	254,18	27 627	39 219	57 508	46 109	41
September	778	9,2	7 118	255,65	27 943	40 252	56 264	49 423	44
ET Cons	97	9,1	876	266,29	29 368	39 890	6 106	2 982	3,5
September	86	9,7	835	286,77	29 623	39 904	4 841	2 921	3,4
Loraine	467	3,3	1 535	132,35	40 266	41 616	2 875	1 352	7,9
September	448	3,9	1 727	139,51	36 191	38 940	5 613	3 802	22,7

Mining investments boost Gold Fields

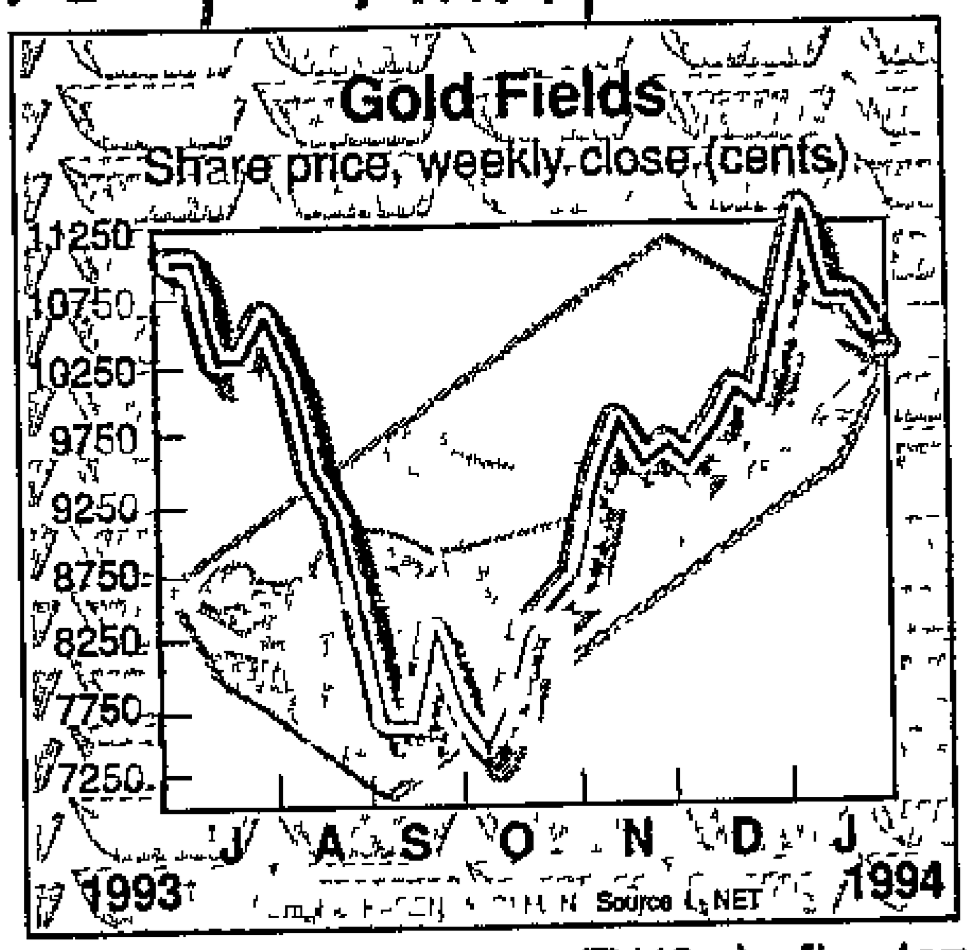
B/Day 19/1/94

MATTHEW CURTIN

A HEALTHY jump in revenue from its significant gold mining investments helped Gold Fields report an 11% increase in attributable earnings to 132c in the half-year to December from 123c in the same period in 1992 (214)

The mining house declared an unchanged dividend of 70c a share

However, the improvement masked poorer news from the group's platinum and base metal interests, with Northam Platinum battling to reach already delayed production targets and the group's base metal mines hit by weak commodity prices for much of the period.



Investment income rose to R133m (R115m) and was only partially offset by a decline in interest and fee income, reflecting the impact of lower interest on the group's reduced cash balances.

Expenditure was flat at R86m (R87m) including R19m (R20m) in exploration spending, of which one third was at the group's gold mining developments in Ghana, Ecuador and Venezuela Pre-tax profit rose to R143m (R136m), with attributable profit higher at R132m (R118m) after tax and preference dividend payments.

Chairman Robin Plumbridge said yesterday he was confident the group would report a modest increase in earnings in the second half, which, with the certainty of at least an unchanged dividend, would restore Gold Fields' dividend cover towards two times, compared with 1,5 in 1992/3.

☐ To Page 2

Gold Fields

B/Day 19/1/94

☐ From Page 1

The improvement would also arrest the group's four-year slide in earnings, which has mirrored the sustained trough in gold prices in late 1980s and early 1990s

Plumbridge said the return of gold prices to more than $390 oz was the most encouraging sign of the robustness of the current gold market. (214)

While some base metal prices had picked up in the past two months, copper prices remained at historic lows, putting pressure on Gold Fields' copper producers in SA and Namibia He said the mines would be able to weather the difficult period before a likely upturn in copper prices as demand for the metal picked up in line with a synchronised recovery in world economies in 1994/95

Northam was behind production targets as it fought to come to terms with difficult underground operating conditions.

The group's new Ghanaian venture, Tarkwa, was taking longer to overhaul than expected, but remained profitable

Plumbridge said Gold Fields mining ambitions abroad remained hampered by the group's lack of significant offshore funds with which to finance or buy into new projects. The solution, and only way for the group to reach its ambition of having 30% of its mineral output based abroad within five years, was "to turn to account a good ore body quickly" That was the appeal of the short-lead times it should take to develop the shallow South American and Ghanaian deposits. With more funds, Gold Fields could pursue opportunities in Argentina and southeast Asia

● Picture: Page 3

Mixed results from Anglovaal gold mines

Star 19/1/94

BY DEREK TOMMEY

Anglovaal's December quarterlies are a mixed bag, with higher profits from Hartebeestfontein and ET Cons and lower ones from Loraine and Village Main

But there is little on the development at Loraine and Target which investors, who have pushed up the price of these shares to high levels, are waiting to hear about

Hartebeestfontein was the star, with an increase in taxed profit from R56,2 million to R57,5 million — its highest quarterly profit since 1988-89

A feature was that it had a profit from uranium and acid production for the first time for many years, suggesting the market for uranium may be improving.

This uranium and acid profit was R2,6 million, which compares with a loss of R938 000 in the September quarter and a loss of R3,2 million in the December quarter of 1992

Uranium profit, together with interest income, boosted non-mining income to R10,6 million from R5,8 million previously

Production at the low-grade gold plant was stepped up from 467 000 tons tons to 491 000 tons But owing to a drop in the yield, gold output from this plant dropped to 712kg from 768kg in the September quarter

Loraine, which is moving away from survival mode to normal operating mode, reports taxed earnings of R2,9 million (R5,6 million in the September quarter)

Total gold recovered dropped from 1 727kg to 1 535kg, mainly as a result of increased production of low-grade surface dump material and reduced production underground

It is not clear whether the reduced tonnage from underground was necessitated by the need to step up development in the promising 3C Shaft area.

The tonnage milled increased from 448 000 to 467 000 tons, with the ore from surface dumps increasing from 163 000 to 211 000 tons The surface grade also improved, rising from 0,8g/t to 0,9g/t

Ore milled from underground dropped from 285 000 to 256 000 tons and the recovery grade from 5,6g/t to 5,25g/t

The directors say in the annual report that the mine will mill an average of 275 000 tons of ore a quarter in the current financial year at an estimated recovery grade of 5,4g/t

The gold yield at ET Cons was lower, but an increased milling rate resulted in production rising from 835kg to 876kg Taxed profit rose from R4,8 million to R6,1 million.

At Village Main, taxed profit was R633 000, down from R797 000 in September

Gold Fields improves profits

Star 19/1/94

Improved returns from its mining investments lifted Gold Fields of SA's attributable profits by 12 percent to R132 million (R118 million) in the six months to end-December

Gold Fields said if the improvement in the rand gold price received during the first half of the year continued net earnings would show a modest increase for the full financial year

Earnings a share were 14c higher at 132cand an unchanged interim dividend of 70c a share was declared

Income from investments rose 16 percent from R115 million to R133 million (2.14)

However, lower income from fees, interest and other sources limited growth in revenue to three percent at R229 million from R223 million

Expenditure levels were maintained at R86 million, including R19 million for drilling and prospecting A large portion of this was spent at mines in Ghana and South America

The group says drilling at Gold Fields Ghana was proceeding as planned, but that refurbishment of the mine was slower than anticipated The mine was operating at a profit in the six months, as production had been lifted to 110 kg per month

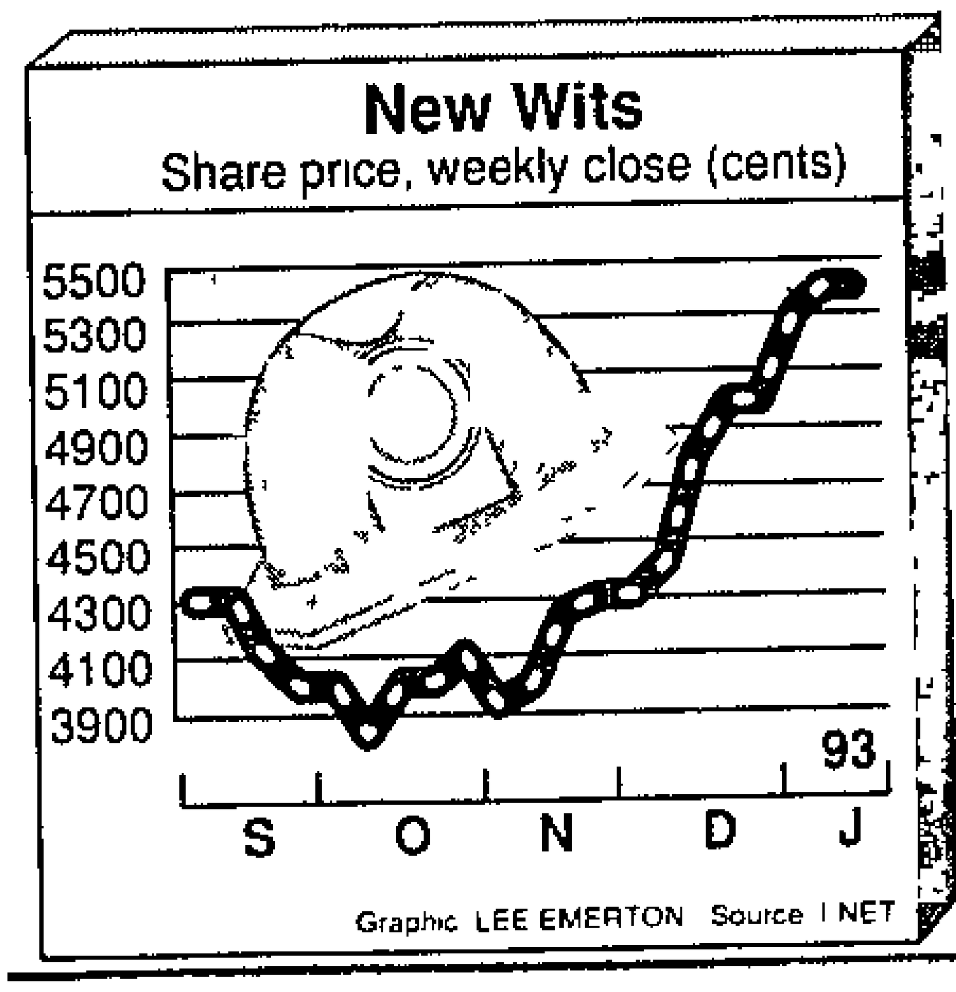
Profit before tax was five percent up at R143 million (R136 million) and a lower tax charge resulted in the 12 percent improvement in attributable earnings — Business Staff

Income leap increases New Wits share price

NEW Wits, Gold Fields' investment and exploration subsidiary, has reported an increase in earnings to 28c from 21c a share in the six months to December 31 after a jump in income from its range of mining and industrial interests

The company declared an unchanged 17c interim dividend.

Income from investments, of which the biggest are stakes in Driefontein Consolidated, Northam Platinum, Sasol and Vogelstruisbult Metal Holdings (Vogels), rose to R9,23m from R7,69m



Graphic LEE EMERTON Source I NET

MATTHEW CURTIN

No investments were sold in the period compared with R16m of sales in the second half of 1992/3 Interest income rose to R174 000 from R4 000 B/Day

Costs fell to R1,1m from R1,3m leaving pre-tax profit improved at R8,31m from R6,43m. A tax credit lifted after-tax profit to R8,61m (R6,42m). 14/1/94

A company spokesman said year-end earnings would not match last year's because any surplus on realisation of New Wits investments would be "substantially lower" (214)

But improving rand gold prices would bolster investment income and second half earnings "should be maintained" at the first half's level

Vogels, Gold Fields base metal investment company, reported sharply improved earnings of 55c (36c) a share in the year ended December 31 but declared a flat 35c total dividend

Higher investment income, asset sales more than offset lower interest income to leave total revenue at R12,4m (R9,34m)

Costs and write-offs were lower leaving pre-tax profit up at R10,4m (R6,68m)

Vogels paid neglible tax and turned in after-tax income of R10,1m (R6,72m).

Randgold & Exploration reports rocky set of results

BDay 14/1/93

LITTLE went right for Randgold & Exploration in the December quarter as the four gold mines owned by the group plunged to an aggregate after-tax loss of R17,3m from a loss of R6,18m in the previous quarter

The mines were plagued by underground production hitches, falling grades, rising working costs and low gold prices

Matters were not helped by the lingering impact of the amount of gold the mines sold forward, ensuring that average prices received, although slightly higher quarter on quarter, compared unfavourably with current spot and average prices The mines received R37 366/kg compared with average spot prices of R40 500/kg and yesterday's rand gold price of nearly R42 200/kg

The biggest drop was at Blyvooruitzicht, where a sharp fall in grade

MATTHEW CURTIN

to 6,19g/t from 6,71g/t sent the mine stumbling to a R2,56m after-tax loss compared with after-tax profit of R2,52m in the September quarter

Randgold CE John Turner said Blyvoor faced a critical six months before the benefits of the tribute agreement, signed last year with Anglo American's neighbouring Western Deep Levels mine, were fully felt The agreement should extend Blyvoor's life to the year 2000

The axe continues to hang over underground operations at Durban Deep, whose woes were exacerbated by a sharp fall in productivity as absenteeism continued in the wake of violent clashes between miners in September Turner said nearly 10% of the semi-skilled workforce had been failing to report for work.

Milled throughput from underground had fallen to 220 000 tons (257 000 tons), output had fallen and working costs had shot to R48 544/kg (R44 728/kg) The mine had some of the longest-standing forward sales contracts in the group The average gold price received was R36 605/kg The mine was R6,83m (R3,88m) in the red after tax (24)

ERPM won little relief from its move to a continuous working schedule The mine reported an after-interest, tax and capex loss of R24,6m (R19,4m) However, ERPM had the best prospects for recovery The group's R550m rights issue last month cleared its crippling debts and Turner said productivity was set to improve in the quarter

Harmony's vulnerability was emphasised by fewer working days in December contributing to a fall in gold production, although costs were the best contained in the group.

RANDGOLD December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Blyvoor	**237**	**6,19**	**1 466**	**242,67**	**39 231**	**37 081**	**(2 555)**	**(9 165)**	**(38,2)**
September	242	6,71	1 624	240,87	35 893	36 479	2 516	(1229)	(5,1)
Durban Deep	**220**	**4,07**	**895**	**197,48**	**48 544**	**36 605**	**(6 825)**	**(7 188)**	**(309)**
September	257	3,71	954	166,03	44 724	35 911	(3 882)	(4 738)	(204)
ERPM	**256**	**5,74**	**1 469**	**259,31**	**45 225**	**38 725**	**(16 874)**	**(24,571)**	**(165)**
September	285	5,93	1 689	230,66	38 921	36 762	(9 388)	(19 426)	(13)
Harmony	**1 514**	**3,38**	**5 111**	**123,90**	**36 702**	**37 051**	**8 968**	**5 807**	**21,6**
September	1 622	3,33	5 395	116,85	35 130	37 192	16 936	16 492	61,3

Randgold mines disappoint

Star 14/1/94

■ BY DEREK TOMMEY

The disappointing December quarterly results of the four Randgold mines show that despite the higher gold price, they are still marginal and struggling to stay in business

Chairman John Turner says the position at all four mines has deteriorated since the September quarter

ERPM, which recently received a R550 million cash injection, and Blyvooruitzicht reverted to a loss situation

Durban Deep faces the possibility of having to halt underground operations

Harmony's working profit was almost halved thanks to three fewer milling days during the quarter

The biggest disappointment is probably ERPM

The milling rate from underground operations fell from 285 000 tons to 256 000 tons and gold production by 220kg to 1 469kg Costs rose from R38 921 to R45 225 a kg

Revenue from both surface and underground operations fell from R79,4 million to R73,2 million, while costs rose from R73,9 million to R77,4 million This resulted in a working loss of R4,2 million (working profit of R5,6 million)

Turner says the mine has not received the benefits from 30-day mining as quickly as expected

(2.14)

Durban Deep's working loss rose from R5,1 million to R7,5 million, mainly as a result of a drop in the milling rate from 257 000 to 220 000 tons

Lower production was mainly the result of disruptions caused by violence among workers and fewer working days But it stemmed from the lack of flexibility at the mine caused by the austerity programme in the years of a low gold price

Results of a probe into the viability of the mined will be announced later

As a result of a drop in the gold yield, **Blyvooruitzicht** had a working loss of R2,55 million (profit of R1,8 million)

Results are likely to remain poor until the mine starts working later this year the higher grade ore it is tributing from Western Deeps

The effect of the loss of three days on the milling rate at **Harmony** cut working profit from R14,4 million to R7,4 million

This shows the sensitivity of the mine to small changes in operations, says Turner

GFMS dispels fears of collapse in the gold price

Star 14/1/94

■ BY DEREK TOMMEY

Investors should not worry that the gold price is about to collapse

Dr Stewart Murray, chief executive of Gold Fields Minerals Services (GFMS), regarded as the the most authoritative of all the organisations keeping track of gold production and sales, says the latest developments in the market suggest it is entering 1994 in good shape.

He says that by comparison with the period of flat trading in 1992 and the overheated state of the gold market in the second quarter of 1993, the market now appears to be returning to normality

Signs of this include the recovery of physical demand to more normal levels, as well as the presence of both price volatility and broadly based investment demand

This should not be regarded as abnormal for a financial commodity such as gold

In a flash report on the current situation, he says that the rise in the gold price in 1993 was probably the result of two factors: a re-appearance of substantial and broadly based investment demand in Europe and North America, a decline in supply from the official sector and producer hedging

He says the most surprising aspect of the increased investment demand is that it occurred against a background of low inflation in other than a few developing countries

He suggests that the upsurge in investment buying could indicate a belief that inflation is at a cyclical low, rather than a move by the world to a disinflationary environment

On the other hand, the higher prices led to a decline in fabrication demand and in bar hoarding

The sensitivity of jewellery to higher prices is one reason But other factors include the economic weakness of Japan and Europe, the austerity drive in China and the availability of gold from stocks built up the Middle and Far East in 1992 and the early months of 1993

B14)

Murray says the price rise between the first and second half of 1993 had a significant influence

Central bank sales increased, partly because some banks sold as the price rose

But a substantial amount of official gold came from banks having to meet call options written earlier in the year

At the same time, the rising prices and reduced forward premiums resulted in producers running down their forward positions, which they had increased in the first half of the year

The sudden increase in the gold price in the second quarter hit physical demand in Asia, says Murray But by the fourth quarter these markets were beginning to recover

This might indicate that the excess inventory has been worked off and that Asian consumers have adjusted to the higher gold prices

Initial estimates are that total gold supply last year was 3 348 tons, down from 3 507 tons in 1992

Mine production increased by 31 tons to 2 269 tons, while net official sales dropped from 582 to 440 tons

Supplies of gold scrap rose from 453 tons to 508 tons

Total fabrication demand dropped to 2 950 tons (3 120 tons)

Jewellery offtake dropped from 2 675 tons to 2 493 tons, but investment demand rose from 14 to 119 tons

Lindum fillip

Own Correspondent

JOHANNESBURG — Increased production of better grade ore at Lindum Reefs helped the JCI-owned gold producer lift after-tax profit by a third in the December quarter to R9,77m from R6,15m The company mines old sections of Randfontein Estates but since 1992 has focused on opencast mining

(214) CT 13/1/94

More and better ore gives Lindum a boost

BIDay 13/1/94

MATTHEW CURTIN

INCREASED production of better grade ore at Lindum Reefs helped the JCI-owned gold producer lift after-tax profit a third in the December quarter to R9,77m from R6,15m

The company mines old sections of Randfontein Estates but since 1992 has focused on opencast mining after underground operations were suspended because of low grades, high costs and poor gold prices

A company spokesman said yesterday the 30% jump in gold output to 507kg (389kg) was "mainly due to the variable gold distribution from the different mining areas" (214)

The amount of surface material broken increased to 1,9-million tons (1,6-million tons) but milled throughput remained unchanged at 94 000 tons The yield improved to 5,4 grams a ton from 4,1g/ton.

Production costs declined to R85,8/ton from R98,3/ton, leading to doubled working profit as the average gold price received was almost unchanged at R38 485 a kilogram

In the September quarter the mine's capital spending increased from R155 000 to R938 000.

Lindum's share price has been one of the most volatile in the past year, with the stock closing 25c down at R12,25 yesterday compared with its low of 20c this time last year

Gold Fields slows mining profit slide

COST control and higher gold production reduced the decline in aggregate after-tax profit reported by the four gold mining companies owned by Gold Fields, resulting in December quarter profit of R387,7m (R396,6m), despite lower gold prices. B/Day

The mines recorded an average gold price of R39 758 a kilogram compared with R41 640/kg but increased gold output to 30,7 tons from 29,3 tons. 11/1/94

The more or less flat quarter-on-quarter performance nevertheless represented a sharp improvement on results in 1992 before the rally in gold prices last year.

Executive director Alan Munro said after-tax profit for the six months to December was about 60% up at R784,3m compared with the same period in 1992, when it stood at R490,2m. (214)

Overall tons milled increased marginally in the quarter with higher average grades of 8,9 grams a ton (8,5 grams a ton) lifting gold output and pushing revenue up R2,6m to R1,22bn.

Total working costs rose slightly to R731m from R729m, equivalent to a drop

MATTHEW CURTIN

in unit working costs to R23 795/kg (R24 899/kg). Munro said that the decline in unit costs varied from mine to mine, but it was satisfying to see mine managers had "their eyes on the ball and are keeping the lid on costs"

Working profit was up marginally at R491,7m from R491,3m

A fall in the group's tax bill to R142,5m (R148,6m) was not enough to offset reduced sundry revenue inflated in the previous quarter by insurance payments.

Munro said the group's capital spending programme, concentrated at Driefontein, Deelkraal and Leeudorn, was gathering pace, reflected in the increase in capital spending to R163,9m from R141,2m.

He added that the best performances in the quarter came from East Driefontein, which increased its average grade by 10%, and Kloof, whose financial performance was unaffected by the accident which badly damaged one of its shafts in October.

● See Page 5

Kloof shrugs off mishap's disruption underground

B/Day 11/1/94

MATTHEW CURTIN

KLOOF gold mine sailed through the December quarter barely affected by the accident which damaged one of its deep-level shafts and disrupted underground production in October.

The mine, mainstay of Gold Fields' Kloof gold mining company, kept the quarterly amount of ore treated at 540 000 tons by putting ore stored above ground through its mills.

Executive director Alan Munro, presenting the mining house's quarterly results yesterday, said Kloof had enough material to last for as long as it took to repair the damaged No 3 sub-vertical shaft.

Kloof division succeeded in lifting its grade to 13,9g a ton (13,8g/ton), which raised gold output slightly to 7,5 tons.

As with the rest of the group's mines, good operating results were knocked by weaker gold prices received, down on average at R39 758/kg from R41 640/kg.

Kloof's working profit fell to R144,5m from R153,3m.

Leeudoorn division upped its milling rate to 315 000 tons in the quarter from 300 000 tons as the mine continued to expand. Grades suffered as a result, but unit working costs were cut to R33 366/kg from R34 906/kg.

Libanon division, incorporating the merged Venterspost, seemed to have put the losses sustained last year behind it, and achieved a sharp increase in grade.

Overall, Kloof continued to benefit from a negligible effective tax rate and notched up after-tax profit of R174,1m compared with R187,5m.

Munro said the quarter's best performance came from East Driefontein, which recorded its highest grade in four years, up 10% at 10,5g/ton from 9,4g/ton. The mine increased milled throughput, so gold production jumped to 7,5 tons from 6,6 tons.

Neighbour West Driefontein improved grade to 10,7g/ton (10,4g/ton) and gold output rose to 7,6 tons from 7,5 tons. Combined after-tax profit for the two mines climbed to R194,4m from R186m. (214)

"So good, so far" was Munro's verdict on Doornfontein, which edged a little further away from closure with a solid performance and an increase in gold output at 949kg from 908kg. After-tax profit fell only slightly but a R4m capital recoupment boosted bottom-line earnings sharply to R8,33m from R5,93m.

Munro said the mine's longer-term future depended on healthy gold prices and accelerated underground development, while Doornfontein would have to make provision for the possible loss of its appeal against a ruling ordering the company to compensate, to the tune of R3m, and reinstate 2 300 workers sacked in 1991

He said the disappointment of the quarter was Deelkraal, still struggling to reach production targets

GOLD FIELDS December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Driefontein	**715**	**10,5**	**7 506**	**196,7**	**18 742**	**39 536**	—	—	—
September	705	9,4	6 626	199,3	21 211	41 911	—	—	—
West Driefontein	**710**	**10,7**	**7 628**	**221,4**	**20 607**	**39 735**	**194 385***	**107 168***	**52,5***
September	720	10,4	7 482,5	215,2	20 713	41 418	185 969*	113 032*	55,0*
Kloof	**540**	**13,9**	**7 527,8**	**289,5**	**20 770**	**39 962**	—	—	—
September	540	13,8	7 467,3	292,8	21 174	41 704	—	—	—
Leeudoorn	**315**	**7,0**	**2 213,6**	**234,5**	**33 766**	**40 058**	—	—	—
September	300	7,2	2 167,8	251,6	34 906	41 399	—	—	—
Libanon	**465**	**5,8**	**2 685,1**	**209,5**	**36 239**	**39 907**	**174 077***	**101 166***	**73***
September	469	5,2	2 454,8	203,1	38 819	41 975	187 531*	128 142*	92,4*
Deelkraal	**367**	**6,0**	**2 202,6**	**192,2**	**32 031**	**39 854**	**14 904**	**7 135**	**7,2**
September	377	5,7	2 156,8	185,7	32 465	41 953	18 571	8 337	8
Doornfontein	**328**	**2,9**	**949,4**	**106,2**	**36 707**	**40 182**	**4 331**	**8 333**	**20,8**
September	327	2,8	907,8	104,1	37 511	41 596	4 565	5 930	14,8

* Combined results of Driefontein and Kloof mining companies.

Production up nearly 5 percent to 31 tons

GFSA gold mines show how it's done

Star 11/1/94

(214)

■ BY DEREK TOMMEY

Gold Fields gold mines pulled out all the stops in the December quarter, boosting production by almost one-and-a-half tons, or 4,97 percent, to 30,7 tons

The good news was offset by a R1 882 a kg, or 4,5 percent, drop in the average gold price received from R41 640 to R39 758 a kg The overall result was working profit for the quarter remained almost unchanged at R491,7 million (R491,3 million in September)

The lack of profit growth is likely to disappoint those who have not kept track of the gold price But even a quick look at any graph of the gold price makes it clear that the mining industry received a much better price for its output in the September quarter than it did for most of the December quarter

Investors can take some consolation from the fact that had the September quarter gold price been repeated in the December quarter, group working profit would have been R60 million, or 12 percent, higher

With the gold price still trading at just below R41 000 a kg, despite its latest decline, the group could realise the increase in the current quarter

The December reports highlight the great improvement in profitability at all group mines — and not all of this has been the result of the higher gold price

Doorfontein earned R380,4 million in the half-year to December, a 49 percent increase on the R255,1 million earned in the same period in 1992

Kloof's earnings were up 50,4 percent from R240,5 million to R361,6 million

Deelkraal's earnings rose 27 percent from R26,3 million to R33,5 million Struggling Doornfontein converted a R23 million loss into a profit of R8,9 million.

Helgo Kahle (left), GM of the coal and base minerals division, and Alan Munro, head of the gold division, at yesterday's briefing. PICTURE GEORGE MASHININI

A feature of the results was that every producer reduced unit costs

"We're not allowing the higher gold price to let the mines take the lid off costs," Alan Munro, head of the gold division, said yesterday

He said capital expenditure in the quarter had risen to R163,9 million from R141,2 million in the September quarter

The expenditure was for normal on-going work and not the result of the higher gold price

But there was an increase in the tempo of spending because there had been an increase in the number of shafts

Star of the quarter was **East Driefontein** which increased production by 13 percent from 6 626kg to 7 506kg and now has the lowest unit costs in the group at R18 742 a kg

West Driefontein increased production from 7 482,5kg to 7 628,8kg It has introduced sorting, which has led to a drop in the milling rate, but could lead to an increase in gold yield

Together, East and West Driefontein had a taxed profit of R14,4 million (R186 million) Capital expenditure was R87,2 million (R72,9 million)

The **Kloof** division of the Kloof mine increased gold production from 7 467,3kg to 7 527,8kg, despite the No 3 sub-vertical shaft being out of commission Kloof should be able to maintain current production until the shaft is operational by drawing on surface dumps.

Helgo Kahle, general manager of the coal and base metals division, said the undertone in the base metal markets had improved except for copper, where the speculative stockpile built up earlier last year was still being worked off

Higher transport costs in Russia had led to a drop in export coal sales, enabling the coal division to make spot sales

'No easy gold booms' in geologically mature fields

BDay 7/1/94

MATTHEW CURTIN

SA HAD little chance of seeing a repeat of past gold mining booms because of the geological maturity of the gold fields and the unpredictability of gold prices Anglo American gold division MD Lionel Hewitt said yesterday

Hewitt, who retires in April also disputed suggestions that gold mining was entering a 'new era'

Certain analysts have said the industry was entering a new phase of consolidation, with unprecedented focus on maintaining gold output at levels of 500 tons to 600 tons a year and improving product quality

Hewitt noted "New projects are a long way off (and) dependent on much higher sustained gold prices Mines will prefer to distribute their earnings to shareholders rather than commit themselves to high-risk new capital projects with long lead times"

Problems at cash-strapped developing mines Oryx and Joel, and the older Deelkraal, had had a sobering impact on the industry whose current successes were the careful extension of existing operations at Moab/Vaal Reefs and Target/Loraine, he said

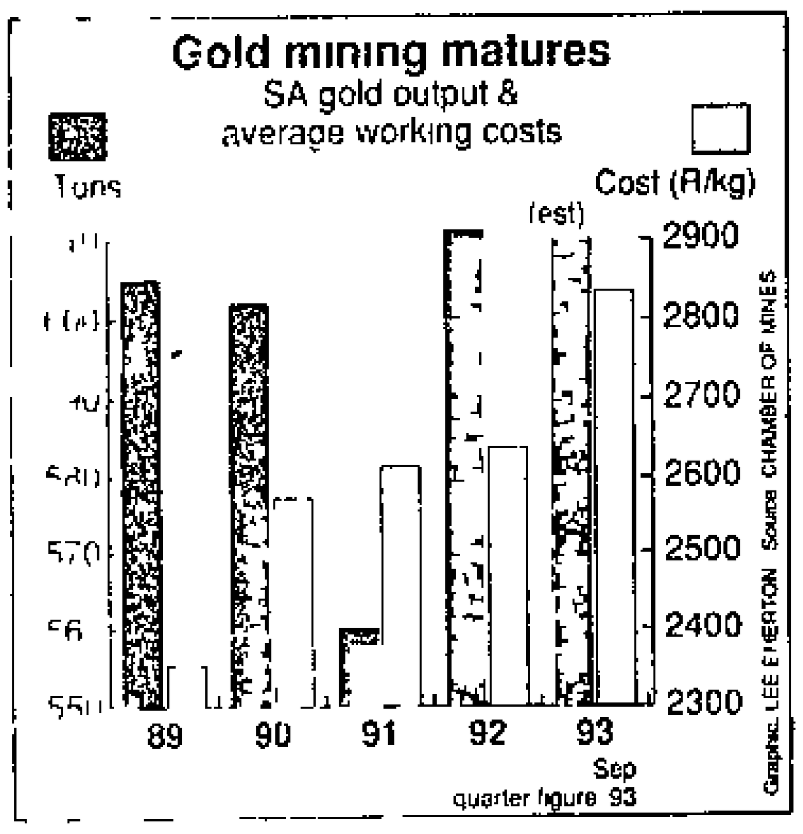
Mine managers would focus on increased efficiency to extend their mines' lives in the face of the long-term decline in grades

"Successful application of new mining techniques such as diamond wire cutting and impact ripping underground will be vital in enabling the mines to achieve a significant jump in productivity," Hewitt said

Diamond wire cutting involves extracting reef with diamond-studded steel cable Although recently abandoned at Gengold's Leslie mine, the experimental technique is in operation at Anglo's Freegold (214)

Mine manager Ken Dix said the project was in its early days However, the technique's spin-offs were potentially huge in eliminating the mining of unpayable reef, so cutting the number of reduction plants necessary, saving tunnelling, timber and explosives costs, improving rock mechanics, operating 24 hours a day, cutting transport expenses, and opening up opportunities for more imaginative productivity-linked pay schemes

Gold Fields has taken over sole funding for developing impact ripping — which involves a mobile pneumatically powered rock chisel moving down a stope face on track — originally financed by the Chamber of Mines While similar in benefits to diamond wire cutting, its application is said to be more limited



Hewitt said that finds such as the geologically well-defined Evander field were improbable and remaining prospects — inevitably geologically difficult ore bodies unlike those in the Witwatersrand Basin — were viable only with sustained gold prices above R50 000/kg and new technology

He said the lesson learnt at Oryx and Joel had been that the experience gained in exploiting the greater reefs of the Wits Basin could not necessarily be applied to the outlying lesser reefs being tackled at these mines Such projects required more careful exploration and development

Frankel, Pollak, Vinderine analyst Trevor Pearton echoed Hewitt's comments, adding that Oryx and Joel had "taught the industry the time value of money" It was fatal to miss development targets in a climate of high inflation and interest rates

He said diamond wire cutting and impact ripping were encouraging developments but the failure of mechanised mining methods to improve efficiency showed the difficulty of applying capital-intensive technology in the hostile environment of deep-level mining

COMPANIES

Freegold to close one of its shafts

MATTHEW CURTIN

FREEGOLD, the world's largest gold mine, had decided to close one of its 27 shafts — which had no chance of stemming its losses of more than R3m over the past year — Anglo American gold division spokesman James Duncan said yesterday.

Duncan said the exercise was unlikely to lead to job losses. However, the announcement dampens optimism, voiced in December by the Chamber of Mines, that improved gold prices could soon spark net recruitment of workers by gold mines, which have cut tens of thousands of jobs in recent years. B/Day 6/1/94

Duncan said the Free State Saaiplaas No 2 shaft lost R3,6m between April and November 1993. With no prospect of increasing its grade of 2,57 grams a ton, the shaft would continue to make losses at current gold prices.

"At this stage management does not believe it will be necessary to retrench any of the shaft's 1 150 employees," he said. Workers would be placed elsewhere at Freegold during the nine months to two years it was expected to take to close the shaft.

Freegold's workforce has tumbled from 107 842 employees and contractors in 1990 to 87 673 at the company's year-end last March. Duncan said compulsory redundancies were minimised as many workers opted for volutary redundancy or its extended unpaid leave scheme. (214)

Although Anglo has given the go-ahead to a new R371m shaft at Freegold, set to come on stream in the year 2002, the project will provide only replacement tonnage for the company and create no new jobs.

Freegold produced 115 tons of gold in 1992/3, equivalent to revenue of R3,9bn, on which it reported earnings of R188m after tax and capital spending.

Lydex turns loss to profit

B/Day 6/1/94

MATTHEW CURTIN

THE SHIFT in emphasis at Lydenburg Exploration from pure exploration to gold production gathered momentum in the year ended September 30 with the company turning a loss of 23,6c a share into attributable profit of 4,2c a share

Lydex paid no ordinary dividend It distributed its rights in Anglo American's Moab project directly to shareholders but has disposed of its other listed investments — total investments at September 30 were worth R11,2m — to be passed on to shareholders in a dividend in specie later this month (214)

Since 1991, the Old Mutual-controlled Lydex has been operating a dump recovery facility, known as the Pluto project, treating slimes dams at Randgold's ERPM

Pluto reached full production in 1993, with improved gold prices helping to boost dump revenue to R10,4m (R2,5m) out of total revenue of R13,7m (R10,2). Revenue was lifted in 1992 by a R4,89m profit on the sale of one waste dump, with profit from the sale of another at only R1,1m in 1993.

Costs fell sharply to R8,52m from R39,6m reflecting exploration spending, down at R7,15m (R37,6m) Net profit stood at R5,19m (R29,4m loss), helping eat into Lydex's accumulated loss of R45,9m at the year's start The loss was R40,7m at year-end

Chairman Peter Bieber said yesterday Lydex was sufficiently well funded for "exploration and the acquisition of quality projects"

A company spokesman said drilling on a northeastern Transvaal platinum prospect would start in January, while Gengold would bring to account its Area One East project next to Vaal Reefs, in which Lydex has a 21,1% share

SA mines miss out on gold price bonanza

(214) CT 5/1/94

From ANDY DUFFY

JOHANNESBURG — The SA gold industry missed out on revenues worth more than R300m in the three months to September, as forward selling prevented most mining houses from exploiting the burgeoning gold price

Figures released by the Chamber of Mines show the gap between average spot prices for the September quarter and actual revenues received hit its widest point since hedging records began 12 years ago

The R300m of potential revenue forfeited in just one quarter compares with the R1 02bn the industry netted from hedging in the two years to last June

Analysts are divided about whether the gap will narrow in the current quarter, despite attempts by several mining houses to unravel forward positions

The Chamber's figures show the average gold price for the quarter was R45,194/kg, up R4 588 kg on the previous quarter

But hedging left average revenues received at R43,081 kg, cutting total revenues back R303m on the total 143 521,1kg produced by the six mining houses

Closing gold prices

(In $ an ounce)	LONDON
NEW YORK	393,60/394,10
393,75/394,25	Fixing am 395,00
ZURICH	Fixing pm 394,10
393,00/396,00	— Reuter

Chamber economist William Houtman said many mining houses had adjusted forward selling positions with the onset of the bull run, though not without exception

The quarter had extended a trend started in the June quarter, in which hedging cut revenues by R34m The jump comes despite a fall in forward selling from around 30% to 25% of total production over that period

Many mining houses have said hedging is not aimed at making a profit but in securing tonnage and sometimes, survival But the size of lost revenues, and the prospect of further shortfalls in the December quarter, is likely to strengthen calls for the industry to reconsider hedging plans

Only Gold Fields does not hedge its production, and to date only Gengold has made clear it will unravel forward positions Anglovaal, JCI and Anglo American are maintaining a watching brief, while Randgold, which hedges around 80% of its production, has ruled out any reduction in forward selling

Irish & Menell Rosenberg analyst Duncan Ingram said gold's continued rise could prompt a retreat from forward sales "Many believe that gold will go above $400 so there'll be further unravelling"

He said it was not clear that September had seen the gap between quoted and received gold prices at its widest

Frankel, Pollak, Vinderine analyst Trevor Pearton said the gap should narrow for the December quarter Gold had not repeated its performance during the three months to September The average quoted gold price is thought to have been around R42 000/kg for the December quarter

But other analysts said that many hedged contracts struck in the three months to December 1992 had been at very low prices This could see the loss in potential revenues grow in this quarter

Leslie gold mine faces a decline

ANDY DUFFY

GENCOR's gold company Gengold has warned that Leslie mine, a mainstay in its Evander operations, faces a sharp decline in operational performance this year. BIDAY

In the mine's annual report, Leslie chairman Kobus Olivier said a fault on the mine's Northern Block could force costs up 20% to R31 188/kg from next June 5/1/94

The pressure on the mine's total reserves would also cut production by one fifth to 2,122kg, Olivier said.

Gengold also warned that its Free State Unisel operation was in a "precarious ore reserve position", despite attempts to generate a more flexible base. (214)

Chairman Gary Maude said the mine had been hit last year by disappointing grades

A cut in operations and falling grades left gold output down 2% at 4 991kg, while production costs edged forward 2% to R28 632/kg. The mine planned to stabilise production at last year's levels.

Kinross had developed a "reputation of stability among investors", Maude said. The mine had to access deeper reserves to the east of No 1 shaft to maintain that stability.

Winkelhaak would target good grade reserves to prevent its high development rate forcing up costs.

Leslie gold mine facing a sharp drop in output

Star 5/1/94 (214)

Leslie's gold output might fall by 20 percent if the Evander operation in the Gengold stable fails to develop enough mineable reserves by the second half of this year

That's the warning from chairman Kobus Olivier in 1993 annual report

Gold production could fall to about 2,4 tons from the current 2,67 tons

The reserve problem is due to the intersection of a fault much earlier than expected, also resulting in a reduction in the projected life of the high-grade Northern Block by about 2,5 years

Olivier cautions that this could lead to a 20 percent rise in production costs

Several other 1993 annual reports for Gengold mines were released yesterday

Unisel is in a "precarious ore reserve position" in the short term, despite the focus on generating a more flexible ore base, chairman Gary Maude says in his review

The Free State producer's gold output fell in the last two last quarters of the financial year to September 1993

Maude says it is hoped gold production levels for 1994 will stabilise around those of the 1993 financial year (4,99 tons)

The deeper reserves to the east of No 1 shaft at group heavyweight Kinross need to be accessed in the near future if the mine is to maintain its stable performance, Maude says

These reserves represent about half the future life of the Evander operation

"In selecting the optimum alternative between a sub-vertical shaft, sub-inclined shaft or a decline, cognisance will be taken of the need to create flexibility in capital projects, given the future volatility of the rand gold price and equally important dividend returns to the investor"

In Winkelhaak's review, Maude says the 35-year mine needs to target good grade ore reserves to improve flexibility and stave off additional upward pressure on costs

"Values at No 6 shaft have been disappointing while those at No 2 shaft are promising" — Sapa.

Genbel, Sanlam poised for huge Oryx write-offs

(214) CT 4/6/94

From ANDY DUFFY

JOHANNESBURG — Two major shareholders in Gengold's Oryx gold mine are poised to take large charges to cover potential losses on the struggling Free State mine

Genbel and Sanlam, which together hold about 30% of Oryx, said yesterday that they would write off much of the R290m they have pumped into the mine in their next year-end accounts

The companies contributed the money as part of a R979m interest-free loan to Oryx in 1991, with Gencor and Anglo American providing the remainder

But the mine has warned that it will need an additional R900m to break even, after poor initial grades forced its break-even target back three years

Genbel MD Anton Botha said the investment company would decide how much of its R140m exposure it would write off at a board meeting later this month

Sanlam's investment head, senior GM Ronnie Masson, said it would finalise its charge closer to its September year end

Major shareholder Gencor, which owns 62,7% of Oryx, has already written off its exposure Anglo American, which holds about 5% with Amgold, said it would wait until its year end before deciding But it said it held "generous general provisions" against loans and investment debt and Oryx would probably not warrant separate disclosure

The announcements come two weeks after an independent audit of Oryx confirmed the mine could hit its original forecast grades, but that it would still need an additional R900m to fund its development

The audit's findings should allow Gengold to table its proposals to refinance the mine to the shareholders this month

Gengold said yesterday that it had nothing further to add to its announcement on the audit findings

But the plans are expected to centre on rescheduling the mine's R550m bank debt, with the shareholders providing the remaining R450m

Sanlam and Genbel said they would wait for Gengold's proposals before taking a decision on the mine The size of their charges would also depend on gold price movements

But Sanlam said there was "no question of any obligation" to put forward more money "We'll listen to the proposals," Masson said "(Being diluted) wouldn't bother us a bit"

Overexposed

Genbel said it was already overexposed to Oryx, but it would rather increase its exposure than see its holding diluted "If that means another R50m or R100m, then so be it," Botha said.

The company could sell other investments to allow it to continue funding Oryx, and was not prepared to see the mine liquidated, he added "We will act as responsible citizens"

Analysts said Gengold might also try to replace bank debt with a gold loan, or go for a debt-for-equity swap The latter could lead to a rights issue, one speculated, which would receive a "nervous" market response

The mine's share price gained 25c yesterday to close at R5,10

Genbel and Sanlam ready to take knocks from Oryx

BDay 4/11/94

ANDY DUFFY

TWO major shareholders in Gengold's Oryx gold mine are poised to take large charges to cover potential losses on the struggling Free State mine. (214)

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The mine's share price gained 25c yesterday to close at R5,10, its level before its funding crisis announcement. Minority shareholders' account for 2,5% of Oryx's equity.

JCI vows HJ Joel will fight for survival alone

BiDay 26/1/94

214

ANDY DUFFY

JCI's embattled Free State mine, H J Joel, would win its fight for survival alone, the mining house vowed yesterday.

Unveiling December quarter results which showed Joel slipping further into the red, JCI gold division chairman Ken Maxwell said a merger with Gengold's adjacent Beatrix mine was not an option "until Joel is back on its feet".

JCI said the mine had been hampered by an unsuccessful attempt at trackless mining, temperamental grades, high costs, and debts.

A revival plan based on development rather than stoping was proceeding well and output would begin to rise during the third quarter of this year.

JCI was exploring various alternatives, including external financiers, to finalise a R100m refinancing for Joel, Maxwell said.

Ore milled at Joel fell to 149 000 tons (167 000 tons) which, combined with lower yields, cut deeply into gold output. Lower production pushed up costs nearly 16% to R37 265/kg while capex up 27% at R8m pushed attributable losses to 8,8c a share (2,6c a share loss).

Western Areas continued to hit new peaks. A yield up 7,3% at 7,34g/t partially offset the impact of lower tonnage from South division, lifting gold production nearly 5% to 4 300kg. Working costs fell 2% to R28 916/kg, leaving operating profit more than a fifth up at R46,3m.

The failure of the steel shaft at South division's No 2 subvertical shaft earlier this month halted production. About 55 000 tons a month, grading 10g/t, had been interrupted.

Gold division MD Bill Nairn said JCI had been advised that the cost of damage and loss of net revenue, apart from a 48-hour excess, would be covered by insurance. Staff at the shaft had been relocated.

A slight pick-up in grade at Randfontein lifted production to 8 187kg (8 121kg) despite lower tonnage. Unit costs were cut 1,6% to R27 701/kg and this, combined with higher revenues, raised earnings 13,2% to 68,9c a share.

Grades in development work so far at Doornkop had been 28,8g/t over 16cm and further development was under way. Development at Kimberley Reef suggested in situ reserves of 12-million tons, grading 5,1g/t.

Underground drilling of the Upper Elsburg reefs recently started at South Deep, with the first borehole result giving 11,1g/t over 1 389cm. Maxwell said plans to establish a mine would rely initially on existing revenues and cash balances rather than a cash call.

JCI December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein ...	2 037	4,02	8 187	111,33	27 701	39 157	65 041	42 129	68,9
September...	2 056	3,95	8 121	111,14	28 138	37 642	57 220	37 215	60,9
Western Areas	586	7,34	4 300	212,18	28 916	39 096	50 162	40 923	101,5
September	600	6,84	4 104	201,85	29 511	38 091	41 756	34 251	85,0
HJ Joel....	149	5,95	886	221,59	37 265	38 077	(637)	(8 671)	(8,8)
September	167	6,01	1 004	193,43	32 174	37 142	3 808	(2 503)	(2,6)

Rand Leases caught on wrong foot by faulting

BI Day 26/1/94

ANDY DUFFY

INDEPENDENT West Rand gold producer Rand Leases was wrong-footed by faulting in the December quarter, but said newly developed high grade reserves were set to bolster its profitability.

Ore milled jumped to 40 827 tons (36 779 tons), but faulting on the South Reef ore body on 21 level again hampered operations, cutting the grade from 4,7g/t to 4,19g/t, which left production lower at 171kg (172,68kg).

A lower bullion price helped trim gold revenues nearly 11% to R170,50/t. Though working costs were cut to R148,95/t (R165,75/t), attributable earnings were left at R19 000 (R45 000).

MD Roger Kebble said the results were disappointing, but belied operational improvements late in the quarter which would lift the producer's performance.

High grade reserves developed through the faulted area lifted the grade in December to 5,12g/t, and the mine produced 75kg in that month.

Kebble said this implied a quarterly production level nearly one-third higher than the output for the December quarter. He added that this would improve Rand Leases' profitability substantially.

(214)

Prospecting on the Bird Reef had revealed an encouraging payshoot, and plans to increase mining in the area were well advanced.

Kebble said previous capital expenditure would allow Rand Leases to extract high grade ore from 23 level over the next 18 months.

"Both developments are expected to impact substantially on Rand Leases' bottom line," the producer said.

Capex, which stood at R272 000 for the quarter, would rise to R350 000 in the three months to March as the mine accessed further payable ore bodies on the No 6 and No 7 shafts.

Consolidated's antimony sales up

JOHN DLUDLU

JCI-controlled Consolidated Murchinson yesterday reported a 21% improvement in antimony revenue for the December quarter to R5,3m, from R4,3m in the previous quarter. This increase was attributed to a big increase in antimony sales. BiDay

However, gold sales were virtually unchanged. Gold revenue rose 11,6% to R12,5m due to the improvement in the rand gold price. 26/1/94.

Total mining revenue increased to R17,8m from R15,5m. (214)

Capital expenditure rose to R1,2m, from R579 000.

There was a marginal rise in after-tax profit to R3,9m (R3,2m).

The company said it would oppose government's claim of more than R4m against the company.

The Department of Trade and Industry had issued a summons against Consolidated Murchinson, claiming the company owed it R4,1m plus interest arising from payments made under an export incentive scheme.

GOLD QUARTERLIES

FM 28 11 94

Momentum slows

The momentum of growth in earnings is slowing That's the stark message from December quarterly results of the major gold mining groups (2.14)

Overall, earnings declined 11%, says Ed Hern, Rudolph gold analyst Grahame Graham-Parker Net profit for the quarter was

FM 28 11 94

R561m, compared with R631m for September There are four main reasons first, costs rose by about 1% across the board Of itself, that is an indication of real and determined efforts by the industry to maintain a tight grip on this side of the equation

Second, total revenue was virtually unchanged at R5,7bn Gold output actually rose 1 t to 145 t and the gold price in rand terms was static Third, capital expenditure rocketed R112m to R657m, and, lastly, sundry income fell 10% to R47m (2.14)

Grade rose to 5,01 g/t, which says something about consistent efforts applied in quality product — the real achievement of holding down the average stoping width impacts on tonnages mined and lifts grade

On the other hand, hedging activities generally worked against the industry, the outstanding exception being Anglo American Overall, one analyst believes the effect will be to clip R130m-R180m off revenue

Capital expenditure increased dramatically However, the final calendar quarter is traditionally a time of jockeying as companies close off accounts to meet financial year-ends or interims, so these numbers shouldn't be taken to indicate a trend There were, however, some big spenders — notably Vaal Reefs, Driefontein and Kloof

Aside from good hedging results at Anglo mines, the best performers were Freegold

FM 28 11 94

and Southvaal **Freegold's** turnout was impacted strongly by its remarkable cost controls and **Southvaal's** improvement comes from an appreciable increase in grade On the other side of the coin, **Elandsrand** disappointed costs escalated sharply to R179/t, sufficient to trim earnings by 20%

The Anglovaal stable produced dull results Earnings at **Hartebeestfontein,** the group's star, fell 6%, at **Loraine,** 65%, though this is a marginal producer and swings of this nature have to be expected (2.14)

At Gencor, **St Helena's** grade improved substantially, from 6,19 g/t to 6,75 g/t Coupled with fairly rigid cost controls, that produced a 56% rise in earnings — though that has to be read off a low base in earlier quarters **Stilfontein,** the limping producer in the Klerksdorp area, actually trebled earnings — but, before investors get too excited, they should note it resulted principally from a write-back of a tax provision

Strangely, best performer at Gold Fields was **Doornfontein,** over which the threat of closure is looming Grade improved and costs were cut 10% The outturn was a 41% increase in earnings, probably not enough to stave off the decision to close but impressive nonetheless GFSA is expected to announce its decision by end-March, the market expects the mine to be mothballed

The irony is that **Kloof,** SA's richest producer, turned in GFSA's worst results In large part, this has its origin in the serious subvertical shaft accident last year, which hit costs hard

At JCI, the last group to report this quarter, all mines except **Joel** did well **Randfontein,** the biggest, jacked up earnings 13%.

Randgold produced unexpectedly bad results, described by one analyst as a "disaster " **Blyvoor's** loss widened by almost 650%, **Durban Deep,** whose underground operation is known to be under review, lost 309c a share and at **ERPM** the loss was 16c. These results will undoubtedly affect Barlow's proposed sale of its 27,5% holding

The caution for all investors now must be whether the gold price will increase enough to compensate for increasing cost pressures

David Gleason

Gold price is now firmly underpinned, say analysts

Star 2/2/94

BY DEREK TOMMEY

Sharp fluctuations in the gold price since the start of the year have created considerable uncertainty about the outlook.

(214)

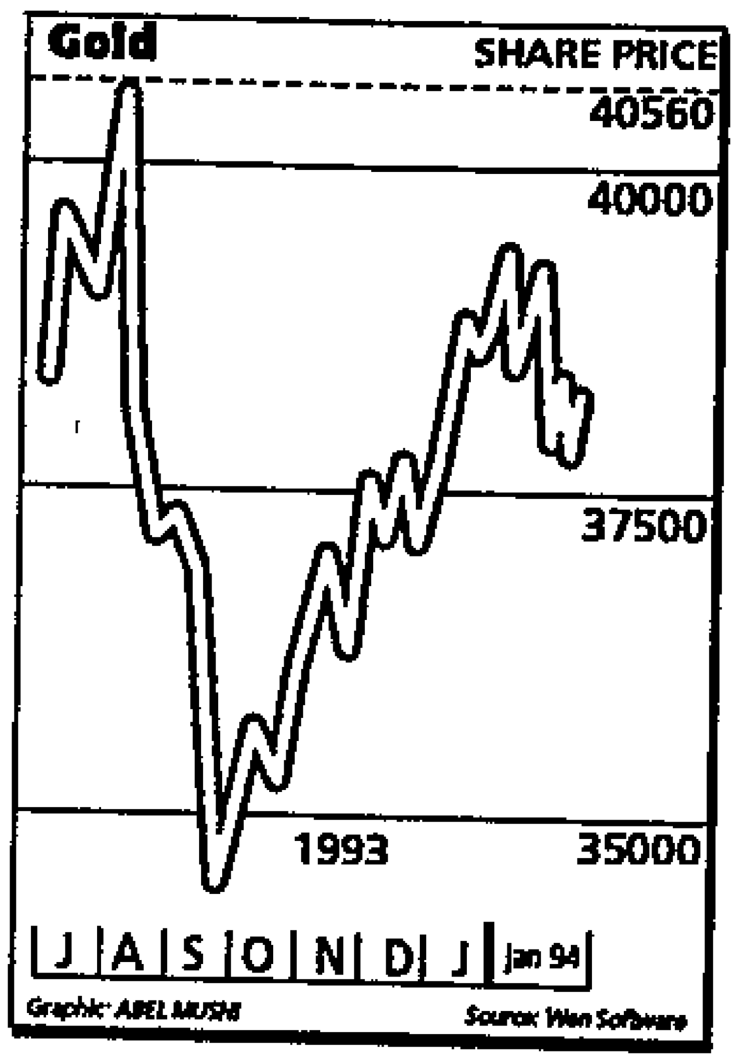
This is exemplified by the remarks of Clem Sunter, chairman of Anglo American's gold division — the world's largest producer of gold — that the price could move between $360 and $440 this year.

However, technical analysts have recently become rather more optimistic, believing that the price is more firmly underpinned now than last August and, as a result, is more likely to appreciate than fall in the coming months.

They point to the sharp fall in the price last August when, in under six weeks, it shed almost $60 from its peak of $405,50 to $345 without any significant signs of support.

This time, the market has shown much stronger resistance to gold's decline.

In its latest fall, it has dropped only $17,05 from its January high, showing it is being strongly supported and that the bears are not having it all their own way, say the analysts



Much of the volatility in the price is the result of US fund speculation

When the funds believe gold is about to rise, they buy heavily with the intention of accelerating the increase

And when they think the price will fall, they sell their own gold along with gold they do not possess

But while the funds were able to manipulate the markets last year, they have not had the same success this year, say analysts.

The fundamentals of the market have recently improved thanks to increased demand and reduced supply

Kennedy Maxwell, chairman of JCI's gold division, said recently there were indications that the Asian central banks, which have only six percent of their assets in gold, were looking to increase their holdings.

And with Russia's mining industry in disarray, it was highly probable its supplies would drop this year

He added that whenever the price dipped, as it did in September and October, physical demand picked up Investment demand was growing, but it was not yet large enough to be a determinant of the price.

However, this could be changing The $4,80 increase in the price in New York on Monday night to $382,05 was the result of inflation fears, said a US economist, and it was triggered by comments by the Federal Reserve chairman Alan Greenspan

If Americans are indeed buying gold on inflation fears, the metal's prospects are bright

SA gold production up 'slig tly at 5,4t last year'

JOHANN SBURG — SA produced slightly more gold last ear at 619,5t compared to 614,1t in 1992, according to figures released yesterday by the Chamber of Mines (214) CT 2/2/94

The figures reflected a 0,88% rise in production of 5,4t last year as output in December 1993 rose to 53,7t compared to 51,5t in the previous month However gold output in December was lower than the 55,3t produced in the same month in '92

Gold hoists JCI above expectations

B/Day 3/2/94

ANDY DUFFY

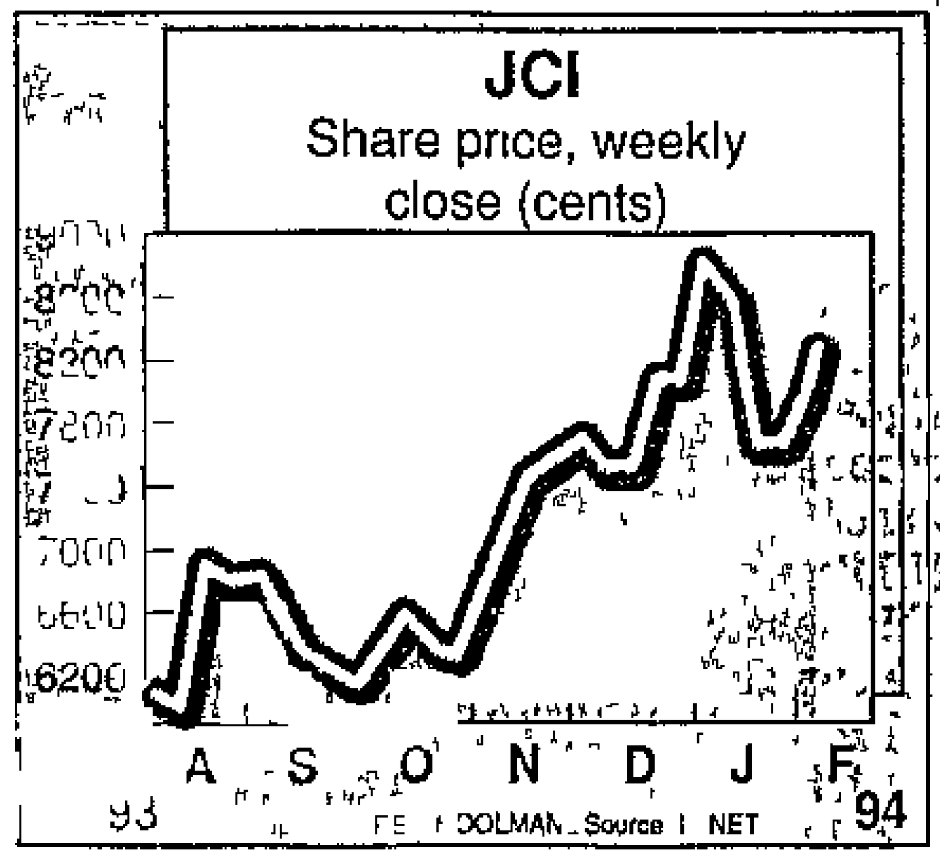
STRONG contributions from gold lifted mining house Johannesburg Consolidated Investment above market expectations for the six months to December, and set it on the road for the first rise in its final dividend in five years (214)

A spurt in income from gold operations — including JSE gold sector darling Western Areas — and healthy turnouts by blue chips SA Breweries and Premier Group pushed interim attributable earnings ahead 5,7% to 111c a share.

JCI said earnings for the full year were expected to rise over 1993 — a more optimistic outlook than that which accompanied the 1993 year end results — and the interim dividend was raised to 46c (42c).

Finance director Vaughan Bray said the outlook remained unclear It was difficult to predict the full year dividend, but on current conditions a 10% rise was possible. "With the dividend pegged for the last four years (at 132c), we think it is appropriate to increase," he said.

Pre-tax profit moved forward 8,3% to R179,6m, leaving earnings prior to associates' income ahead at R163,8m (R155,6m)



JCI took a R10,4m extraordinary charge to cover currency costs stemming from the decision to lift its stake in base metals agent Minerals to 75% last July Equity accounted earnings prior to the charge rose to 132c (119c) a share.

Bray said income from industrial interests again outstripped that from minerals,

□ To Page 2

JCI

B/Day 3/2/94

□ From Page 1

but the gap was narrowing. By the year-end, the contributions from the two were expected to be roughly equal.

Platinum operations Rustenburg Platinum, Lebowa Platinum and Potgietersrust Platinums, which earlier this week posted solid gains, contributed income on a par with last year, Bray said. Ferro-alloy producer Consolidated Metallurgical Industries, which reports its interims today, remained in the same beleaguered position as last year. "It is not making a contribution to our bottom line." (214)

Coal income, hit last year by falling export prices, had improved marginally.

SA Breweries and Premier both lifted their contributions by about 10%, but the performance of publishing interests was mixed. Argus had shown an improvement over 1993, while TML — which publishes Business Day — had deteriorated. JCI was "not expecting much improvement" from publishing for the full year

JCI was carrying debt of about R1bn at the 1993 year end. Bray said improved cash generation had started to reduce this. Net asset value a share jumped 53% to R97,61

Chairman Pat Retief had referred in his 1993 annual review to the prospect of JCI reshaping to meet "unprecedented changes in our external environment".

Bray said JCI had no specific plans in the pipeline. The recently aborted reshuffle between Argus and TML had "made sense", Bray said.

Gengold seeks debt deal to keep Oryx mine afloat

ANDY DUFFY

GENGOLD is trying to finalise a deal to restructure the R550m debt carried by its Oryx gold mine in an attempt to keep the struggling Free State operation afloat.

The Gencor-owned company has drawn up a plan to reshape the bank debt, and market sources said it would meet representatives from Standard Bank, Absa and Nedcor today to secure their agreement.

The mine, which needs an additional R900m to break even, will run out of money by the end of March, bringing operations to a halt

B|Day 8/12/94

Gengold chairman Gary Maude confirmed yesterday that a meeting with the banks was planned, but said it was "nothing out of the ordinary".

(214)

He said proposals would be put to Oryx shareholders "when we have something concrete to put to them"

It was not clear when the refinancing deal would be settled, but Maude was confident Oryx would have money to keep going after the end of March.

Oryx shareholders — Gencor, Genbel, Sanlam and Anglo American — had previously provided a R979m interest-free loan to the mine. Oryx had spent R774,4m of the loan by its year end last August.

The cash should have helped the mine break even this year. Oryx would then have been able to service the bank debt, which has to be repaid by 1999, from its own cash generation

But Gengold warned in October that initial grades far below previous estimates had derailed Oryx's business plans, putting its break-even back three years

Rescheduling the bank loan, which includes interest payments, would leave Oryx short of R450m — a figure thought to have far more chance of securing the support of Oryx's shareholders

Unisel expects gold output drop

WELKOM — Gencor's Unisel said it expected a sharp drop in gold output as a higher anticipated grade had failed to overcome lower throughput.

Mine manager John Dudas said gold output for the year to end-September 1994 would fall to about 3,750kg (4,991kg). B Day

He estimated tons milled in 1994 of 700 000 (820 000) but said average grade was expected to rise to 6,5g/t (6,1g/t). 17/2/94

"With the current cost structure, I think we'll stabilise at this level," Dudas said (2.14)

Unisel's financial year has changed to end-June from end-September but Dudas's forecasts were based on the old arrangement for comparison.

Better development results had put the mine in a more comfortable position, he said "This time last year we were facing major problems"

Dudas said development would continue to be targeted to raise payability and create additional ore reserves. — Reuter.

WEEKLY M

Secret mining talks

(214)

In a wide ranging interview, the elusive chairman of Goldfields counters criticism of the mining house and confirms talks with the NUM He talked to **Bronwen Jones**

SECRET talks are underway between high ranking officials from Goldfields of South Africa (GFSA) and the National Union of Mineworkers (NUM) According to the NUM, it is the first time

GFSA chairman Robin Plumridge insists that they met "several years ago" Whatever the truth of the matter, the fact that NUM president James Motlatsi put foot inside 75 Fox Street in late January, and again this week, augurs well for the industry

Plumridge won't say what they discussed He says the agenda is "philosophical and confidential" Philosophical is Plumridge-speak for group policy

He claims to be unworried by the recent NUM decision to focus special attention on Goldfields, as, "this has happened to all mining houses at some time"

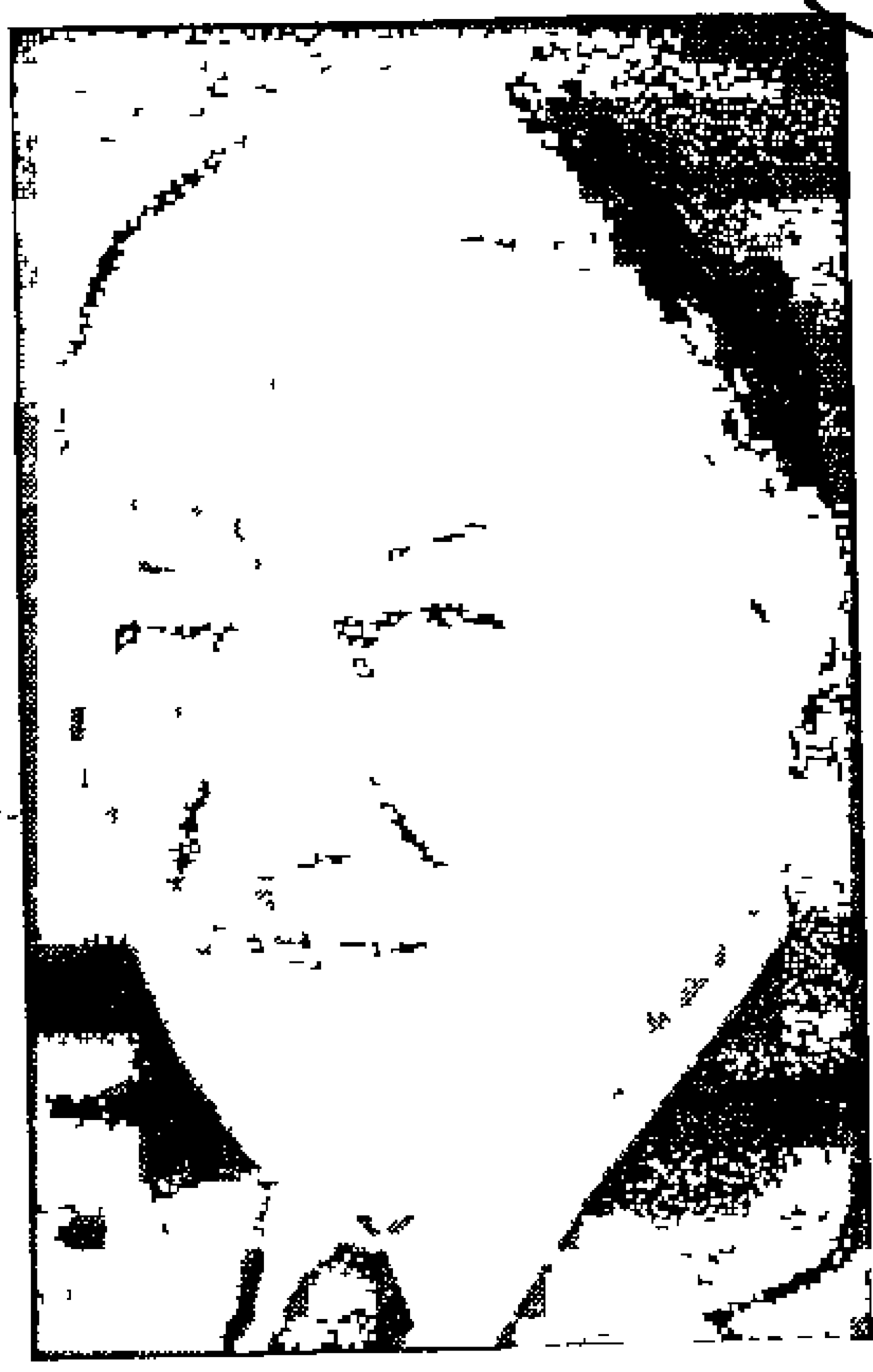
And the NUM's call for involvement in the dispute by the Miners International Federation? "We heard from them at the time of the Kloof incident They had been totally misinformed We sent them a detailed reply and have not heard from them since "

This week, however, Plumridge was at last drawn on a series of verbal attacks on the company by the NUM He strongly denies that Goldfields is opposed to unions per se, saying "Our position on unions is totally neutral We believe in the right of all our employees to have freedom of association — or the right not to It's their free choice "

That stance is moderated by industry agreements on closed shops, which Goldfields says it cannot change unilaterally "We're at one with the industry and have to abide by them Changing agreements would require the mining houses to go to court "

He adds "The issue is being debated right now The industry wishes to renegotiate closed-shop agreements to allow the principle of freedom of association."

The general election is a matter of



Plumridge ... Neutral on unions

great concern to the mining house, on several counts By setting up voluntary voter education programmes at mines, some Zulu workers have accused GFSA of adopting a political stance

CT 18-24/2/94

Plumridge says "It is an unfortunate connotation, but as Inkatha says there mustn't be an election, its supporters see voter education as support for another view "

With a little sigh, he says the response to the programme 'hasn't been as good as we'd have hoped anyway There's a high degree of disinterest "

The company is worried about the Independent Electoral Commission policy on electioneering on private land "A large proportion of the white population are fairly extreme rightwing

"And 20 percent of our black labour force are Zulus We do have the makings of political conflict "

Plumridge says that, in that context, Goldfields has adopted an apolitical stance "We do not encourage people to discuss politics as it would be very inflammatory "

The company is also worried about the possibility of a three- or four-day closure over the election period Plumridge asks, "If there are two votes, how can you denote your vote is, say, for the eastern Cape region? Or does the worker have to go home?"

Responding to NUM and Cosatu's recent claims of an appalling safety record, Plumridge has statistics to hand He says "Individual year figures are misleading West Rand data over four years shows the industry average is 1,8 fatalities per thousand while ours is 1,4 fatalities per thousand "

At much-maligned Kloof, he adds "The figure over four years is 1 3 deaths per thousand workers Safety is a very emotive issue Life is very precious and you can never do enough The quest is for zero accidents, but in the real world the position is different "

He claims, contrary to the Government Mining Engineer's view, that few accidents are due to worker error "We calculate that more than 65 percent of accidents are rockbursts or are seismic related "

Records from one of Goldfields hospitals show only 19 percent of fatalities are due to mine accidents, with 27 percent attributed to assaults, motor vehicle accidents and suicide and 54 percent to medical reasons "We want to get the mortality rate down across all categories '

Most of the assaults are said to be tribal and often involve liquor, and he adds "There has been a marked improvement at Kloof after we forced a local farmer to close a major shebeen "

THE NUM says Goldfields maintains a tribal system in hostels to prevent the union from increasing its membership, but Plumridge retorts "People simply prefer to live with people who speak their own language Especially at higher grades, they do have a choice "

He is concerned over suggestions that rightwing terrorists may be getting their explosives from mines and says "We have checked our records carefully, as much for self interest as anything "

There is occasional pilfering but nothing large scale Nonetheless, Plumridge admits "We are hypersensitised to the issue and have increased spot checks on workers coming up from below ground I think the explosives used probably come from smaller mines or open pit operations "

Mines forgo R520m by selling forward

ANDY DUFFY

THE gold mining industry missed out on gold profits of R520m in the nine months to December 1993 as forward selling sapped the impact of higher bullion prices.

But net gains from hedging were still about R825m for the last three-and-a-half years, according to research by stockbrokerage E W Balderson. Though hedging could clip another R200m from profits by the June quarter, improved gold earnings would result as the mines unravelled forward positions

"The industry has had a net benefit out of hedging, and it is a big number," E W Balderson analyst Nick Goodwin said

All the mining houses except Gold Fields had hedged to underpin earnings and capital expenditure plans or to safeguard marginal operations

In the three years prior to the 1993 June quarter, hedging had netted additional earnings of about R1,34bn, with gains in the three months to March 1993 of R119m, 11% of gold profits for the quarter

Spot prices began to outstrip received prices last April Mining houses such as Gengold opted to unravel forward positions, but higher spot prices still cut, in nine months, nearly 40% of hedging gains.

Hedging left total gold profits R140m lower in the June quarter, R214m lower in the September quarter, and R166m down in the three months to December

Goodwin said Anglo American had won most from hedging The mining house had gained an average gold price of R39 800/kg in the December quarter, just R838 below the average daily price of R40 638/kg

Randgold, which sells forward about 80% of its production, fared less well, with the price received trailing spot prices by an average of 8% in the nine months to December

There was also a wide divergence in cost controls last year While JCI's gold division managed to contain year-on-year cost rises, Randgold sustained a 21% jump in average unit costs to R38 033/kg

B/DAY

Durban Deep, facing closure unless it turns itself around, notched a 34% year-on-year rise to nearly R43 402/kg Unit costs at Blyvooruitzicht and ERPM both rose more than 25%

2/2/94

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

(214)

Goodwin said costs would continue to rise this year but earnings would still improve marginally over the next two quarters

Rise in gold earnings lifts Gencor income

#CT23/2/94 (214)

BY AUDREY D'ANGELO
Business Editor

A 20% RISE in earnings from gold — and better performances from Samancor and the minerals group — enabled the unbundled Gencor to lift attributable income from its remaining operations by 24% to R275m in the four months to December 31

This is 5,1% less than the attributable income of R268m achieved in the six month period ending on February 28 last year

The interim dividend is 5c a share, covered twice by cash earnings of 9,6c a share

The net asset value of the group has risen to R14 509m at the end of December compared with R12 126m at the end of August

Pro forma figures given for comparison are not fully comparable because they have not been adjusted to show the full effect of the change in accounting period

The biggest contribution to attributable earnings from the various operating groups came from Samancor with R85m or 33% The minerals group, which now includes Gengold's larger investment in Richards Bay Minerals (RBM), contributed R64m or 25% and Gengold R50m or 20%

Implats contributed R37m or 15%, Transnatal Coal contributed R28m or 11% and the international division R11m or 4%

Investment and corporate income was much lower at R11m or 4% The directors explain that this drop from R96m or 36% for the six months to February last year was due to lower cash balances because of investments in major new growth projects, lower interest rates and the shorter accounting period

Black advancement scheme 'successful'

GENCOR management resources division has "performed outstandingly" in its programme to advance black people and improve conditions for the workforce, group chairman Brian Gilbertson said

Positions previously held by whites and now filled by blacks have more than doubled from 7% in 1991 to 15% this year

The group has set itself the goals of housing all employees having all employees literate, by the year 2 000

"Since 1990/91 the percentage of employees enjoying home ownership has more than doubled from 14,8% to a confidently estimated figure of 30% Literacy will have almost doubled from 32% in 1989 to a confidently estimated 60% for 1994"

Before the end of this year 3 400 jobs will have been created in Gencor Development Trust (GDT) projects The GDT has provided 25% of the capital for 14 State schools in black urban areas built at a total cost of R62,8m

"A further R70m will be generated for the benefit of communities due to the GDT's direct financial assistance Over R3m has been earmarked for tertiary educational institutions compared with R2,78m for 1992/3"

Gencor chairman Brian Gilbertson says in his interim report that the positive operating results were achieved mainly through effective cost controls and increased production efficiencies at all operations

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

"Gengold's gold price receipts, at R38 202 per kg on average, were a welcome 20% higher than in the same period in 1992 and this bosted the aggregate earnings of the mines by 51,8% to R153m This group remains a leader in the industry on cost control

"Geological and technical analyses conducted at the end of 1993 confirmed the viability of the Oryx gold mine project, albeit at higher capital cost Various financing alternatives are being investigated for future funding"

Gilbertson says the rationalisation programme at Impala has enabled working unit costs to be contained to the same level as the comparable period in 1992. But increased capital expenditure hit attributable earnings in the six months to December

An improvement in Samancor's results was due largely to a more beneficial exchange rate, the rationalisation of the chrome division and tight cost controls

Richards Bay Minerals (RBM) lifted earnings by 46% "The contribution of the minerals division should improve materially in the next economic upswing, especially when the new Hillside smelter reaches full production in mid-1996"

Syfrets gold analyst, Peter Major, commented that although these results were better than expected he considered the share expensive at its present level But it was one to be bought on weakness, if there was a market correction in the coming weeks.

R450bn revenue loss predicted for mining

(214) CT 23/2/94

JOHANNESBURG — Over 4 500 tons of SA's gold reserves would not be exploited and over R450bn lost in revenue if current conditions in the industry prevailed, Chamber of Mines president Jurie Geldenhuys warned here yesterday

Releasing a chamber document of the future of mining, he said profits in the mining industry had been more than halved while dividends to shareholders amounted to a quarter of previous levels

This severe squeeze was due to stagnant commodity prices, above inflation working costs and increasing competition from low cost producers in other countries

In addition, it had resulted in a plunge from over 500 000 to 350 000 workers employed on gold mines and from 65 000 to 28 000 workers on coal mines over the last six years

Geldenhuys illustrated that a 15% annual working cost increase over the next 14 years with a yearly gold price increase of six per cent would see 4 500 tons of gold remain unmined because it would not pay to refine and extract it

In this example, an estimated R454bn would be lost in revenue

Noting that minerals and derived products made up almost 70% of South Africa's foreign exchange earnings, he said the mining industry would require security and certainty as well for the continued exploration and acquisition of mineral rights

The ANC has proposed the transference of privately owned mineral rights to the state — a move seen as threatening to SA's mining industry

However, chamber senior general manager Johan Liebenberg pointed out that 73% of mineral rights were already in the hands of the state

Geldenhuys said the Chamber has presented the document to ANC president Nelson Mandela and other senior ANC officials and it had been well received

Chamber CEO Tom Maine said the ANC acknowledged the importance of the mining industry

The chamber president emphasised the regulatory role of the state was important to continued investment in mining Certainty was a key determinant for investors sinking R2bn into a major new mining project where they would typically not see a return on their investment for at least seven years — Sapa

Govt sets up inquiry as toll rises

Mine denies it was warned about dam

B/Day 25/2/94 (214)

ANDY DUFFY
and LLOYD COUTTS

VIRGINIA — The investigation into the Harmony gold mine disaster — in which 13 people were killed and 64 were still missing late yesterday — is likely to focus on whether the mine had been warned that the slimes dam was dangerous long before it broke.

While rescuers continued their search for survivors, the mine found itself embroiled in a dispute over whether consultant Fraser Alexander had made clear that the Merriespruit dam was hazardous

In another development, Reuter reports that a Mineral and Energy Affairs Department official said Harmony had reported that a wet spot in the wall of the dam was noticed more than a year ago

The department's Free State director Dirk Snyman said "Years ago management claim they stopped the building of the dam because of a wet area on a section of the wall

"When the building stopped, the danger should have withdrawn in time.... I believe management did stop dumping sludge about a year or two ago and if this is so, the moisture line should have withdrawn or dried up"

The dam burst on Tuesday night, sending a wave of sludge crashing across the adjacent suburb, crushing houses for 2km

Unconfirmed reports said leaked correspondence between the two companies showed that Fraser-Alexander had warned Harmony several months ago.

Harmony's parent company, Randgold & Explorations, said Harmony had "no record" of any written warning from Fraser Alexander "At no stage did anyone warn us," human resources manager Richard de Villiers said "I invite people to bring evidence to us so we can establish the cause of the dam breaking"

Fraser Alexander marketing director Kevin Evorall was unable to say whether a warning was given If it had, it would be "a matter of record" and would be picked up by an official inquiry

The mine's management said "No definitive conclusions should be drawn from such truncated sources of information"

It said all correspondence between Harmony and Fraser Alexander would be made available to the inquiry launched by Mineral and Energy Affairs Minister George Bartlett

De Villiers said the 20-year-old dam, which contained 10-million tons of sludge, was regularly monitored. The last check was last month. He was unable to say whether such tests would have picked up any weakening in the dam That would be up to the inquiry to decide.

Snyman said the cause of the disaster would be probed by 15 inspectors appointed by the Mineral and Energy Affairs Department and would be followed by a full judicial inquiry "The final result of the investigation and inquiry will be examined by the Free State attorney-general."

The ANC called for a "full public inquiry into safety regimes" in mining Accident

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FM 25/2/94

RANDGOLD

More questions

The sale last week by Barlows of its 27,5% stake in Randgold raises more questions than it answers A brief statement announcing the sale to Banque Paribas doesn't disclose the price, but market sources suggest it may have been about R7 a share (Randgold's price now is R6,85). The sale will net Barlows about R57m (214)

Why Paribas should want to take a dominant stake in Randgold is mysterious and various suggestions are being advanced. One is that Paribas recently underwrote the rights issue undertaken by gold producer ERPM, administered by Randgold.

In terms of the underwriting arrangement, Paribas undertook to place ERPM shares worth R46m, market sources say Paribas placed the stock immediately with clients and took a 5% fee on the way — earning R2,3m Paribas Johannesburg director Francois Gelinet was unavailable for com-

cont p88

FM 25/2/94

ment, so was Paribas Capital Market executive Roger Findlay in London

Assuming this unsubstantiated suggestion is true and that Paribas acts the same way this time round, Randgold will be left without any effective control (214)

However, this sequence of future events ignores the important shareholding of Mercury Asset Management, investment management arm of blue chip London merchant banker SG Warburg Depending on who tells the tale, Mercury holds between 24% and 30% of Randgold The refusal of Julian Baring, its mining fund executive, to bid for the Barlows stake is seen as relating to the need to avoid crossing the 35% threshold (which triggers a bid to minorities)

In fact, says one analyst, Mercury and Paribas have an "understanding" — but nothing which could link them as concert parties If so, it could mean a drastic shakeout is coming at Randgold If not, it begs the question of what Mercury will do with its substantial shareholding

David Gleason

Rand Leases halts Durban Deep bid

B/Day 8/3/94

ANDY DUFFY

RAND Leases' bid to take over Randgold's troubled Durban Deep gold mine had been shelved, the West Rand gold producer said yesterday.

MD Roger Kebble said the company was still interested in buying Durban Deep as the two operations were contiguous and offered extensive development and rationalisation opportunities. (214)

But Randgold's management had refused to contemplate such a deal, and the purchase last month by French bank Paribas of a 27,7% stake in Randgold had further stymied Rand Leases' attempts.

A slip in grades cut Rand Leases' attributable earnings to R19 000 (R45 000) in the December quarter, but the company said high yield and past capital expenditure would bolster profitability this year.

Randgold has warned that Durban Deep will close unless it caps its costs and stems its losses. Falling yields and labour problems combined to push the mine into a R6,8m pre-capex loss for the December quarter.

Investors may be wary of HJ Joel rights offer

BDay 15/3/94

ANDY DUFFY

JCI could face a tough time persuading investors to follow the R270m rights offer for its struggling gold mine HJ Joel, market sources said yesterday.

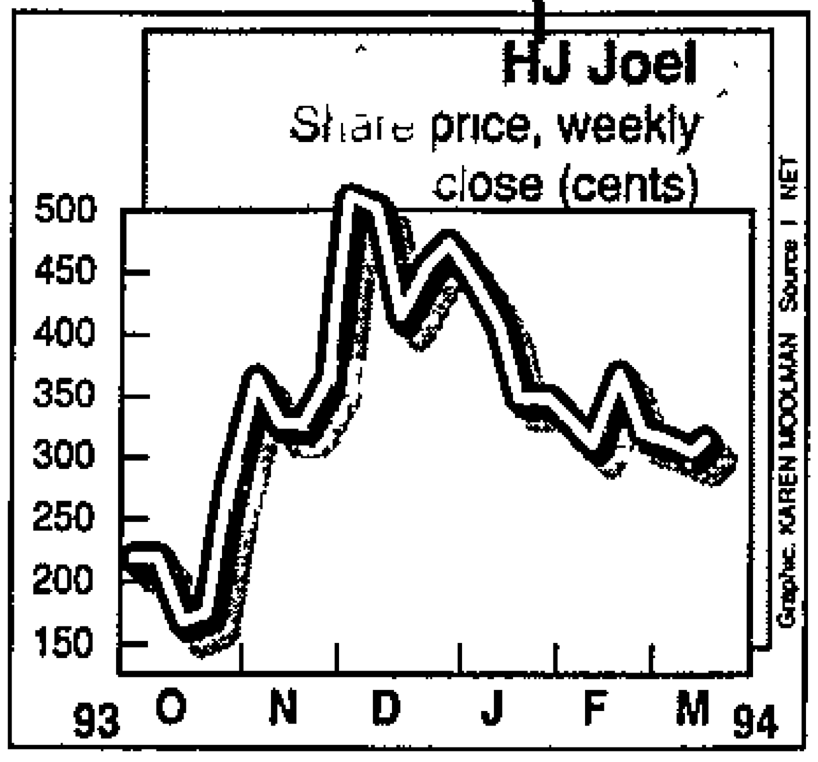
The refinancing would ease the debt burden that has hampered the Free State mine, and set it on course for full recovery

But analysts said investors would be wary, given Joel's chequered past and that the proposed offer would double the mine's share base, halving future potential earnings a share

Joel was also unlikely to pay a dividend until its remaining debts of about R150m were cut, which could take at least two years The company has said it will not use the cash raised to cover payouts to shareholders

Sources said JCI had to make a strong case for Joel's prospective recovery — tonnage at 130 000 tons a month, grading 6g/t — and that the revised development plan would leave it well geared to gold price rises.

"It depends a lot on how it (the rights issue) is sold at the time," said Frankel, Pollak, Vinderine analyst Trevor Pearton "The recovery potential that Joel has could see it doing really well" (214)



JCI will begin marketing the rights issue tomorrow, when it will brief analysts and journalists

The company, which holds a 55,16% stake in Joel, has already undertaken to follow its rights, with 7,12%-shareholder Sanlam also on board

But other shareholders could be less compliant Many investors believe JCI has been caught on the wrong foot in calling the rights offer at the current share price

Although the share closed 10c up yesterday at R3,15, it hit R5,80 in December — its highest level since August 1991 Analysts believe JCI held back on the rights offer in expectation of the share breaking through R6

Under the terms of the rights offer — which will raise R284,1m before expenses — 97,9m new ordinary shares will be issued, equal to the number already in issue The offer price of R2,90 represents a 5% discount on the weekend close.

The cash will be used to redeem preference shares worth R150m held by JCI, with the remainder funding development that will take Joel through to covering future expansion from its own resources

Joel was hampered by an aborted attempt at trackless mining, a lack of available mining face and temperamental grades which have helped keep it in the red for five of the past six quarters and cut its production a third

The mine sustained a post-capex loss of R8,6m in the December quarter as costs rose and production fell to 886kg (1 004kg) But JCI said Joel's recovery plan had gone well and production would rise from June

JCI directors optimistic about Joel mine's future

Star 17/3/94

(214)

BY DEREK TOMMEY

JCI directors were optimistic at a presentation in Johannesburg yesterday that the HJ Joel gold mine's revised develop programme would lead to substantial profits and dividends from 1997 onwards

Joel is planning to raise R284,1 million through a one-for-one rights issue at 290c a share to finance the programme.

So far Joel, which was floated in 1986 and started production in 1988 has been a tremendous disappointment to its shareholders

Serious production problems have resulted in losses — after providing for capital expenditure — of 72c a share in 1990-91, 6c a share in 1991-92 and 1992-93, and 12c in the six months ended December, 1993

Underwritten

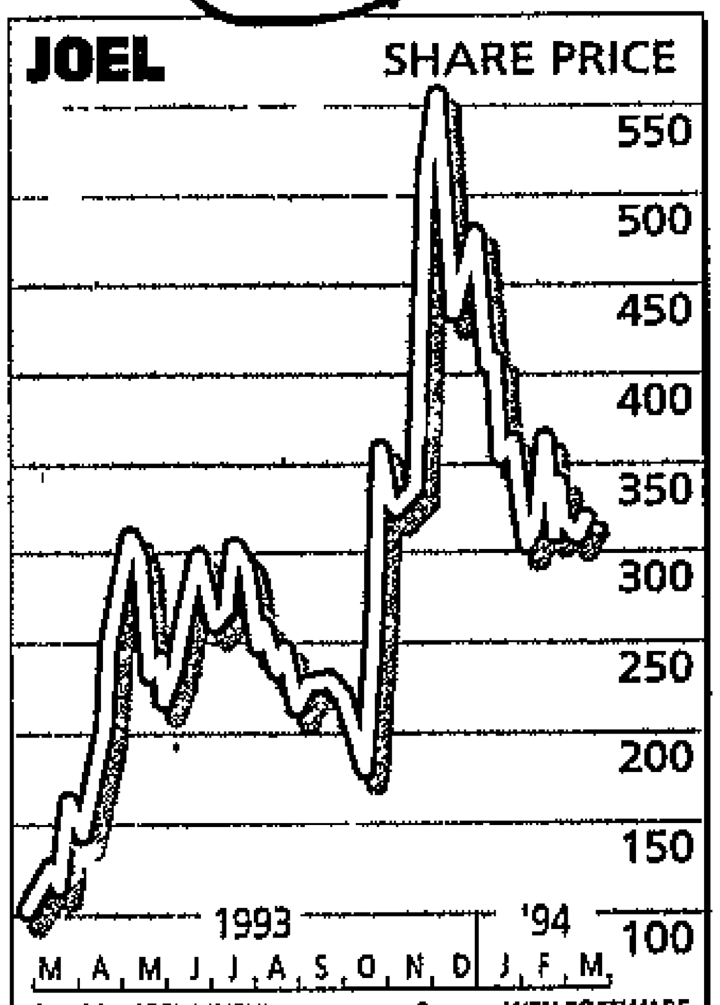
Meanwhile, a sign that the New South Africa is beginning to cast a shadow ahead of it, is that two British financial groups, Smith Newcourt and Rothchilds, are underwriting the offer of the 38,7 percent of the shares not being taken up by JCI and Sanlam

Finance director Willy Conn said that if the offer had been made a year ago it would probably have been underwritten in South Africa.

Managing director Bill Nairn said that JCI had seriously considered closing the mine But this would not have been a clever move.

But with more becoming known about the mine's geology, it is now estimated to contain some 31 million tons of ore with an in-situ value of 6,5 grams a ton

At a gold price of R36 000 a kilogram, payable reserves are around 22,9 million tons, yielding 6,05 grams a ton or 4,4 million ounces over the mine's life On a gold price of R40 000



Graphic ABEL MUSHI Source WEN SOFTWARE

a kilogram, gold production would rise to 4,7 million ounces

Nairn outlined some of the problems faced by the mine after its opening

The shafts were sited in an area which turned out to be heavily faulted This meant that considerable development and time was needed before the reef could be accessed This greatly increased initial costs and reduced the cash flow, causing the mine to be under-capitalised

The use of trackless mining methods also presented difficulties Dilution of the gold reef was heavy, mining flexibility was lost and the need to haul ore up eight degree inclines over distances of three to four kilometres put heavy stress on the equipment

The gold price initially was lower than expected, averaging R32 000 a kilogram instead of the R40 000 an ounce forecast, and development ran into a large area of unpayable reef.

Solutions to the mine's problems were sought A merger with the adjoining mine Beatrix was considered but rejected.

Eventually, it was decided to revert to conventional mining methods which were more suited to narrow reefs and to reduce production until sufficient ore reserves had been built up to achieve a sustained increase in the milling rate, even though this had led to higher unit costs.

The mine is milling 50 000 tons a month at present, equal to an annual gold production rate of 3 600kg a year By the end of June sufficient reserves should have been built up to sustain a monthly milling rate of 80 000 tons, and by June, next year, it should be possible to increase the milling rate to 110 000 tons a month

Reserves

Nairn said it was planned to build up sufficient ore reserves to cover two years' production so that the mine would not be affected should development run into unpayable areas.

Money will be spent on expanding the metallurgical plant, improving ventilation, and underground development.

Originally it had been planned to sink two more shafts at the northern part of the lease area but this had now been scrapped Instead the mine would sink only a ventilation facility and rely on incline haulages.

Financial manager Beth Mandel said that at a gold price of R40 000 Joel should start paying dividends in 1997 with an initial payment of 18c a share, followed by a 33c dividend in 1998 and one of 53c in 1999.

She said that Joel was unlikely to pay tax for the next 14 years

Joel's chairman Kennedy Maxwell said that Joel was well placed to benefit from a higher gold price

If the gold price performed as he expected it to in the next few years, this should give rise to a satisfactory increase in the mine's profits

JCI expects Joel to pay no dividends until 1997

BiDay

ANDY DUFFY

SHAREHOLDERS would have to wait until 1997 to see a dividend from JCI's refinanced gold mine HJ Joel, the mining house said yesterday.

Detailing terms of the mine's R284m rights offer, JCI said the cash would repair Joel's balance sheet and take it through to self-funding by 1996 17/3/94

The mine would make an operating profit of R14,8m this year and R76,5m in 1995, and was recovering well from its costly attempt at trackless mining

But Joel's earnings would continue to be swallowed by capital expenditure and servicing debt and preference dividend commitments until June 1996

On an average gold price of R40 000/kg, Joel's cash flow would turn positive in 1997, allowing a dividend of 18c JCI said the payout would rise to 33c the following year. The refinanced mine would offer a rate of return of 8% on shareholders' investment, which would rise sharply on any gain in the gold price

Joel had also accumulated an assessed tax loss of R1,1bn, which would leave it free of tax for the next 14 years, the company added

Gold division MD Bill Nairn said JCI had considered closing Joel 12 months ago after operational and geological hitches thwarted its business plan But this was ruled out because of JCI confidence in resources at the Free State site These were estimated to be 22,9-million tons of recoverable reserves grading 6,05g/t, which would produce around 138 000kg of gold

"With this sort of reserves it would not have been clever to close down the mine," Nairn said

(214)

The refinancing would enable Joel to pursue its revised development plan This centred on amassing reserves equivalent to two years' mined output, accessing ore on 90 level through a triple decline using conventional mining

Joel would have 500 000 tons of reserves by the end of March, 700 000 tons by the end of the June quarter and 1,08-million tons by June 1995 It would hit its two-year reserve target in June 1996

The mine's monthly output would move from the current 50 000 tons to 80 000 tons in the next financial year, Nairn said

Analysts said questions remained about the credibility of Joel's ore estimates The share closed 10c down yesterday at R3,10

Call for introduction of continuous mining

Star 21/3/94

■ BY DEREK TOMMEY

Tom Dale, deputy managing director of Gengold, South Africa's third biggest gold mining group, has made a plea to the government in power later this year not to unilaterally take steps that could damage the gold mining industry

Addressing a gold conference in Singapore on the future of the industry, he said that spokesmen for various political parties had suggested that the laws which govern mining activity should change radically

Dale said it was essential that any changes which a new government might make to the mining industry's legal framework should be made in consultation with the industry and should ensure that the gold mines prospered

Dale called for more cooperation between government, labour and management on overcoming the industry's problems He particularly urged the introduction of mining on a continuous basis, the ending of the "ring fencing" tax policy and increased employment through more market aligned wage rates He said the government, labour and management would have to decide on the relative importance of more jobs versus higher wages

Dale painted a depressing picture of the industry's current situation The local industry had been hit by rising costs with the result that there were few if any new deposits in the Wits basin which met the required investment/risk returns criteria at the current gold price

Capital costs for each annual ounce of capacity were far higher in South Africa than in competitor countries Cost of production was also significantly higher, and because of the poor rating afforded South African gold shares, the cost of capital to North American and Australian producers was a fraction of that of South African producers

(214)

Obstacles

He said that in spite of the potential to improve productivity through restructuring, education and training and better motivations, the obstacles to continuous work need to be removed.

At present most of the industry closes down expensive mining capacity for an effective 20 percent of available time owing to the 11-shift fortnight arrangement

No industry in South Africa employed as many people as deep level hard rock mining Where appropriate, remuneration structures needed to be redesigned to accommodate the aspirations of the unemployed at market-related basic wage levels, which were a fraction of the existing rate "

Wit Nigel a 'hidden' jewel in CMC's stable

Star 23/3/94

(214)

BY JOHN SPIRA

Consolidated Mining Corp (CMC) presents outstanding value with high dividend yields and offers some exciting prospects

That's the conclusion drawn by Lowenthal & Co analyst Dante Parisi, who draws attention to the considerable discounts to net asset value of the group companies

The study, concluded last month, shows Southgo at a 77 percent discount to net worth, Egoli at a 79 percent discount and CMC at a whopping 83 percent discount

Parisi suggests that the discounts suggest that shareholders would receive "substantial benefits" if the group were to be unbundled

Dividends expected to be declared towards the end of April would offer the following prospective yields

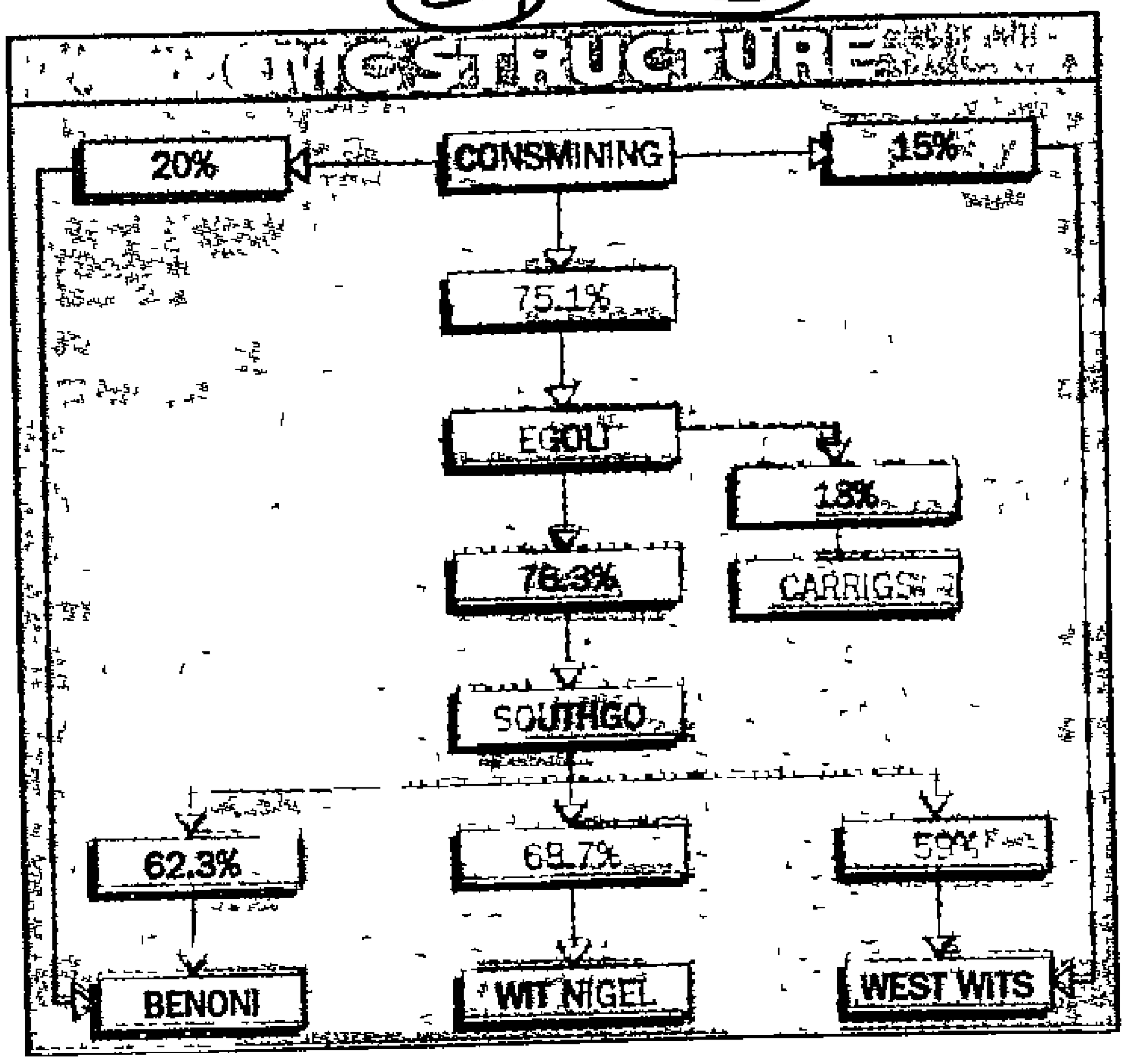
- Benoni — 3 percent
- West Wits — 7 percent
- Southgo — 9,5 percent
- Egoli — 9,5 percent
- CMC — 11,5 percent

Turning to the group's operating companies, Parisi says Benoni's December quarter loss should be reversed in the March quarter "Excellent results are expected from the June quarter onwards"

West Wits had an "outstanding" December quarter The additional secondary mill, which was commissioned in November, increased milling capacity by about 10 000 tons a month.

"West Wits is still operating well and further increases in revenue are expected, especially if the rand gold price continues its recent trend"

But it is Parisi's remarks about Wit Nigel that are likely to set shareholders' hearts beating a little faster



"Wit Nigel has been described as the hidden jewel in CMC's crown. It has one of the largest shallow (below 2 000 metres) deposits in southern Africa. At the current gold price the deposit has become viable to exploit and management is actively seeking to raise some R100 million to accomplish this

Parisi refers to Soudex, whose share price rocketed from 200c in October 1992 to 4000c in November 1993, as pointing the way to Wit Nigel's potential

"During this period the Soudex mine was accessed via Western Areas and the encouraging values led JCI to announce that a decision would be taken early this year as to whether the project would be transformed into a listed mine

"Soudex has the largest undeveloped deposit in South Africa, with estimated reserves of about 116 million tons with a grading around 9g/t Estimates of the capital expenditure vary between R1,5 billion and R4 billion to establish this mine

"Therefore, given the difference in capital costs, Wit Nigel's orebody, when exploited, will offer good returns to its shareholders"

FOOTNOTE At the time of the analysis, the share prices of Southgo, Egoli and CMC were 105c, 200c and 26c respectively. They have since advanced by between 18 and 30 percent, thereby narrowing (though by no means closing) the gap between the share prices and their net asset values

Note that as the prices of the underlying shares rise, so the net asset values of the holding companies increase Accordingly, while the share prices of the holding companies have risen, so have their net asset values The gaps have therefore not narrowed significantly

Gencor puts Oryx merger on hold

BDay

ANDY DUFFY

23/3/94

(214)

GENCOR's gold division, Gengold, has shelved plans to restructure its mining operations pending the outcome of refinancing talks for its embattled Oryx mine

Deputy MD Tom Dale said yesterday that the proposals, under which Gengold's four Free State mines would be merged, relied heavily on Oryx operating at previously planned output levels.

But these had been derailed by poor initial grades at Oryx, which had delayed its breakeven point and forced the mine to seek an additional R900m from its backers.

The merger proposal, first made last August, would remain on ice until Oryx's future was secure. Gengold had still to approach Inland Revenue officials to argue a case for restructuring the Free State operation's tax base.

Dale said it was difficult to gauge when refinancing talks for Oryx would be finalised, given that negotiations involved shareholders Gencor, Genbel, Sanlam and Anglo American, and several banks

But he added that another merger option — combining Evander mines Leslie, Kinross, Winkelhaak and Bracken — would probably not get tax authorities' approval.

Gengold said last year that it was on the verge of restructuring its business in an attempt to improve its operating and JSE performance.

A merger could boost the financial strength of the mines, while smoothing the path to major capital expenditure

The mooted Free State company would draw the bulk of its income from Oryx and Beatrix, which would together produce 6 000kg of gold a quarter, with St Helena and Unisel providing the remainder

For the December quarter, Beatrix produced 3 401kg of gold, with St Helena hitting 1 349kg and Unisel 944kg The three mines contributed more than 30% of Gengold's R78,8m distributable earnings during the period.

Analysts warned, however, that Gengold could have a tough time trying to sell the merits of a four-mine structure to investors who were more inclined to buy mine shares selectively

Merging the Evander operations could provide a tax base deemed vital to Winkelhaak's proposed R450m No 6 shaft, sources said.

But the benefits of merging the Free State mines were not clear-cut, unless Gengold planned to use Beatrix's tax base to help fund Oryx

COMPANIES

Ailing mine's shares suspended

B/Day 23/3/94

ANDY DUFFY

SHARES in South Roodeport Main Reef Areas, the ailing gold mine in Loucas Pouroulis's Golden Dumps stable, were suspended yesterday at the company's request. The suspension — at 22c — follows a torrid nine months for the mine during which its share price has plummeted from 105c to just 17c

Failing grades and high costs helped push the mine to a R9m loss in the year to last June — a figure far higher than its turnover — and the shutdown of underground operations raised questions about its ability to survive

The market had also been alarmed by serious deficiencies in the annual report. South Roodeport said some accounting records had been lost, and attempts to overcome this had disclosed unexplained transactions and differences in account balances.

The report was also late, earning a suspension warning from the JSE in January, and included a qualified statement from auditor Coopers & Lybrand.

No one from the company or Golden Dumps was prepared to comment last night.

(214)

Golden Dumps' other arm, Consolidated Modderfontein, has fared only marginally better, hit by a mistimed hedging programme and recently relying heavily on asset sales and lower capex to remain in the black.

The mine closed 7c up yesterday at 57c, against its 45c low hit earlier this month, and 165c last July.

Durban Deep mine seeks state's help

B/Day 5/4/94

JOHN DLUDLU

RANDGOLD's ailing Durban Deep gold mine had applied for further state assistance for its pumping activities to avoid closure of underground operations, a spokesman said yesterday.

In his statement for the year to December, chairman John Turner said there had been productivity improvements in the last quarter of 1993 and the beginning of this year, but more efforts would be needed to avoid a shutdown

Capital expenditure was vital in ensuring the sustainability of productivity improvements. No indication was given of how capex would be raised (214)

He expected that the projected higher gold price — at $360-$400 this year — and last year's hedging transactions, which would be fulfilled next month, would boost the company's fortunes But state assistance, which began last Friday, would be essential. Pumping activities were boosted by R10,7m in state assistance in 1992 and R10,8m was provided for the year to March 1994 — of which R6,5m had been spent.

An increase in the underground operations' working loss led to an after-tax loss of R12,5m, wiping out the retained surplus and creating an accumulated deficit of R10,7m This was despite the 8% increase in the gold price to R34 962/kg.

Turner said discussions for further assistance for pumping operations had been initiated to meet funding requirements until the prospects of a higher gold price and improved productivity yielded results

Commenting on ERPM, Turner said that after a successful R553m rights offer last year, which wiped out its debt, the mine would have to improve productivity to shed its loss-making status The failure to increase production through a seven-day week meant it was unlikely to achieve this year's projected profit.

The mine suffered a working loss of R1,1m (R22,7m profit)

On gold's performance, Turner expected the continuing depreciation of the commercial rand to the dollar to boost the rand/gold price this year.

Higher average level in rand terms seen for current year

Randgold chairman bullish on gold price

Star 5/4/94

BY STEPHEN CRANSTON

The rand price of gold should be higher on average this year than it was in 1993, says Randgold chairman John Turner

Turner says that the depreciation of the rand will continue

And even in dollar terms, the declining trend in the gold price since 1987 showed a welcome turnaround last year, triggered by gold-fund buying in the US, which reflects a generally improved sentiment towards gold.

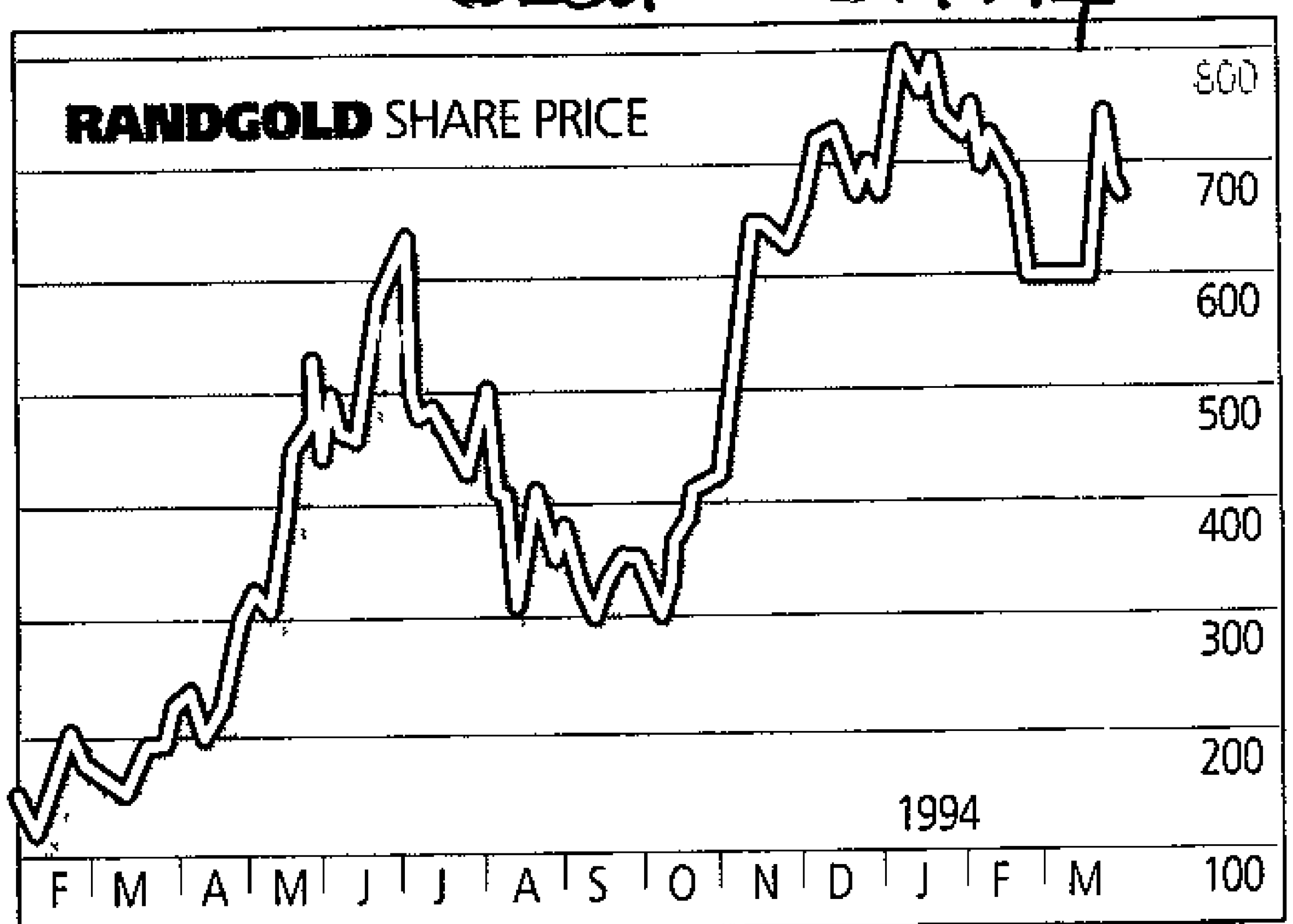
Last year's average price of $360 was 4,6 percent higher than the previous year, which translated into a 20 percent improvement in rand terms

Movements

Turner predicts that gold will trade in the range of $360 to $400 this year — although occasional movements above $400 are possible

The gold price is crucial to the future of two Randgold marginal mines, ERPM and Durban Deep, which have just released their annual reports for the year to December

Turner, who is chairman of both mines, says ERPM is now free of its debt burden after its R553 million rights issue at the end of the year, but still requires productivity and production increases before it returns to profitability



The disappointment of not achieving improvements through seven-day week mining means the company is unlikely to achieve the predicted level of profit or dividend this year

The 11-shift fortnight has been reintroduced from this month with modifications to include voluntary work on off-Saturdays and -Sundays

While revenue per kilogram increased by 12 percent and gold production from underground increased marginally, production from surface sources fell by 296 kg as a result of a yield decline

This decline and cost increases in both underground and surface operations resulted in an overall cost increase of 17 percent per ton processed and 24 per kg produced

(214)

The loss for the year of R58,4 million was higher than the previous year's loss of R19,8 million

Turner says the sinking of the decline shaft below 70 level has been delayed and that the original contractor has been replaced

Phase 1 of the project below 70 level, which includes the sinking of the decline shaft and the commencement of mining to 73 level, should be completed by the end of 1995

A decision on Phase 2 of the project, which incorporates the proposed tertiary shaft, will be taken after completion of an underground drilling programme

Durban Deep's underground operations remain in jeopardy

Turner says further productivity improvements are necessary if closure is to be avoided

He says capital expenditure is now vital to ensure that the productivity improvements can be sustained and the lack of mining flexibility rectified

Good news is that by May, the hedging transactions undertaken in 1993 will be fulfilled and the company should benefit from the projected higher gold price

Assistance

Immediate pumping assistance is essential and further assistance may be necessary to meet funding requirements until the combination of improved productivity and a higher gold price make the underground operation viable

The gold price received in 1993 increased by eight percent to 34 962 per kg, but the increased loss on underground operations resulted in a loss after tax of R12,5 million

After three years of improvements, productivity last year was 12 percent lower

Capital expenditure was cut from a forecast R7 million to R3 million and there was a further deferral of essential items, including development

Turner says dividends may not be paid for the duration of state assistance and no dividend is contemplated while these conditions prevail

Profits of gold mines set to soar, say analysts

BDay 8/4/94

SA GOLD mines are expected to show a sharp rise in total distributable profit for the March quarter, aided by a higher gold price, lower capital spending and a halt to state lease payments, analysts say

Gold Fields will kick off the reporting period on Monday, with the other five major mining houses — Anglo American, Anglovaal, Gencor, Johannesburg Consolidated Investment and Randgold & Exploration — releasing results over the next two weeks

Analysts expected total profit after capital spending to rise steeply over the preceding quarter's R560m, possibly exceeding the R630m achieved in the September period

The average spot gold price was well up in both dollar and rand terms in the past quarter after a flat showing in the December quarter

(214)

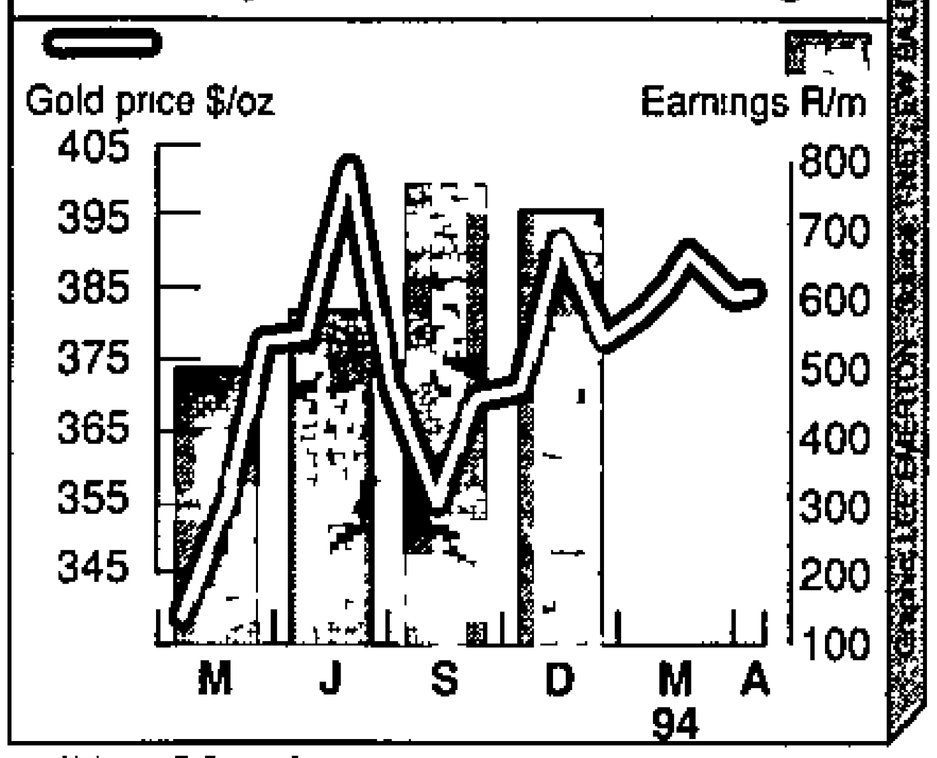
Analysts noted, however, some mines were still unwinding hedging positions which meant their actual price received would not match that ruling in spot markets.

The international gold price averaged \$384/oz in the quarter, against \$373/oz the previous quarter, while in rand terms it averaged R1 320/oz against R1 262/oz because of a weaker local exchange rate

A fall in capital expenditure was forecast, but only because the past quarter was not a major reporting period when mines traditionally manoeuvre on such spending to maximise tax breaks.

Important constraints on earnings growth included virtually unchanged working costs, a rise in overall tax, and slightly lower gold output

Gold price & total gold industry distributable earnings



The March quarter was the first in which tax reform that scrapped payments to the state for the right to mine applied, and this was expected to boost bottom line earnings by up to 5%

Apart from lost production over Christmas and the New Year holidays, some gold mines suffered labour disruptions late in March, particularly Gencor and Gold Fields

Edey Rogers analyst Duncan Ingram said the labour unrest might have little effect on the latest set of results because the quarter effectively closed in mid-March for accounting purposes

Analysts predicted the best performer for the past quarter would be either Anglo American or JCI. JCIlast week disclosed plans to restructure its mining and other interests

Randgold, two of whose four mines continue to battle, would again be the weakest, they said. — Reuter

Bright quarter for base metals

BARRY SERGEANT

GOLD FIELDS' base metal division yesterday reported its "best quarter for at least the past two years", said executive director John Hopwood

Unveiling results for the March quarter, Hopwood said base metal prices appeared to have moved contrary to fundamentals, but there had been a change in sentiment

In rand terms, copper had increased 14,3% quarter on quarter, lead had risen 17,9%, tin 13,8%, zinc 3,1%, and silver 17,0%.

Hopwood singled out Black Mountain as the "star performer" The copper, lead, zinc and silver producer posted a R14,5m taxed profit (R5,7m) for the quarter

Copper producer O'okiep posted a R3,4m profit (R8m loss) Hopwood said O'okiep had experienced concentrate supply problems, and there had recently been a broad increase in demand for concentrates

Hopwood said Gold Fields Namibia, a copper, lead and silver producer, remained a "problem child" It had also had problems with concentrate supply, and posted a R5m loss (R13m loss) for the quarter. Hopwood said it was likely GF Namibia would post profits for the June quarter.

Zincorp posted a R9,7m profit (R7,4m), despite a planned maintenance shutdown. Zinc had shown the weakest price increase in the period. Gold Fields Coal reported a 68,7% increase in profits to R6,7m, but Hopwood said the outlook for prices was mixed

Gold Fields shines despite problems

214

BARRY SERGEANT

THE broad improvement reported by Gold Fields' gold division for the March quarter was achieved despite labour and mechanical problems, the mining house said yesterday

The division reported an 18,1% increase in pre-tax profit to R626,4m for the March quarter, against R530,2m in the December quarter

But Driefontein, Kloof and Doornfontein were struck by a combination of labour and production disruptions

Mining operations in the No 6 Tertiary Shaft area at West Driefontein were affected by a fire which started in January The fire had been contained, Gold Fields executive director Alan Munro said

Kloof division, which consists of the Kloof, Leeudoorn and Libanon operations, experienced some turmoil behind its overall taxed profit of R192,3m for the March quarter

Repairs to Kloof's No 3 sub-vertical shaft, stemming from last October's infrastructure collapse, were progressing, and production had restarted down to 33 level.

Munro said the need for Kloof to draw on surface reserves was "being eliminated" Kloof experienced illegal stayaways during March which hit underground production, but surface reserves shielded the figures from the four-day stoppage.

Libanon, which reported working losses of R2,6m for the March quarter, experienced mechanical and labour hitches Operations in the No 4 sub-vertical shaft were knocked by the failure of the rock winder drum shaft in January

The problem was solved after "an encouraging degree of co-operation in the mining industry" Libanon also experienced "certain confrontations between certain employee groupings" Munro said both problems had been resolved

Libanon was expected to post a profit in the June quarter, "provided all other factors remain stable"

Doornfontein had welcomed last month's decision of the Labour Appeal Court in which an order to reinstate certain employees dismissed in December 1991 was overturned

The court instead awarded the employees R6m, which would be costed by Doornfontein in the second quarter of 1994 Doornfontein had reported R13,2m in taxed profit in the first nine months of its current financial year, Munro said

"Doornfontein is out of the woods, with a possible life of months, perhaps years," he said, and had the "prospect of building itself a longer-term future"

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East Driefontein	**720**	**11,6**	**8 352**	**196,9**	**16 975**	**41 739**	—	—	—
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Kloof	**540**	**13,8**	**7 449**	**286,1**	**20 741**	**42 341**	**192 303***	**129 299***	**93,3**
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Leeudoorn	**330**	**7,3**	**2 416**	**217,1**	**29 652**	**42 426**	—	—	—
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* Driefontein/Kloof as a whole

USINESS The Star
94 Edited by John Spira

Taxed profit from gold up R63-m at R441-m

Gold Fields riding high

Star 12/4/94

BY DEREK TOMMEY

A higher gold price and improved mining performances helped lift Gold Fields' working profit from gold by R90 million in the March quarter to R582 million.

Two mines — Driefontein and Kloof — report sharply higher pre-tax profit.

Doornfontein and Deelkraal showed only small improvements, but both are expected to do better, says Alan Munro, executive director of gold operations.

John Hopwood, executive director of coal and base metals, says higher prices helped profits in his sector.

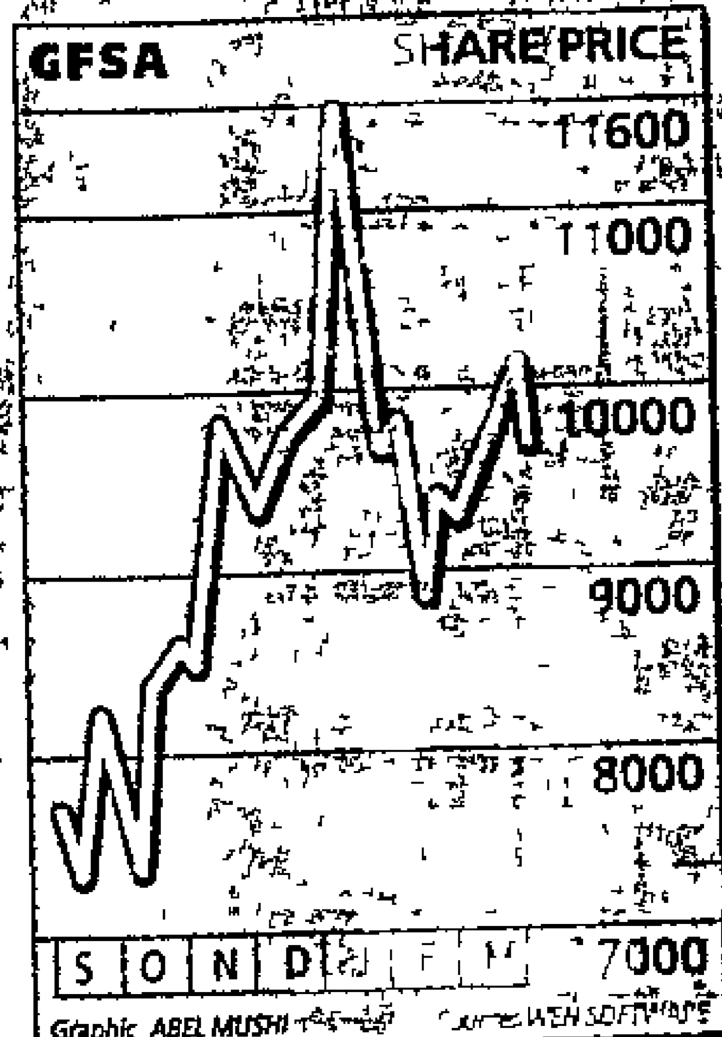
The group received an average gold price of R42 516, an increase of almost 7 percent on the December price of R39 758.

Production rose by 269kg to 30 982kg and revenue from gold rose by R85 million to R1,3 billion.

Average grade rose from 8,9 to 9,4 grams a ton, and compensated for the 3,8 percent drop in the milling rate to 3,44 million tons.

Working costs fell R6 million to R725 million. Working profit rose from R531 million to R626 million.

Taxes took a substantial part of the increase. Payments rose 30 percent from R143 million to R185 million. Taxed profit rose 14 percent from R388 million to R441 million.



Capital expenditure was down R31 million to R164 million, partly because some projects were not as advanced as expected.

Munro calls the results a fine achievement, because operations were affected by Christmas festivities. This situation was compounded by pre-election expectations which had created a generally unsettled climate.

At East Driefontein an increased milling rate, a higher yield and virtually unchanged costs pushed up working profit by R50,7 million to R206,8 million.

Munro says mining operations are taking place in an area with higher-than-normal gold values and the high grade of 11,6 grams a ton is unlikely to be maintained. (214)

At West Driefontein a fire affected operations at No 6 Tertiary Shaft, and the mine was unable to continue sorting operations.

Output fell to 7 492,1kg from 7 628,8kg, but the higher gold price resulted in working profit rising from R145,9 million to R162,8 million.

Together the two mines had a working profit of R405,8 million (R329,7 million). Tax took R177 million (R135,3 million) and taxed profit was R228,8 million (R194,4 million).

Kloof's Leeudoorn division lifted working profit from R14,8 million to R30,9 million, helping offset a swing from profit to loss at the Libanon division. Total pre-tax profit was R194,4 million (R176,7 million).

Doornfontein is "out of the woods" with the Labour Appeal Court overturning the order to reinstate workers dismissed in 1991.

Doornfontein earned R4,27 million (R4,33 million).

Deelkraal earned R15,7 million (R14,9 million). The mine is making good progress, says Munro.

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BY STEPHEN CRANSTON

Bright quarter for base metals

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Goldfields turns in gleaming profits

(214)

CT 12/4/94

JOHANNESBURG — Gold Fields of South Africa reaped the benefits of a higher gold price to post a near 14% increase in after tax profits to R441m in the March 1994 quarter from its four gold mining operations compared to R388m in the December 1993 quarter.

The average gold price received rose to R42,156 per kilogram from R39,758 per kg the quarter before, which led to total gold revenues rising to R1,31bn from R1,22bn.

Its four mines lifted gold production marginally to 30,982 tons from 30,713 tons. Average grades were up markedly to 9,4 grams per ton from 8,9 g/t, but total tons milled slipped to 3,3m tons from 3,4m tons.

GFSA gold operations executive director Alan Munro said the **Driesfontein Consolidated** operation had buoyed the group's results as the mine posted R228,8m in profits after tax from a previous R194,4m.

The East Driefontein division contributed largely to the improved performance, lifting gold output to 8,35 tons from 7,51 tons and pre-tax profits to R206,8m from R156,1m.

But the **West Driefontein** section suffered a fire in the quarter resulting in gold output falling to 7,49 tons from 7,63 tons the quarter before.

Doornfontein gold mine, whose future is largely dependent on the gold price, reported a stable financial performance with profits after tax unchanged at R4,3m.

Operationally, underground production fell to 120 000 tons milled from 162 000 tons, and gold production to 884kg from 949kg.

Doornfontein is also liable to pay R6m in compensation to 4000 workers dismissed from the mine in December 1991.

Munro said however that compensation, to be financed in the April-June quarter, would be paid out of the mine's reserves and borrowing would not be necessary.

Deelkraal was stable, reporting after tax profits of R15,7m from R14,9m the quarter before on unchanged output of 2,2 tons of gold.

The Kloof Gold company lifted pre-tax profits to R192,3m from R174,1m, although its **Libanon** division reported a pre-tax loss of R2,6m against a pre-tax profit of R9,8m the previous quarter.

Munro said Libanon, which also reported a sharp fall in gold production to 2,18 tons from 2,68 tons, was affected by mechanical problems and worker discord.

Kloof's **Leeudoorn** division turned in a pre-tax profit of R30,8m from R14,8m on the back of a slight rise in gold production to 2,4 tons from 2,2 tons as tonnages continued to rise.

Base metal operations

Meanwhile, GFSA's base metals operations benefited from an improvement in metal prices in the March 1994 quarter.

Gold Fields Coal lifted after tax profits to R6,7m (R3,9m) in the previous quarter.

Black Mountain Mineral Development lifted after tax profits to R14,5m from R5,7m — the company's best quarter since 1990.

The O'Okiep Copper Company reported a R3,3m after-tax profit against an R8m net loss in the December 1993 quarter.

Zinc Corporation posted a R9,7m (R7,4m) after tax profit.

Rooiberg Tin, which ceased operations in the October-December quarter, produced 43 tons of tin from the final smelter run. — Sapa

MacPhail holds market share

BiDay

MUNGO SOGGOT

SA's largest coal distributor MacPhail Holdings had maintained market share despite intense competition stemming from lower local demand, CE Sidney Weintroub said in the company's annual report.

Weintroub said the W&A-owned company would benefit from an economic upturn, provided political developments did not have an impact on trading (2/14)

Despite tough market conditions, MacPhail had managed to keep earnings just below its 1992 level through "careful cash and asset management as well as strict expense control".

Chairman Terry Rolfe said the company's Africoal venture — a national marketing organisation aimed at revitalising the domestic coal market — had "grown vigorously" and was expected to sell more than 1-million tons of coal this year.

MacPhail had also concluded sourcing agreements with overseas buyers The company was considering setting up a "UK-based depot and marketing function". 13/4/94

MacPhail had launched a feasibility study into a proposed new coal terminal at Richards Bay, which had "increased the group's exposure to international markets and its recognition in those markets

"If export markets improve, the glut in the local market could well give way to shortages of certain coal grades and sizes," Weintroub said.

Analysts divided over Driefontein

B Day 14/4/94

BARRY SERGEANT

CAPITAL expenditure commitments at Driefontein, Gold Fields' Western Witwatersrand gold mine, along with currency factors, has split analysts into two schools of thought regarding the shares' relative value.

Few, if any, analysts quarrel with the proposition that Driefontein is a core portfolio holding, as a result of the size and quality of its assets But volatile currency factors have highlighted the substantial discount at which Driefontein trades relative to international gold miners such as American Barrick and Newmont.

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Measured in international terms, Driefontein offers a forward price-earnings multiple of 15 times, compared with the much pricier 40-60 times for comparable non-SA heavyweight gold shares.

Foreign investors are entitled to purchase JSE-listed shares via the finrand, currently trading at a 33% discount to the commercial rand Thus, argue analysts at James Capel stockbrokers in London, Driefontein offers value on a currency basis — apart from its size, low-cost profile and low-risk attraction.

Release of Gold Fields' quarterly results on Monday, have done little to change views on the share Views on Driefontein hinge on many factors, not least the heavy shaft capital expenditure programme to provide replacement tonnage to replace dwindling available reserves.

Some analysts say this programme, which will continue for at least four years, will place considerable pressure on distributable earnings. While few analysts doubt the quality of Driefontein, they see better opportunities in other gold shares.

Driefontein, as the most valuable gold share listed on the JSE, and also one of the most easily traded, has traditionally attracted foreign interest whenever SA shares have been in favour With an estimated life of 34 more years and a workforce close to 30 000, foreign investors see Driefontein as offering world-class value.

Analysts at James Capel have highlighted value offered by Driefontein after this week's quarterly results. East Driefontein, for example, reported revenue of R41 739/kg, against a cost of R16 975/kg — showing a margin of more than 100%.

James Capel analysts view Driefontein as undervalued, and perceive its forward dividend yield as attractive. The share is offering a forward dividend yield of about 3,6%, for the financial year ending June 30 1994 But, as a result of the finrand, foreign investors are offered a forward dividend yield of about 5,3% for Driefontein

SA analysts appear to be more concerned with Driefontein's capital expenditure plans They see shares which have lower capital expenditure commitments and higher gearing to the gold price as offering more to investors. Thus, while most analysts hesitate to recommend that Driefontein be sold, they are prepared to recommend that an alternative counter such as Kloof be purchased.

ERPM is Randgold's only mine in the black

AFTER capital expenditure, Randgold's results for its four operational mines for the March quarter all reflect negatives, bar ERPM which broke even

BARRY SERGEANT

The quarterly results were dominated by the Merriespruit slimes dam disaster at Harmony mine, for which a R28m provision has been made

Tons milled and gold produced at the four mines were little changed quarter-on-quarter, but grades achieved fell in all cases

Gold prices received by the mines differed markedly, reflecting the group's policy of hedging, the use of various non-spot-market contracts ERPM received by far the highest price for gold during the quarter of R42 091/kg, R4 059/kg higher than that received by Harmony

The hedging policy remains in place, with some contracts running as far ahead as June 30 1996 ERPM has hedged about 1,5 times its quarterly production, Harmony about 1,9 times, Durban Deep about 0,7 times, and Blyvooruitzicht about 3,5 times

The best price achieved in March by ERPM of R42 091/kg can be compared with the prices achieved by Gold Fields' mines, none of which use hedging, which were practically all well above R42 000/kg for the March quarter

Overall the Randgold group reported net operating profits of R12,2m for the March quarter, before the R28m Harmony provision

This contrasts sharply with the R16,2m December quarter loss

The improvement was mainly attributable to ERPM, which reported R3,2m net profit for the quarter, after an 8,7% increase in its gold price received in rand terms, and a sharp increase in sundry revenue, mainly interest earned on tax

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ERPM also said yesterday that it would change this month from seven-day mining back to the 11-shift fortnight

This was attributed by its directors mainly to the fatigue of employees working 12 straight days and then resting three Its mining plan was being modified

ERPM was hit by labour problems this weekend, giving some of its employees two weeks' leave

Randgold chairman John Turner said yesterday that the mine's long-term borrowings had been reduced to zero after the recent rights issue, apart from a R38m interest-free loan

He said ERPM had about R84m in cash, and R67m in net current assets on March 31

Blyvooruitzicht increased its losses quarter-on-quarter to R2,7m Turner said that Blyvooruitzicht's underground costs had increased in line with expectations, but that the fall in the yield from 6,19g/t to 5,66g/t quarter-on-quarter had been more than expected

There were no new moves regarding development of the tribute area, due to come on stream next year

Durban Deep had reduced its losses sharply from R6,8m in the December quarter to R1,6m in the March quarter

Expectations regarding the possible closure of Durban Deep did not materialise, with Turner saying that possible closure would "have to involve discussions between all those employed at the mine"

Turner added that the survival of Durban Deep depended on productivity improvements and the gold price There had so far been a high level of co-operation between the mine's employees, he said, in contrast to recent labour problems at the mine

Turner said Harmony had increased its operational net profits to R9,7m, despite the slimes dam disaster Harmony's R28m extraordinary item is stated by its directors as a provision for the estimated costs for clean-up, restoration and ancillary costs associated with the Merriespruit slimes dam spill disaster

Turner said Harmony had about R90m in cash at the end of the March quarter Harmony's net current assets of R31m on December 31 had fallen to R16m on March 31, after taking into account the extraordinary item

RANDGOLD 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...	235	5,66	1 329	251,97	44 554	39 644	(2 676)	(6 921)	(28,8)
December...	237	6,19	1 466	242,67	39 231	37 081	(2 555)	(9 165)	(38,2)
Durban Deep	229	4,00	915	181,57	45 442	39 590	(1 563)	(1 947)	(83,7)
December ..	220	4,07	895	197,48	48 544	36 605	(6 825)	(7 188)	(309)
ERPM	256	5,67	1 452	268,15	47 277	42 091	3 193	(26)	—
December..	256	5,74	1 469	259,31	45 225	38 725	(16 874)	(24 571)	(165)
Harmony.....	1 537	3,29	5 062	124,13	37 691	38 032	(18 330)	(20 903)	(77,8)
December. ...	1 514	3,38	5 111	123,90	36 702	37 051	8 968	5 807	21,6

More state assistance needed for survival

Back to the wall at Durban Deep

Star 19/4/94

■ BY DEREK TOMMEY

Randgold's marginal mine Durban Deep has applied for state assistance.

Chairman John Turner said, while announcing quarterly results yesterday, that the mine's future was in doubt unless it received additional funds

The mine's poor profitability had led to a drastic cut in capital expenditure, which last year was reduced from a forecast R7 million to R3 million

Unless capital expenditure is raised, it will not get the higher operating flexibility and productivity improvement needed to prevent closure.

He warned that any unexpected setback could still result in the closure of the underground operation.

Durban Deep, which has about 5 000 people on its payroll, has the second-lowest grade ore in the country (Harmony has the lowest), with an average yield of 4 grams a ton.

But it has enough reserves to keep going for 25 years.

Last year, Durban Deep had a loss of R12,5 million after reporting profits ofR4,9 million in 1993.

Helped by an almost R3 000 a kilogram increase in gold revenue and increased production, leading to reduced operating costs, the mine cut its taxed loss to R1,6 million in the March quarter from

John Turner .. drastic cut in capital expenditure.

R6,8 million in the December quarter.

ERPM, benefiting from its rights issue, which enabled it to repay R453 million in borrowings, reported a profit of R3,2 million for the quarter, against a loss of R16,9 million in the December quarter

A R5,1 million increase in gold revenue and a minor increase in costs led to ERPM showing a working profit of R380 000, against a loss of R4,2 million in the December quarter.

A sharp reduction in interest paid and an increase in sundry revenue were responsible for the further increase in earnings.

Turner said that ERPM had not achieved the productivity improvements essential to operating profitably

The expected gains from moving to full-time operations had not materialised and had increased costs

The mine reintroduced the 11-shift fortnight method at the start of this month, with modifications to include voluntary work on Saturdays and Sundays.

(2/4)

The change requires a new mining plan which could lead to some reduction in the gold yield.

Harmony says it has adequate public liability insurance and resources to cover any claims arising from the slimes spill disaster in which 17 people lost their lives It is providing R28 million for the estimated costs.

Despite a R3,1 million increase in Harmony's gold revenue, higher costs limited the rise in working profit to R100 000 at R7,5 million.

Blyvooruitzicht faces difficult times until it is able to draw ore from its recently acquired Western Deeps tribute area later this year

An increase of R1,7 million in gold revenue was not sufficient to offset higher costs, the working loss rising from R2,8 million to R3,0 million.

The loss after tax and state share of the profits was R2,7 million (R2,6 million) Capital expenditure absorbed R4,2 million (R6,6 million)

Rising costs catch up with Anglovaal's gains in gold

BARRY SERGEANT

RISING costs matched or exceeded gains made in prices received by Anglovaal's main gold producers in the March quarter

The group's four gold producers — Hartebeestfontein, ET Consolidated, Loraine and surface operation Village Main — reported taxed profit of R70m compared with R67,1m for the December quarter

Gold mine capital expenditure was generally in line with estimates for the year, executive director Rob Wilson said yesterday. Hartebeestfontein, the group's mature producer, reported lower-than-expected capital expenditure for the quarter, but this would be rectified in due course

Loraine reported taxed profit of R440 000 (R2,9m), the sharpest fall among the four producers.

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Loraine was also adversely affected by lower-than-forecast grades due to the slow build-up of developed ore reserves in the higher-grade 3C area, where a high degree of faulting persisted

Hartebeestfontein, which continued to report falls in grades, lifted its taxed profit to R62,9m (R57,5m), mainly due to it no longer being liable for lease imposts from January 1 1994, and a higher gold price The benefit was partially offset by the lower yield and higher unit costs

ET Cons saw its taxed profit fall to R5,9m (R6,1m), with its tax more than doubling to R4,6m, and increased unit costs. Wilson said there was concern about ET Cons' costs

Wilson said that Village Main reported a good quarter It increased working profit to R1,1m (R420 000) following higher throughput and better gold prices Village's taxed profit increased to R709 000 (R633 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
Hartbeestfontein (underground)	795	8,8	6 965	258,16	29 467	41 077	—	—	—
December	798	9,2	7 342	254 18	27 627	39 219	—	—	—
Hartbeestfontein (gold plant) ..	484	1,46	706	24,23	16 612	42 361	—	—	—
December	491	1,45	712	23,10	15 927	40 013	—	—	—
Hartbeestfontein	—	—	—	—	—	—	62 916	52 286	46,7
December	—	—	—	—	—	—	57 508	46 109	41,0
E T Consolidated	96	9,2	882	285,12	30 880	42 563	5 933	4 206	4,9
December	97	9 1	876	266,29	29 368	39 890	6 106	2 982	3 5
Loraine	451	3,2	1 454	137,57	42 671	42 568	440	(247)	—
December	467	3,3	1 535	132,35	40 266	41 616	2 875	1 352	7,9
Village Main	163	0,95	155	33,66	35 394	42 200	709	799	13,2
December	148	0,97	144	36,43	37 493	40 409	633	671	11,1

Star 20/4/94

Loraine disappoints once again

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■ BY DEREK TOMMEY

Three of the Anglovaal group gold mines — Hartebeestfontein, ET Cons and Village Main Reef — report sastisfactory results for the March quarter

Results from its fourth mine, Loraine, were again disappointing — though shareholders can take consolation from the fact that development results at the new 3C area were better than expected

Production at Hartebeestfontein dropped 5,1 percent to 6 965kg, mainly as a result of the yield declining to 8,8g/t from 9,2g/t

This and an increase in costs led to the operating profit from underground mining dropping by R4,2 million to R80,8 million, despite the gold price received rising by R1 858 to R41 077 a kg Profits from the low-grade gold plant rose from R17,1 million to R18,2 million

Uranium operations produced a loss of R2,3 million (December quarter profit of R2,6 million)

However, an R10,9 million drop in tax payable to R44,1 million enabled the mine to report an increased profit of R62,9 million (57,5 million) before capital expenditure of R10,6 million (R11,4 million)

ET Cons' earnings increased, but the gains were partly offset by higher tax.

Gold recovered rose from R876kg to 882kg and revenue rose by R2 673 to R42 563 a kg, while costs rose by R1 512 to R30 880 a kg

Working profit was R10,3 million (R9,2 million) But tax took R4,6 million (R2 million) and profit after tax was R5,9 million (R6,1 million) before capital expenditure of R1,7 million (R3,1 million)

Village Main's profit rose 2½-fold from R420 000 to R1 1 million.

Production rose from R144kg to 155kg, revenue increased by R1 791 to R42 200, while costs dropped by R2 099 to R35 394 a kg

But a drop in dividends received and an almost five-fold jump in tax payments to R487 000 limited the rise in taxed profit to R709 000 (R633 000)

Loraine had a loss of R149 000 (profit of R2,1 million in the December quarter)

A slight drop in tonnage milled resulted in production falling 81kg to 1 454kg

Although the price received rose from R41 616 to R42 568 a kg, lower output, together with a rise in costs, produced the operating loss

The directors say the working loss was the result of a lower mill throughput caused by the break in the continuous work cycle over Christmas

It was also the result of lower-than-forecast grades as a result of the slower build-up of developed reserves in the faulted higher-grade 3C area.

But the faulting should be offset in the long term by the better-than-expected grades encountered in the area.

The Anglovaal mines have arranged that if the rand spot price of gold sold forward exceeds the minimum assured price, 70 percent of the excess will accrue to the mine concerned

Distributable profit up 5,1% at Gengold

BARRY SERGEANT

GENCOR's gold business, Gengold, lifted distributable profit 5,1% to R82,3m for the three months to March, despite the dampening effect of forward sales

Deputy MD Tom Dale said the rise would have been 18% if the extraordinary dividend received by Stilfontein in the December quarter had been stripped out

Dale said if hedging contracts had not been in place for the quarter, the average price received would have been about R2 500/kg higher than the actual R39 663/kg netted

It was expected that the R2 500/kg deficit would fall to around R1 500/kg in the current quarter By the end of this quarter, virtually all forward contracts would be exhausted and the September quarter would see revenues at spot prices

Gengold's capital expenditure fell 23,9% to R24,5m due to completion of projects at Beatrix, Leslie, St Helena, Kinross and Unisel. The leading performers were Winkelhaak, with distributable income up 22,7% to R12,7m, Buffelsfontein up 9,8% to R9m and Grootvlei up 128% to R2,6m

Troubled developing Gengold mine Oryx is believed to have completely stopped development work in its main area Dale said, however, that superb development grades had been found in the northerly area of the east line at Oryx

He said the decline in Beatrix's grade of 6,2g/t was expected to increase to 6,5g/t in the forseeable future

Buffelsfontein increased taxed profit significantly. Dale said the mine would be downscaling monthly production from about 1 200kg to 950kg (214)

Grootvlei posted substantially higher profits for the quarter. Grootvlei's directors have approved the R19m opening of the East Geduld No 1 shaft to increase black reef ore reserves production.

Kinross, which increased distributable profit 8,2% to R20,2m for the quarter, was expected to increase grades in the future, Dale said.

Leslie posted a recoupment for payments by other Gengold Evander mines for use of the Leeupan gravity-feed water facility

St Helena experienced increased costs, due to the opening of 8 Shaft, where grades were thought to be better Capital expenditure fell substantially

Stilfontein contained costs well, Dale said, and it again posted recoupments on asset sales

At Unisel there had been better gold production, a higher gold price and lower capital expenditure

At Winkelhaak, Dale said, working costs were lower due to successful downscaling. Gold production had fallen slightly as pressure on ore reserves continued.

GENGOLD March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	**520**	**6,2**	**3 220**	**149,9**	**24 207**	**39 582**	**21 020**	**13 837**	**14,7**
December	534	6,4	3 401	145,67	22 826	37 772	23 374	12 627	13,4
Buffels	**480**	**6,4**	**3 080**	**229,47**	**35 761**	**39 865**	**19 097**	**9 008**	**81,9**
December	547	6,4	3 500	200,75	31 376	37 727	13 360	8 208	74,6
Grootvlei	**120**	**5,5**	**662**	**187,98**	**34 074**	**39 442**	**3 880**	**2 561**	**22,4**
December	120	5,5	660	181,56	33 012	37 550	3 058	1 123	9,8
Kinross	**465**	**6,5**	**3 030**	**164,53**	**25 249**	**39 655**	**26 145**	**20 164**	**112,0**
December	477	6,7	3 195	162,54	24 267	38 115	26 065	18 650	103,6
Leslie	**101**	**6,7**	**678**	**201,22**	**29 975**	**39 698**	**4 163**	**4 827**	**30,2**
December	104	6,7	689	185,38	27 983	38 076	5 683	2 961	18,5
St Helena	**195**	**6,9**	**1 350**	**220,14**	**31 799**	**39 590**	**10 861**	**10 205**	**106,0**
December	200	6,7	1 349	200 78	29 767	38 807	11 667	9 672	100,5
Stilfontein	**282**	**1,0**	**271**	**30,98**	**32 232**	**39 566**	**3 014**	**5 134**	**39,3**
December	275	1,0	274	32,44	32 558	38 120	12 386	13 078	100,1
Unisel	**160**	**6,1**	**973**	**201,14**	**33 076**	**39 714**	**5 639**	**3 863**	**13,8**
December	150	6,3	944	207,92	33 038	38 343	5 562	1 590	5,7
Winkelhaak	**388**	**6,7**	**2 602**	**212,15**	**31 636**	**39 607**	**12 987**	**12 664**	**104,8**
December	415	6,6	2 730	203,19	30 855	38 011	9 325	10 325	84,8

consideration on pricing now that election uncertainties had been cleared up.

Gengold weathers trying times

Star 21/4/94

BY DEREK TOMMEY

A higher gold price plus some tax savings after the ending of lease payments played a major role in helping Gengold mines weather a difficult March quarter, enabling all but one to report higher distributable profits

Tom Dale, general manager, finance, said yesterday the working environment had been unsettled, mainly as a result of the political situation, and this had affected production at many mines

Several had experienced short strikes and only Unisel had been able appreciably to increase gold output

Lower working profits were reported by Beatrix, Buffelsfontein, Grootvlei, Kinross, Leslie and St Helena.

Dale said the Grootvlei mine, which has been in operation since 1904, was to spend R19 million re-opening the East Geduld No 1 Shaft which it now owns

This will enable it to increase production from the Black Reef, which is giving higher and more constant grades than the Kimberley Reef

Tom Dale ... unsettled environment.

Picture Anton Hammerl

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Grootvlei expects to mine an extra four tons of gold from the reef during its remaining estimated life of 12 years

Reopening the shaft will lead to lower working costs and help the mine better withstand any drop in the gold price.

Grootvlei had a working profit of R3,6 million (R3,1 million) and distributable income after capex of R2,56 million, which was more than double the December figure of R1,1 million.

Dale said Buffelsfontein was to start scaling down operations, which could lead to retrenchments.

He said Buffels was an old mine and the amount of reserves was fairly small. Mining conditions were becoming increasingly difficult and this had led to the decision to reduce gold production to around 950kg a month from the 1 200kg a month produced last year.

Dale could not say what effect the scaling down would have on earnings. But he pointed out that in the past Gengold management had achieved considerable success on other mines in reducing costs in line with the lower production.

Buffels had a woeful quarter, with three seismic events and a seven-day illegal strike

Working profit dropped to R12,6 million from R22,2 million, but distributable profit after capex rose from R8,2 million to R9 million.

Negotiations to refinance the developing mine Oryx are continuing

Oryx has funds for about two months' operations Dale said results from development north of No 1 Shaft improved an averaged of about 750cm.g/t Results from south of the shaft were poor

At Beatrix, the gold yield dropped from 6,4 to 6,2 grams a ton because the mine is balancing output from No 1 and No 2 shafts

As reef is developed from the declines now under construction, the yield should start recovering and range between 6,2 and 6,4 grams a ton

Beatrix's distributable income was R12,6 million (R13,8 million)

Lower gold production leaves Knights weaker

JOHN DLUDLU

LOWER gold production and higher working costs saw independent gold producer Knights drop in the March quarter

BDay 22/4/94

Results published today show an after-tax profit of R2,1m (R2,6m) on turnover which slumped to R12,9m from the previous quarter's R14,2m

The capital expenditure, which includes mining and property, decreased to R960 000 (R4,8m) after expenditure on the Rietfontein slimes, and plant expansion projects were virtually completed

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Gold price received increased to R40 958/kg during the quarter from R38 717 in the December quarter

Gold production dropped to 307/kg compared with 325/kg produced during the December quarter. Average yield moved down to 0,36g/t (0,42g/t)

The amount of sands treated rose 366 000 tons (352 000 tons), but slimes treated decreased to 476 000 tons (502 000 tons)

Working costs for the period dropped marginally to R12,62/t compared with the previous quarter's R12,43/t No dividend was declared.

Productivity slump hits top two Anglo mines

BARRY SERGEANT

ANGLO American, unveiling its results for the March quarter yesterday, said it had experienced various problems at Vaal Reefs, Western Deep Levels and Freegold.

The quarter was characterised by revenues lifting an average 5%, but this was more than offset by a 7% cost increase MD Nap Meyer said productivity problems had hit Freegold and Vaal Reefs, the group's two biggest mines As a result distributable profit for the group as a whole fell 4% to R263,5m.

Freegold's distributable profit fell 9,3% to R114,6m and Vaal Reefs' 8,4% to R65,9m, while Western Deeps' increased 12,1% to R47,5m, Elandsrands' fell 1,7% to R20m, and Ergo's lifted 27,5% to R15,6m

Gold and uranium division chairman Clem Sunter said all the mines' forward sales commitments were restructured during the quarter

In common with most gold mines, a number of Anglo American mines had benefited from an overall lower tax charge for the quarter, after the lifting of lease imposts.

Freegold's production for the quarter was 10,2% lower at 25 272kg (28 147kg), reflecting a 3,8% decline in tons milled and a 6,7% decline in the average yield to 4,33g/t (4,64g/t) Meyer said average quarterly production is expected to improve in the financial year to March 31 1995.

Meyer said gold production for the 1994-1995 financial year was now anticipated to be lower than that for the 1993-1994 financial year

Freegold declared a final dividend of 200c for the year to March 1994. This makes a total distribution for the year of 390c, up 59,2% on the previous year's total of 245c.

Vaal Reefs' gold production fell 6,8% to 17 928kg, reflecting lower tons milled and a lower yield Capital expenditure on the Moab project (Vaal Reefs No 11 shaft) was maintained at R34,6m.

Regional GM Dick Fisher said the sinking of Vaal Reefs' No 11 main shaft was resumed during the quarter following the completion of the 1 200 level pump station In the South Lease area, gold production fell 12% to 9 364kg (214)

Western Deeps posted an 11,8% increase in distributable profits for the quarter

Elandsrand increased gold production slightly to 4 280kg It posted the smallest increase in costs for the period of just 0,4% It continued to move towards a fully taxed situation, with tax provision up from R2,9m in the previous quarter to R15,3m It had milled an average of 178 000 tons a month during the quarter, and continued to drive towards the 200 000 tons a month "magic" level

Ergo, the surface operation on the East Rand, treated 11,7-million tons of material during the quarter Its gold production increased 13% to 3 677kg After a 4% rise in the gold price received, pre-tax profits increased 73,8% to R33,3m

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	**5 833**	**4,33**	**25 272**	**156**	**36 050**	**42 431**	**179 332**	**117 700**	**99**
December	6 066	4,64	28 147	150	32 341	40 177	167 674	127 003	107
Vaal Reefs	**2 806**	**6,39**	**17 928**	**186**	**29 118**	**40 971**	**141 246**	**65 891**	**345**
December	2 951	6,52	19 239	176	27 010	39 342	217 502	71 909	376
Western Deeps	**1 617**	**6,27**	**10 138**	**179**	**28 549**	**41 206**	**110 261**	**47 400**	**171**
December	1 688	6,64	11 210	183	27 486	39 728	118 929	42 340	153
Elandsrand	**543**	**7,88**	**4 280**	**201**	**25 531**	**41 010**	**53 749**	**19 968**	**21**
December	548	7,78	4 264	198	25 440	39 674	60 914	21 594	23
Ergo	**11 693**	**0,31**	**3 677**	**—**	**—**	**41 076**	**25 762**	**15 580**	**30**
December	11 583	0,28	3 255	—	—	39 517	17 185	12 225	24

Mixed bag from CMC gold mines

Star 22/4/94

The three gold mining companies within Consolidated Mining Corporation (CMC) yesterday reported mixed results for the March quarter

West Wits' output declined to 800 kilograms (900kg).

The higher gold price received of R40 830/kg was unable to offset a R2,4 million drop in revenue to R32,7 million.

Working costs rose modestly, resulting in net taxed profit easing to R5 million (R7,7 million).

Benoni returned to its planned production track, with net profit showing a turnaround to R1,6 million from a loss of R2,5 million in the previous quarter (214)

Witwatersrand Nigel reported a fall in net profit to R129 000 from R186 000 as it contract mines the Droogebult section.

Unchanged

CMC has declared an unchanged dividend of 1,5c a share for the year to March, leaving the total the same as a year before of 2,5c a share.

Egoli has declared a final dividend of 10c a share, lifting the total for the year to 17c a share from a previous 7,5c.

Southgo has declared a final dividend of 5c, lifting the total by 5c over last year to 9c.

West Wits has declared a final dividend of 12c, almost tripling the total to 20c from a year before of 7c.

Benoni has declared a final dividend of 0,5c, resulting in the total falling to 1,5c from 2c. — Sapa.

Ergo, Freegold lift payout

Star 22/4/94

■ BY DEREK TOMMEY

Higher attributable profits from Ergo and Western Deep and higher dividends from Freegold and Ergo are features of Anglo American's March quarterlies

The quarter was a difficult one

Compared with the December quarter, gold production dropped 7 percent to 61 295kg, which contributed to a 7 percent increase in average unit costs to R31 482 a kg.

The 5 percent increase in average revenue to R41 621 was not enough to offset the adverse developments and available group profit dropped 4 percent to R263,5 million.

Some mines reported tension in the workforce, which affected productivity.

Freegold has declared a final dividend of 200c (year ago, 140c), making a total of 390c for the year and 59,2 percent more than the 245c paid last year

Ergo is paying a final of 55c to make a total of 100c, which is almost double the 55c paid a year ago

Freegold's gold production dropped by 10,2 percent to 25 72kg.

Freegold is now an "old lady", says gold division chairman, Clem Sunter.

While he is hoping results will improve in future quarters, he cautions that the mine

Clem Sunter ... Freegold now an "old lady".

(214)

is a marginal producer and could be affected by minor changes in production

Freegold's working profit dropped by 26,8 percent, but attributable profit fell only 9,3 percent to R114,6 million.

Vaal Reefs had a 6,8 percent drop in production to 17 925kg Working profit was 10,5 percent lower at R212,5 million

Taxed profit was 35 percent down at R141,3 million, but a drop in capital expenditure led to available profit falling 8,5 percent

Sunter says that in judging Vaal Reefs' results, the December quarter had been unusually good, the March quarter unusally bad

The December figures had also included a dividend of R17,6 million from Southvaal He expects results for the rest of the year to be somewhere between the two

Gold production at Western Deep dropped 9,6 percent to 10 138kg, while profit from gold was 6,5 percent lower at R128,3 million However, available profit rose R5 million to R47,4 million.

Elandsrand increased production by 3,75 percent to 4 280kg and profit by 9,2 percent to R66,3 million However, Elandsrand is now liable for mining tax and its payments soared from R2,9 million to R15,3 million.

Available profit dropped 7,5 percent to R20 million

Ergo, which recovers gold from dumps, boosted gold production by 13 percent to 3 677kg after a small increase in tons treated and a 10,7 percent increase in the yield from 0,28 to 0,31 grams a ton.

Ergo regional manager, Phil Mostert, says an increase in the gold price contributed to the higher recovery grade as the company could afford to add more cyanide and get better yields

Ergo's operating profit jumped from R35,8 million to R53,9 million

Profit available after tax and capital expenditure rose 27 percent to R15,6 million from R12,2 million.

Durban Deep helped again

BARRY SERGEANT

LOSS-MAKING West Rand gold mine Durban Deep has applied for government "standby assistance" and has again received pumping assistance, mine-owner Randgold has confirmed.

Randgold director Richard de Villiers declined yesterday to say whether the standby assistance request, which had been made for the first time, amounted to R12m for the next year — a speculative figure by financial analysts He also said it was premature to discuss speculation that government and employees could be invited to take up board positions as part of the standby assistance arrangement

He said any decision about Durban Deep's additional standby assistance, including securing 5 500 jobs, "would lie in government hands"

De Villiers said negotiations regarding the details of standby assistance for Durban Deep were "complex and proceeding" The reasons for keeping Durban Deep open included employment and foreign exchange generation The mine remained marginal and could be returned to profitability only with a stronger gold price and improved productivity 25/4/94

In a separate development on Friday, ERPM chairman John Turner announced at the company's AGM the resignation of MD Glenn Laing (214)

A statement issued by Laing's attorneys said Laing would "take up other business and employment opportunities"

Laing was instrumental in leading the recent ERPM rights issue, which saw the long-troubled mine's long-term debt reduced from nearly R500m to an interest-free R38m

Durban Deep posted a working loss of R2m Turner said the mine had again applied for pumping assistance

JCI gold division sees net profit nosedive 28%

B/Day 29/4/94

(214)

BARRY SERGEANT

RANDFONTEIN, the largest JCI gold mine, partly salvaged the group's quarterly results by posting a R52,3m profit after tax and capex in the March quarter.

But this 29,7% increase was insufficient to offset the 65,1% fall in Western Areas' profit after tax and capex following loss of production from a winder accident in January

Overall, gold division net profit after capital expenditure dived 28% to R52,3m (R72,6m) Gold division chairman Kennedy Maxwell said the Western Areas result, in particular, meant that the comparative quarter-on-quarter results were misleading.

He said Randfontein's gold production of 8 392kg was the best in 15 years. Joel, which also posted a disappointing grade fall, continued with a heavy capital expenditure programme to secure 700 000 tons of reserves by December.

JCI gold division's gold production fell 5,6% to 12 635kg (13 373kg), with average yield largely unchanged at 4,76g/t (4,82g/t) Gold revenue fell by 1,6% reflecting a 2,7% improvement in the gold price

The failure of the Western Areas' subvertical No 2 shaft rock hoist winder was mainly responsible for the mine's 65,1% fall in profit for the quarter to R14,3m (R40,9m) The accident has led to a R50m legal dispute with the mine's insurer

Western Areas' cost of material damage and loss of net revenue after the winder accident is covered by insurance, bar a 48-hour excess But the insurers have repudiated the claim for "material damage and business interruption" Maxwell confirmed yesterday that Western Areas would take action against the insurers if necessary

It had not been possible to determine accurately loss in production and overall cost to the mine, but it was estimated at R50m Normal operations were resumed last month by the rock hoist winder, which was about three weeks ahead of schedule, and full production had started without delay Maxwell said the repair costs of about R8m would be charged in the June quarter

Randfontein posted quarterly gold production of 2,5% higher at 8 392kg and a 4,5% grade increase to 4,20g/t, and a 4,3% higher gold price Working costs were R230,8m (R226,8m)

Joel posted a net loss of R2,2m after a R637 000 loss in the December quarter Tonnage was maintained at 150 000 tons, but gold production slipped 6,5% to 828kg after an 8,4% decline in grade to 5,45g/t (5,95g/t) JCI said the level of production was in line with plans, but recovered grades declined due to poor face availability Capital expenditure rose 52,5% to R12,2m as the mine continued its programme to open reserves

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	**1 998**	**4,20**	**8 392**	**115,50**	**27 500**	**40 825**	**73 454**	**52 351**	**85,6**
December	2 037	4,02	8 187	111,33	27 701	39 157	63 264	40 352	66,0
Western Areas	**505**	**6,74**	**3 405**	**245,64**	**36 431**	**40 636**	**22 483**	**14 281**	**35,4**
December	586	7,34	4 300	212,18	28 916	39 096	50 162	40 923	101,5
HJ Joel	**152**	**5,45**	**828**	**222,36**	**40 820**	**39 797**	**(2 223)**	**(14 375)**	**(14,7)**
December	149	5,95	886	221,59	37 265	38 077	(637)	(8 671)	(8,8)

Amgold final dividend surges by nearly half

R/Day 27/4/94

BARRY SERGEANT

AMGOLD, Anglo American's gold investment arm, has declared a 45% higher final dividend of 725c a share (500c), raising the dividend for the year to March 31,7% to 1 350c a share (1 025c) The dividend for the year is R326m

The company reported an 86,9% increase in equity-accounted earnings to 1 929,7c a share (1 032,3c) This followed an 86,3% increase in attributable earnings to R462m (R248m). Equity earnings advanced a similar amount to R466m.

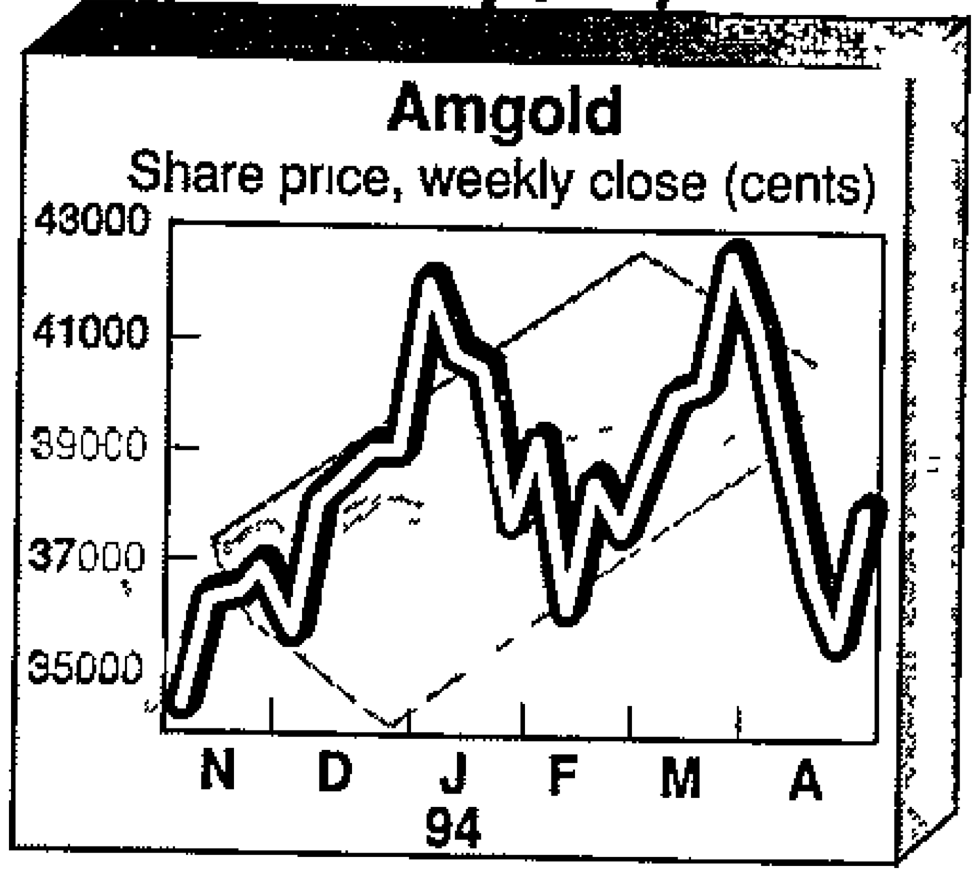
The majority of Amgold's income derives from gold mine dividends, and its investment income increased 33,3% from R234m to R312m Anglo's Amgold also holds a substantial interest in Gold Fields' Driefontein

(214)

Prospecting expenditure for the year was down substantially to R22m (R35m). Interest earned less administration expenses fell to R41m (R54m) Amgold said it had actively managed investments, gaining on the realisation of certain of them

The group continued its policy of switching certain investments into longer-life, relatively undervalued mines The amount posted for realisation of investments increased substantially to R147m (R15m)

Amgold's net asset value increased 75,3% during the financial year to R10,1bn, or 41 602c a share The share, which tends to trade at a discount of about 10% to its net asset value, has registered similar gains in value over the past year, reflecting a firmer gold price over the period



At its most recent JSE-quoted price of 37 900c a share, Amgold's dividend yield advances from 2,7% to 3,6% The dividend cover advances from the traditional one times to 1,4 times, indicating that the group is shoring cash for certain investment transactions during financial 1994

Amgold's results follow last week's quarterly results of the gold mines managed by the Anglo American group The March quarter available profits figure for the gold mines was R263,5m, 4% lower than the December quarter's figure

JCI's gold mines once again deliver the goods

Star 29/4/94

BY DEREK TOMMEY

The three JCI gold mines again performed well in the March quarter

Kennedy Maxwell, chairman of the gold division, says Randfontein produced a record amount of gold, Western Areas had a profit 30 percent higher than a year ago, despite production being seriously affected by a winder failure, and Joel is making progress towards being able to increase output substantially.

MD Bill Nairn believes the absence of labour unrest in the quarter was the result of the group's participative management style in which it is a leader

Labour turnout at Randfontein on Wednesday — the second day of the election — was so small workers were sent home

But there was a 65 percent turnout at Western Areas, where production at the North Shaft was almost equal to a normal day's output

At Joel there was a smaller turnout of workers and these were employed moving ore

Yesterday, the third day of the election, there was almost a full turnout at all the mines

Helped by an unexpected rich patch of ore in Cooke No 3 Shaft area, Randfontein produced 8 392kg of gold in the quarter — 205kg more than in the December quarter

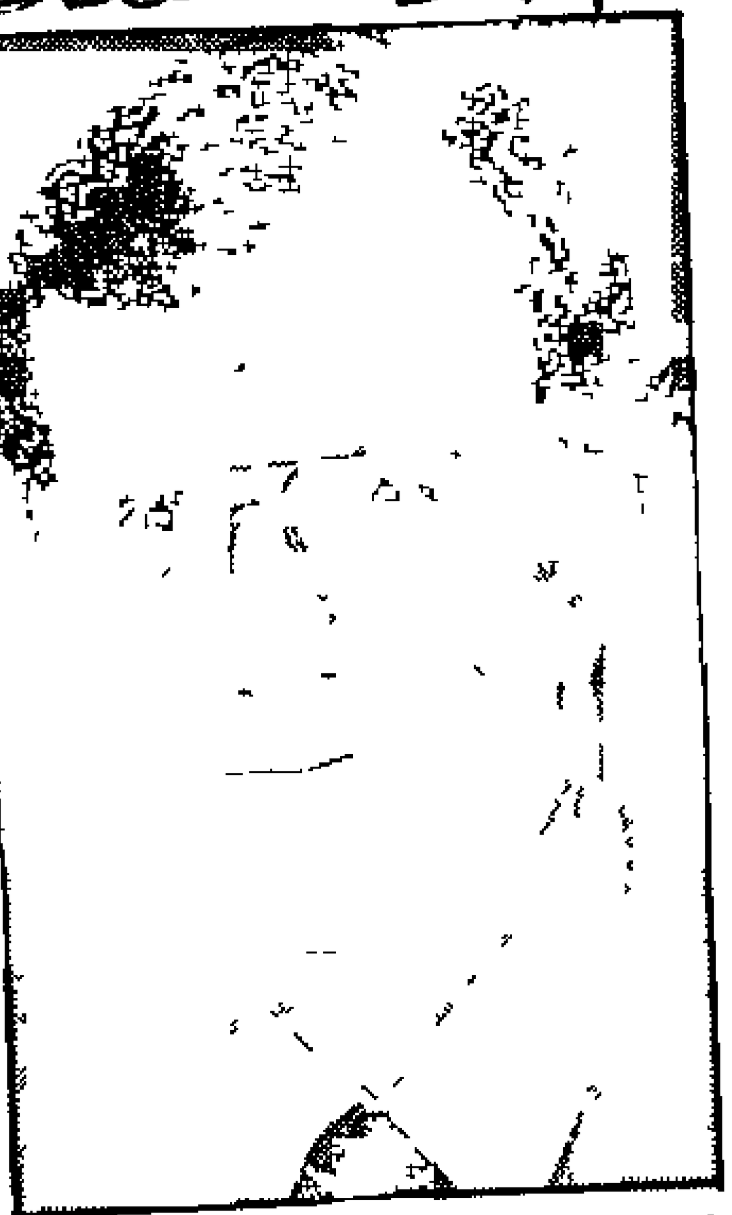
(214)

Profit rose R18 million to R111,8 million

Working costs were well contained, rising by only R4 million This was almost fully accounted for by a R3,8 million increase to R5,6 million

Profit after tax and state's share was R73,4 million (R63,3 million) and taxed profit after capital expenditure was R52,3 million (R40,4 million), equal to 85,6c (66c) a share

The Kimberley Reef ore reserves have been corrected downwards



Kennedy Maxwell . record amount of gold.

At the East project in the Doornkop section they are estimated at 2,6 million tons, averaging 5,4 grams a ton In the N1 and N2 sections they are estimated at 7,1 million tons, averaging 5,4 grams a ton

South Reef development produced values of 1 040cm g/ton.

Operations at Western Areas were affected by the winder failure at the beginning of January

This led to a halt in production in the richer part of the mine, and also to greatly increased costs

Profit dropped to R14,3 million (R43,8 million), operating profit was R21,2 million (R48,3 million) and profit after tax and capital expenditure was R14,3 million (R40,9 million), equal to 35,4c (101,5c) a share.

The winder resumed operations on March 12, three weeks ahead of schedule.

The insurance company has repudiated Western Areas' claim of R50 million to cover its losses However, the mine does not accept this and, if necessary, will take action.

Development values rose to 984cm.g/t from 742cm.g/t in the December quarter

Ore reserves, which amounted to 356 000 tons at end-March, are expected to rise to 700 000 tons by the end of the year

Winder accident derails JCI profits

CT 29/4/94

(214)

From BARRY SERGEANT

JOHANNESBURG — Randfontein, the largest JCI gold mine, partly salvaged the group's quarterly results by posting a R52,3m profit after tax and capex in the March quarter

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JCI said the level of production was in line with plans, but recovered grades declined due to poor face availability Capital expenditure rose 52 5% to R12,2m as the mine continued its programme to open reserves

SA still tops output log

Star 11|5|94

■ BY DEREK TOMMEY

SA is still the world's largest producer of gold, reports Gold 94.

Production last year is estimated at 619,5 tons, which is 5,4 tons more than in 1992

But while South Africa accounted for 75 percent of world gold production in 1973, today its share has declined to 33 percent

This is the result of the big increase in production elsewhere in the world

The US is the second-biggest producer with an annual output of 336 tons, followed by Australia with 247,2 tons, the CIS (Russia) with 244 tons, Canada with 150,9 tons and China with 127 tons

Brazil ranks seventh, with an output of 75,7 tons

Eighth is Papua New Guinea with 61,8 tons, ninth is Indonesia with 46,3 tons and tenth is Ghana with 41,4 tons

These figures show there are a number of important countries with a vested stake in at least maintaining the current gold price.

The Anglo American group is ranked as the world's biggest gold producer on the basis of gold mines managed

Its production last year was 283 tons, up 8 tons from 1992

The world's second-biggest producer is GFSA with 122 tons, followed by Gencor with 70 tons

(214)

An American mine, Homestake, is fourth with production of 57 tons Canada's Placer Dome is fifth, also with 57 tons

JCI ranks sixth with production last year of 54 tons, followed by Newmont of the US with 53 tons

American Barrick which, despite its name, is Canadian-owned, was eighth with 51 tons The British company, RTZ was ninth with 43 tons

The two other major South African gold producers, Anglovaal and Randgold, ranked 10th and 11th with each producing 42 tons last year.

(214.)

SA mining companies push ahead on projects

G 17/5/94

Own Correspondent

JOHANNESBURG — Mining companies were pushing ahead with deep-level projects on existing operations in spite of government uncertainty on mineral rights

Gold Fields executive director Peter Janisch said his group was proceeding with the evaluation of its Sand River project in the OFS despite uncertainty over the mineral rights issue

Janisch said the main disincentive to the development of new projects could be economic reasons such as gold price volatility

A mining analyst said the fluctuation of the gold price was an impediment and that economic factors were not good for planning new deep-level projects

Anglo American public affairs manager James Duncan said the group was proceeding with all its current projects as planned

He said the three projects — two at Vaal Reefs and one at Western Deep subvertical shaft — were based on the group's long-term bullish view on the gold market

Gengold public relations manager Andrew Davison said the group had projects worth more than R250m for development, which it was pursuing

Sharp recovery at East Dagga

Star 19/5/94

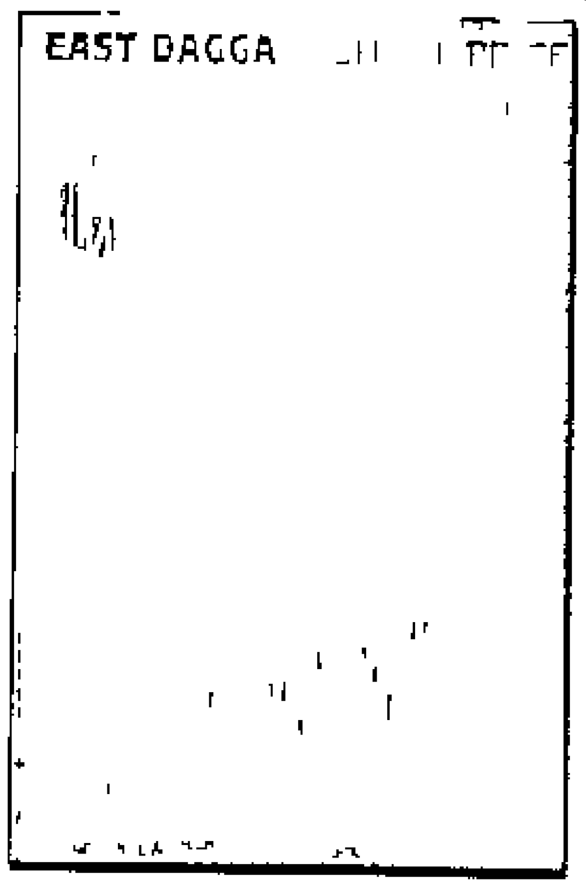
■ BY JOHN SPIRA

East Daggafontein Mines has boosted earnings by a considerable margin and has doubled its final dividend

Interim

Earnings for the year to March 1994 totalled R26,4 million (R16,4 million), equivalent to 84c a share, which is 83 percent up on the 1992-93 result. The final dividend is 50c (25c), which, added to the interim, raises the total distribution for the year to 76c (50c)

The yield at the ruling



share price is now 8,9 percent, suggesting that the counter could well appreciate in the wake of last night's announcement

Chairman Peter Bieber ascribes the substantial improvement to the appreciable rand gold price increase, capital expenditure cuts and the resolution of metallurgical problems associated with the treatment of certain dumps

Revenue accrued from the disposal of 14,4 million tons of slimes to Ergo for treatment at the Daggafontein plant

Bieber says treatment of high grade slimes material acquired from ERPM is now in full production East Dagga had earned R2,16 million from this source during the year (214)

The company would be keeping a close watch on developments following an agreement in principle between wholly-owned Dumpco and Impala Platinum regarding the sale to Impala of effluent rich in platinum group metals

Viability

"If the investigation currently being undertaken proves the viability of treating this effluent, East Dagga expects to derive substantial revenue from this source over the next two years"

Freegold's output falls

BI Day

MICHAEL URQUHART

PRODUCTION at Anglo American's mainstay gold mine, Freegold, dropped nearly 4 000kg to 11 668kg last year, and would see at least a further 1 500kg trimmed from its output this year, gold and uranium division chairman Clem Sunter said in his annual review

The continuing fall in production was attributed to marginal decreases in underground tonnage, reef grade and dump reclamation

Although Freegold's life was expected to extend well into the next century, some of the shafts were approaching the end of their economic lives, Sunter said.

Despite the falling production, Freegold's earnings increased 60,3% to R464,9m Dividends declared rose 59% to a record 390c a share

Sunter ascribed the good performance to the higher gold price as well as continued cost containment Revenue per kilogram of gold rose 16% while cost per kilogram produced rose only 10% 7/6/94

Forward sales commitments were restructured during the last quarter of the financial year No additional forward sales had been undertaken during the year (214)

Ergo also felt the effects of the improved gold price, and with a 7% increase in gold production and a reduction of 47% in capital expenditure, improved the distributable profit from R27,6m to R51m.

As a result, dividends declared increased 82% to 100c

Gold production at Ergo increased 797kg to a record 13 050kg and Sunter said he expected production to remain the same during 1994/95 Increased production and higher average gold revenue contributed to a 21% increase in turnover to R537,8m

COMPANIES

Gengold to table Oryx mine plan

MICHAEL URQUHART

GENGOLD, Gencor's gold mining company, would table plans to refinance its cash-strapped Oryx gold mine within the next three weeks, deputy MD Tom Dale said yesterday.

Dale said talks to refinance the Free State mine, which needs an additional R900m to take it through to break even, were at an advanced stage

But he said the parties were aiming to complete the talks by the end of the month, because the mine would exhaust its remaining funds by then.

The success of the refinancing hinges on persuading Oryx's banks to restructure its R550m bank debt

The mine's shareholders — Gencor, Genbel, Sanlam and Anglo American — had still to see firm proposals, sources said

An analyst said the major shareholders would be sure to provide bridging finance should refinancing plans be delayed, but said finance would not be raised through a rights issue. B/Day

"As the major shareholders together own more than 90% of the company, a rights issue would imply them having to cough up all the money," he said.

Oryx borrowed R979m in interest-free loans from its major shareholders in February 1991 to help fund its initial development. But the mine ran into problems when initial grades were lower than expected The cash crisis was unveiled last October. (214) 8/6/94

Oryx's shares stood at 450c yesterday, against 250c on the day the refinancing problems were announced.

SA gold industry among costliest

B/Day

MICHAEL URQUHART

THE SA gold industry proved itself one of the world's highest cost producers in the last four quarters, the authoritative Mining Journal said 14/6/96

A survey in the journal's latest Gold Service International Quarterly showed that nine of the ten highest cost producers across the global industry were SA mines Just one SA operation — Gold Fields' Driefontein — was represented among the top ten lowest cost producers.

The highest cost producer according to the journal was South Roodepoort, the now closed mine in Loucas Pouroulis's Golden Dumps stable The mine had working costs of $447/oz Driefontein was less than half that, at only $185/oz

All four Randgold mines — Blyvooruitzicht, Durban Deep, ERPM and Harmony — figured in the top ten Other mentions included JCI's HJ Joel and Anglovaal's Loraine, the Anglo American administered Afrikander Lease and Golden Dumps' other operation, Consolidated Modderfontein

In 1986 SA working costs were $188/oz, versus $194/oz in the US, $199/oz in Canada and $184/oz in Australia For 1993, SA working costs were $262/oz, versus $216/oz for the US, $222/oz for Canada and $231/oz for Australia

Chamber of Mines chief economist Francois Viruly said yesterday he viewed the situation with concern

There was the risk that as more cost containment measures were undertaken, marginal improvements become more difficult to obtain, he said A sudden appreciation of the rand or drop in the gold price in this scenario could have very bad implications for certain mines

"The trend is particularly disturbing when you consider the importance of the gold mining industry in terms of foreign exchange and for the reconstruction and development programme," he said

An Anglo American spokesman said the industry was running out of ways to contain costs

Viruly said there was still scope for containing working costs The emphasis in cost saving must no longer be on reduction of inputs, he said, but on maximising efficiency of inputs

Analysts blamed high costs on the SA industry's maturity They said the best grades have been mined out, and mines have to go deeper and get lower grades

Other contributing factors were the inflationary environment and pressures from unions, especially in an environment where expectations had been raised

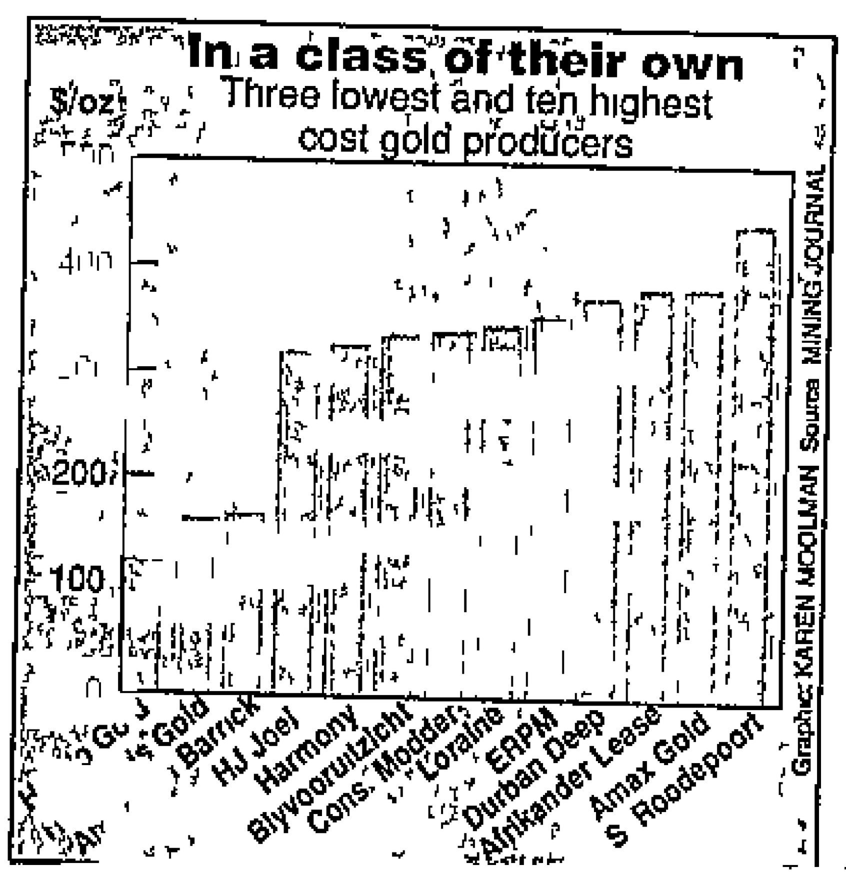
(214)

Mines were therefore far more vulnerable to a decline in the rand gold price, but one analyst said there was resilience in the industry despite this

The majors had been able to pull through by bringing their real costs down, especially in dollar terms, he said

But the decrease in real costs in dollar terms since 1990 had been more than matched by the other major gold-producing countries

Another reason given for the high cost of the mines was labour intensivity Foreign mines are normally highly mechanised



Rhoex's earnings treble

BDay 15/6/94

MUNGO SOGGOT

RHOMBUS Exploration (Rhoex) yesterday reported a threefold jump in earnings a share to 9,87c (3,08c) for the six months to March, and announced the sale of its interests in the Rhombus Sands and Natal Mineral Sands (NMS) projects

The share gained 5c to close yesterday at 235c from a high of 240c on June 14 and a low of 40c last June.

Net income rose to R3,3m (R1,2m) and Rhoex's retained income climbed to R7,6m (R2,5m) The company's turnover slipped to R4,3m (R4,4m)

Rhoex said it had decided to sell its interests in the Natal and Transkei mineral sands projects to steel producer Iscor after its joint venture partner Shell had decided to sell its 60% stake in the Natal project to Iscor It added that Iscor had wanted to buy 100% of both projects

The net surplus on the disposal of Rhoex's 92% stake in NMS would amount to R9,3m or 27,6c a share while the sale of claims would be worth R2,9m The cash injection of R12,15m, or 36,2c a share, would boost Rhoex's reserves to about R30m, the company said

The mechanical erection of Rhombus Vanadium Holdings (Rhovan) new vanadium oxide plant had progressed satisfactorily (214)

Rhovan's commissioning had begun, and a limited amount of material had been sold Commissioning was expected to be wrapped up during the second half of 1994.

Due to "operating difficulties", Taaiboschspruit Colliery had not contributed to profits but was expected to do so in the September results

Rhoex would sell 55% of its interest in its Tanzanian portfolio of gold, nickel and mineral sands prospecting rights to a Canadian company, but had held on to a royalty interest in any future developments

Gold mining industry in quest for greater efficiency, viability

Star 24/6/94

BY DEREK TOMMEY

The gold mining industry is seeking ways to improve its overall efficiency and viability, says Nicholas Oppenheimer, chairman of Anglo American Gold Investment Company (Amgold), in his annual review

He says the Chamber of Mines is considering apppointing two task groups — one to find ways to better employ the industry's capital and labour resources, and the other to find ways to make better use of the gold it produces

"These issues represent serious concerns both for the survival of the industry and for those whose livelihoods depend on it"

The first group would identify restrictive legislation and traditional work arrangements, which threaten the optimal exploitation of mineral deposits and which have led to job losses.

These restrictive practices have made investment in new ventures less attractive and are diminishing SA's role as a major mining country

The second group would identify what steps could be taken to remove the obstacles preventing beneficiation of metals and minerals

Surveying the gold market, he says the year ended on a favourable note for gold, a situation expected to continue this year

(214)

Demand for gold is supported by economic growth and increasing economic liberalisation in Asia generally

Demand in China and India in particular continues to show clear signs of a lasting upturn

"It is unlikely that the production of newly mined gold in the West will increase materially in the future, and certainly at nowhere near the rate of increase seen during the early 1980s"

He says production in the former Soviet Union has fallen sharply and cannot be expected to recover soon

The likelihood of substantial and disruptive sales of gold by central banks has diminished and the states of the former Soviet Union have little metal left to bring to the market

However, while he expects a healthier market, it will be the activities of the professional investors which will play a major role in determining the condition of the market and the direction of the price in the near future

The industry is engaged in extensive discussion and negotiations to ensure that the minerals policy of the new government will continue to provide security of tenure of mining rights and an enabling environment for growth.

He says the mixed system of state and private ownership of mineral rights, which has developed in SA, has been a major contributor to the development of a world-class mining industry

It's all over for Durban Deep

214

CT 27/6/94

Own Correspondents

JOHANNESBURG. — Randgold & Exploration is to cease underground operations at its Durban Roodeport Deep gold mine, with the loss of more than 5 600 jobs, after losing a desperate nine-month battle to save the mine.

The closure — one of the largest recent shutdowns — is likely to raise renewed concern over the future of marginal gold mines, as hefty cost increases outweigh gains from higher gold prices.

Management at the West Rand mine, which has sustained losses of R12,3m in the past three quarters, will inform employees of the decision this morning. Severance packages will be discussed with employee representatives tomorrow.

Randgold blamed the closure on the "inability of the mine to achieve the required improvements in production and productivity". A full briefing is expected this week.

But it is understood that Durban Deep's fate was sealed after government rejected an application for additional state assistance thought to total R12m

The mine had made clear that continued state assistance was vital to its survival

Government sources said there was "little enthusiasm" for the proposal, despite Randgold's pleas over job losses and foreign exchange generation

The mine, one of four marginal performers in Randgold's stable, had warned of possible closure in October, and has since struggled to improve productivity

Underground working costs for the year to December had risen 23% to R41 450/kg, leaving the mine with an underground working loss of R6 578/kg

But despite a slight improvement in March quarter, the mine was still left nursing pre-capex losses of R1,5m. Sources said costs for the June quarter continued to outstrip revenue. Durban Deep's 1993 balance sheet suggests management had left the closure decision as late as possible. Net current liabilities stood at R13,3m, against R1,7m in net current assets for the previous year Further operations would have seen the mine struggle to meet its legal obligations on liabilities

R8m loss for Durban Deep

JOHANNESBURG — Randgold & Exploration's Durban Roodepoort Deep reported yesterday a loss of R7,917m in the quarter ended June 1994 from a loss of R1,563m in the previous three months. (214)

Durban Deep's closure was announced earlier this week as poor productivity had dragged the marginal gold mine down. CT 1/7/94

Durban Deep registered a working loss of R47,51 per ton milled after costs escalated from R55 509/kg in the June quarter from R45 442/kg although revenue increased slightly to R42 261/kg from R39 590/kg

The working loss amounted to R8,822m (R2,041m) after revenue of R40,5m (R43,9m) and total costs of R49,35m (R46m) — Sapa

Randgold says mine cannot be resurrected

MICHAEL URQUHART
and JACQUIE GOLDING

RANDGOLD & Exploration warned yesterday that nothing could save the underground operations at its Durban Roodepoort Deep gold mine

Chairman John Turner said the prospect of falling yields, rising costs and capital expenditure needs of R50m by 1997 had forced the closure.

Operations would cease within a month, with the loss of up to 5 600 jobs.

Discussions with government for state assistance had not been completed, but the mine had been closed for commercial reasons, rather than because government aid had not been secured.

NUM president James Motlatsi said the union had not given up hope "The present government should not behave like the old government and one would expect it to consider the workers."

Turner said the company had hoped the mine would return to profit in the first six months of this year through strict control of working costs and revenue rising with the gold price.

But the reverse had happened. In the three months to June, the mine made a net loss of R7,9m against a R1,56m loss in the previous quarter Although revenues rose slowly, working costs jumped from R45 442/kg in the first quarter to R55 509/kg in the second. This meant a working loss of R13 248/kg (214)

Turner said that as a result of the years of austerity when gold prices were low, the mine had a capital expenditure backlog Wage rates were also substantially lower than in the rest of the industry. This had led to lower flexibility and a high staff turnover, with a subsequent loss of skills

A gold price of more than R55 000/kg was needed to make the mine profitable

Finance director Mike Heynes said the mine was solvent and had assets which could be realised These included 2 000ha of land between Roodepoort and Soweto, machinery, plant and housing

Human resources director Richard de Villiers said the company supported the

□ To Page 2

Randgold

BDay 11/7/94

□ From Page 1

idea of a social plan, but before it could be formulated, stakeholders, unions and government had to sit down together

About 10% of Randgold's workforce was skilled Such staff possibly could be accommodated within the company and at other mining houses. The rest faced unemployment, with retraining the one remaining prospect, he said (214)

Motlatsi said Randgold was obliged to set up a social fund for those retrenched A policy had to be formalised for Randgold's three other marginal mines — ERPM, Harmony and Blyvooruitzicht Retraining in basic skills was vital, and the union was demanding workers get a share of the mine once it was closed

It is believed that Randgold has agreed to pay R250 000 for the union's mobile development unit truck and that retrenchees will get severance packages of two weeks' pay per year of service

State must decide on mine

CWM 1-7/7/94 (214)

Vuyo Mvoko

APPEALS by the union movement to step in to save the more than 5 600 jobs which will be lost in the closure of marginal mine Durban Roodepoort Deep has put the government on the spot

Unions made the apeal after owner Randgold's sudden decision early this week, while the government was still considering its application for a subsidy

The Ministry of Mineral and Energy Affairs apparently has no policy on support for marginal mines But the department seems opposed to the mine being subsidised

Nonetheless, a cabinet decision that would appease the unions cannot be ruled out

A senior official of the Department of Energy and Mineral Affairs, however, said the "reckless" action of mine management was evidence the mine could not handle its affairs properly.

"From a technical point of view the mine does not promise any revival in the near future They have not paid a single dividend to their shareholders for more than 15 years " He said state assistance to the mine over the past 20 years exceeded R94-million.

The National Union of Mineworkers (NUM) and the Congress of South African Trade Unions (Cosatu) have urged the state to advance R12-million to sustain the mine

Both the labour movement and the Ministry of Mineral and Energy Affairs were surprised by the anticipatory announcement by Randgold, with Cosatu saying the company had ignored a government's request to submit a five-year plan that would forecast the mine's feasibility and serve as motivation for subsidy

Cosatu condemned Randgold, saying the "decision displays callous disregard for the miners and their families"

Deputy Director-General of State Assistance within Mineral and Energy Affairs Dave Richards said his department was still investigating state assistance for the mine when he heard of the decision to close it.

Dismissing allegations that behind closed doors the department had already turned down the mine's application, he said Randgold either "jumped the gun because of the delay in the process", or the decision was based "on reasons only they know about"

Richards said the government assisted mines when "it can be properly motivated and justified to the public that it is in the national interest" to do so

"In extreme cases a tripartite agreement can be entered into where the state guarantees a loan granted by a financial institution to a mine "

Assistance was also given to a mine "to defray pumping costs incurred due to the inflow of extraneous water from defunct mines and affecting the economic viability of the particular mine", Richards explained

He stressed, though, that costs incurred in the pumping of extraneous water only applied to "mines which are threatened with closure within five years of each year's assistance, and that only running, not capital costs, will be considered"

NUM general secretary Kgalema Motlanthe said Durban Roodepoort Deep workers had accepted a "meagre" wage increase of R30 last year because they were "helping in the resuscitation of the mine

"We are not asking the government to support the mine endlessly R12-million for exploration is a drop in the ocean if one considers the more than 5 000 jobs, other dependent businesses, and R48-million in foreign earnings the country stands to lose upon the closure of the mine."

He stressed, however, that Randgold would also have to produce an action plan to convince the government

NESS

DRD to close within month

☐ Chairman denies pique over government funding refusal

(214)

DEREK TOMMEY

JOHANNESBURG — There were three reasons to close the underground operations at Durban Roodepoort Deep (DRD), chairman John Turner said when reporting a working loss for the June quarter of R8,8 million — up from R2 million in the March quarter ARG 1/7/94

The expected production and productivity improvements were not achieved and the losses could not be reversed, the continued losses depleted financial resources and projections showed losses

These were the reasons why the directors decided that underground operations should cease as soon as practicable

Mr Turner said there had been speculation that the directors had decided to close the mine because the government had turned down a request for additional funding

This was not correct Durban Deep had submitted at the last meeting it had with the government that on a commercial basis there was no reason for it to continue underground operations

The government might have socio-economic reasons for keeping the mine going, to which the directors were sympathetic, but it would have to be the government's decision whether to allocate scarce resources to the mine

Durban Deep had the second-lowest grade of all the major mines, but it also had the second-lowest working costs a ton

The workers had supported efforts to keep the mine going and last year had agreed to a pay rise of only R30 a month, which was much less than that in the rest of the industry

But the low rate of pay had led to a substantial turnover in skilled workers

Mr Turner said that underground work at the mine would probably cease within the next month

Major BoP crisis seen for SA

(BD). ARCT 4/7/94

SOUTH Africa will face a severe balance of payments crisis in two years if all foreign exchange controls are not scrapped immediately, Board of Executors economist Rob Lee warns

Exchange control, including the dual currency system, will protect the economy only in the short-term. But its continuation will cut short the current economic upswing in addition to a major BoP crisis by 1996-97

He believes the abolishment of exchange controls will have an economic effect similar to the political watershed brought about by (now president) Nelson Mandela's release from prison in 1990

"Exchange control sends a very clear message to foreign and domestic investors: this government does not believe in itself and its policies and expects its own citizens to export capital abroad on a massive scale at the first opportunity

"Why should they have confidence in a government that does not have confidence in itself?," Mr Lee asks in a hard-hitting examination of exchange control in BoE's July Investment Outlook

As the economy recovers, and particularly as investment increases, import volumes will soar and the current account will move into substantial deficit

To sustain this will require an implausible level of foreign inflows, he says

The Reserve Bank will not be able to defend the currency against rapid depreciation except through a hike in interest rates. The exchange rate will fall sharply or the economic upswing will be aborted, or probably a combination of both

"Our ruling politicians are therefore likely to face the next election in the midst of another recession Our brief experiment with liberal democracy could then be at stake," Mr Lee says

The immediate scrapping of all foreign exchange controls will bring about short-term pain with increasing financial market volatility and a temporary acceleration in inflation, he admits

However, the period of adjustment need not be unduly painful if exchange controls are abolished soon as most of the needed economic policies and structural adjustments are in place or under way In addition, IMF funds could be arranged to support the adjustment

"Some industries would find the adjustment process long and painful but others (mainly competitive export industries) would grow rapidly...

"The economy (also) has substantial excess capacity to limit the inflationary shock of a lower exchange rate."

Mr Lee expects the lifting of exchange controls will result in the price of assets and the currency adjsuting very rapidly without major flows taking place

The Reserve Bank will then not need to waste foreign exchange and depress economic activity by defending a fundamentally overvalued currency

"This is precisely what the Reserve Bank has been doing at the expense of the long term health of the economy," he argues.

"Abolition of exchange control would be the economic equivalent of the release of Nelson Mandela from prison, a watershed event which will ensure that South Africa takes its opportunity of being a 'winning' nation." — Sapa

Anglo goes offshore in quest for gold

ARCT 4/7/94 (214)

Business Staff

ANGLO American is looking for new gold deposits, but is going outside South Africa's borders for them.

It says in its annual report it is starting to look for Witwatersrand-type deposits in central Botswana where the first phase of drilling will end in 1996.

The directors say that reconnaissance investigations for gold and base minerals continue in Namibia, Zambia, Tanzania, Senegal, Burkina Faso and in other countries in west, central and east Africa and in Madagascar.

They say a feasibility study on the Sadiola Hill deposit in western Mali has been completed. A decision to develop a mine there will be taken by the end of this year after the grant of an exploitation permit and the negotiation of suitable financing.

Encouraging results have been obtained in the Bambadji concession in Senegal.

In South Africa itself the search for Witwatersrand-type deposits continues to decline with the completion of exploration in the Potchefstroom Gap and in the areas adjacent to Freegold.

The directors make no mention of Anglo starting new mines, but they emphasise there is a continuing need for cost control to preserve profit margins at existing producers

Prospecting in South Africa is being focused on base and precious metals in the Transvaal and Northern Cape.

Exploration for copper near Maun in Botswana was suspended because of disappointing results

Meanwhile, another "exploration" activity — the entry into the high-tech world of developing an electric battery for cars — continues to bring encouraging results.

A Mercedes Benz 190 with a Zebra battery has covered nearly 80 000 maintenance-free kilometres over the past three years.

The pilot production facility for the battery is now in varying stages of commissioning.

WitNigel plans new gold mine

(214)

CTS 1/7/94

R200m project awaits signal

From MUNGO SOGGOT

JOHANNESBURG. — Witwatersrand Nigel (WitNigel), part of the Consolidated Mining Corporation stable, was planning a new gold mine at a cost of about R200m, chairman Norman Lowenthal said yesterday.

The final decision would be made after analysis of a feasibility study which would be completed within 90 days "It is just a question of whether we can get at (the reserves) economically".

Monthly projections suggested the mine would generate about 50 000 tons milled and a gold output of 300kg with an actual grade of between 5,5g ton and 6g ton.

In the annual report, he said another feasibility study to investigate the viability of mining the company's shallow virgin ore reserve had been commissioned "in the light of a much improved gold price".

The project would get the green light if the report was up to expectations "bearing in mind that financing a project of this nature is an extremely sensitive issue".

The improved political climate and the rising gold price meant the atmosphere was becoming more conducive to obtaining commitments from potential investors

The study would look at refurbishing an existing shaft to prove the ore body, which was believed to be more than 18-million tons — of which 35% was calculated at a minimum grade of 7,5g/ton.

The study would also focus on the threat of underground flooding which prevailed in certain parts of the far east Rand.

WitNigel reported a net profit of R184 000 for the year to March, from a loss of R839 000, which translated into earnings a share of 0,6c (-2,9c). Turnover doubled to R715 000 (R349 000).

New R200m gold mine on the cards

BDay 5/7/94

MUNGO SOGGOT

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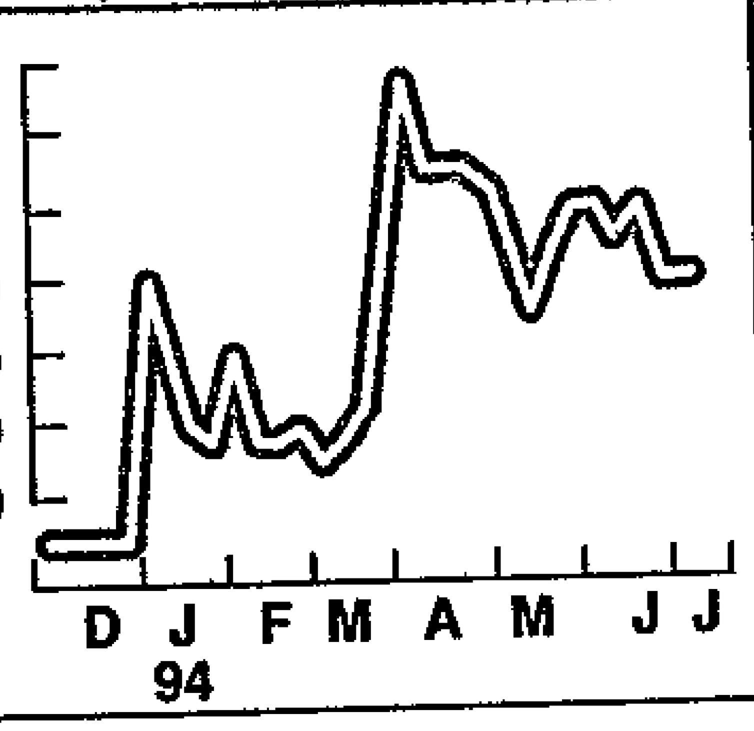
Wits Nigel
Share price, weekly close (cents)



Slight growth expected at disrupted gold mines

MICHAEL URQUHART

GOLD mines would show a slight increase in attributable income for the three months to June, as production disruptions offset gains from the higher rand gold price, analysts said yesterday

Gold Fields will kick off the quarterlies on Monday, with the other houses — Randgold & Exploration, Anglovaal, Gengold, Anglo American and JCI — releasing results for their gold operations over the next three weeks

Market expectations ranged from a 13% fall in attributable earnings to a 5% rise from the total R797m in the last quarter

The average gold price was up about 4% in rand terms on the previous quarter, but election-related disruptions would have taken their toll on production and costs

Mines were affected on the days of the election, as well as prior to and after the election as tensions led to other labour disputes

Gold Fields' Kloof mine, Anglo's Freegold and Vaal Reefs mines and JCI's Western Areas — frequent star performers in the past — had probably been hardest hit

Analysts said most mines had almost completed unwinding their forward positions and were benefiting from the higher spot price

Gengold and Anglo American were the most advanced in unwinding, but Randgold still had a lot of forward contracts, they said

Analysts also said the June quarter would see higher capital expenditure as a number of houses had their year end in June This could move ahead around R100m from R560m in the last quarter Capex normally increased just before the year end as mines took advantage of the tax benefits this offered

Working costs were not expected to increase greatly, as the current round of wage negotiations would only come through in the September quarter BDay 8/7/94

One effect of the higher gold price, according to Edey Rogers analyst Duncan Ingram, was that there would be a general long-term decline in yields as the higher price made mining lower grades economically feasible (214)

Frankel, Pollak, Vinderine analyst Trevor Pearton said he expected gold production figures to be down this quarter, but he felt this would be recoverable over the next quarter as election tensions clear up

He said there would be a generally weak operating performance as regards cost, but this would be offset by the higher gold price

But he said overall revenue would remained unchanged at about R5,8bn, while distributable profit would come down slightly

ANC call to save Durban Deep mine

(214)

CT 11/7/94

JOHANNESBURG — ANC legislator Marcel Golding wants the Department of Mineral and Energy Affairs to call a meeting of stakeholders to find an "effective response" to the troubles at loss-making Durban Deep gold mine

Managing company Randgold and Exploration said last month the 97-year-old Durban Roodepoort Deep mine would close its underground operation because projections showed it would stay in the red

Golding, a former acting general secretary of the National Union of Mineworkers, said in a statement the social and economic implications of closing the mine were "huge"

The mine employs some 5 000 workers of which 1 500 come from Mozambique and a "fairly small" percentage from Lesotho — Sapa-Reuter

ANC outcry over proposed closure of Rand gold mine

(214) ARG 11/7/94

JOHANNESBURG — The proposed closure of a West Rand gold mine due to financial unviability has sparked outrage from the ruling African National Congress

Member of parliament and chairman of the ANC committee on mineral and energy affairs Marcel Golding said yesterday the "response by the relevant government departments to the situation at Durban Roodepoort Deep is a national disgrace"

Mr Golding said a people-centred approach to problems was the commitment of the government

Despite this, the Department of Mineral and Energy Affairs had not been sensitive in dealing with the crisis.

"The losses that will follow if Durban Deep closes, and especially if it closes suddenly, will be far reaching and deeply damaging to workers, local business and communities in their effects

"There are legitimate social and economic reasons for targeted assistance to Durban Deep to allow its downscaling to be properly managed, over a longer period than one month," Mr Golding said.

Mr Golding maintained the mine's closure would result in the loss of 5 000 jobs and foreign exchange earnings would "fall by R180 million"

As far back as March this year, Durban Deep management, with the support of trade unions, applied to government for assistance to keep the mine going

According to Mr Golding, this appeal had not met with any response

Mr Golding did concede, however, that the aim of downscaling the mine in an appropriate period should not encompass pouring money into a "bottomless pit"

In his reaction to Mr Golding's statement, Mr Botha said the government deeply regretted the circumstances which had led to the closure

"In particular, the loss of approximately 4 600 jobs, with the personal suffering that entails, is a matter of profound concern," said Mr Botha in a statement yesterday

The minister added that government had assisted Durban Deep to the tune of R93,1 million from 1968 to date This assistance was in accordance with government's policy of assisting marginal gold mines.

"Durban Deep's board, after a loss of R7,9 million during the June quarter, decided to close the mine before the appropriate departmental committee could make a recommendation to me regarding financial assistance Government was, therefore, awaiting the mine's future viability projections before deciding on assistance, when it read in the media about management's decision to close."

Mr Botha said any allegations that the mine was closing because of government failure to render assistance was, therefore, without foundation.

The minister added that "consultations with the unions concerning Durban Deep have in any event been taking place on an ongoing basis"

He said he had taken active steps to ensure consultations with trade unions for the development of a national strategy regarding the closure of marginal mines

However, Mr Botha pointed to the futility of pouring taxpayers money into the "bottomless pit of loss-making ventures" — Sapa

Pik seeks talks on mine closure

214

C1 12/8/7/94

JOHANNESBURG — Mineral and Energy Affairs Minister Pik Botha has called for talks on a strategy for victims of mine closures, but is opposed to artificial support for loss-making companies, a spokesman said yesterday

In a statement read by spokesman Oland Darrol, Botha denied that he had been insensitive to the closure of the Durban Roodepoort Deep after losses of R7,9m in the June quarter

"I am only too painfully aware of the human consequences of closing this mine," Botha said

Botha was sharply attacked at the weekend by ANC MP and former National Union of Mineworkers official Marcel Golding for failing to respond to the closure of the mine

Results not unsatisfactory, says gold division chief

GF mines weather holidays and strikes

Star 12/7/94

BY DEREK TOMMEY

Analysts have been waiting to see how well the mining industry was able to maintain production and profit in the six-day public holiday June quarter

In the case of Gold Fields, results were "not unsatisfactory", gold division head Alan Munro said yesterday, even though other factors including illegal strikes had affected production.

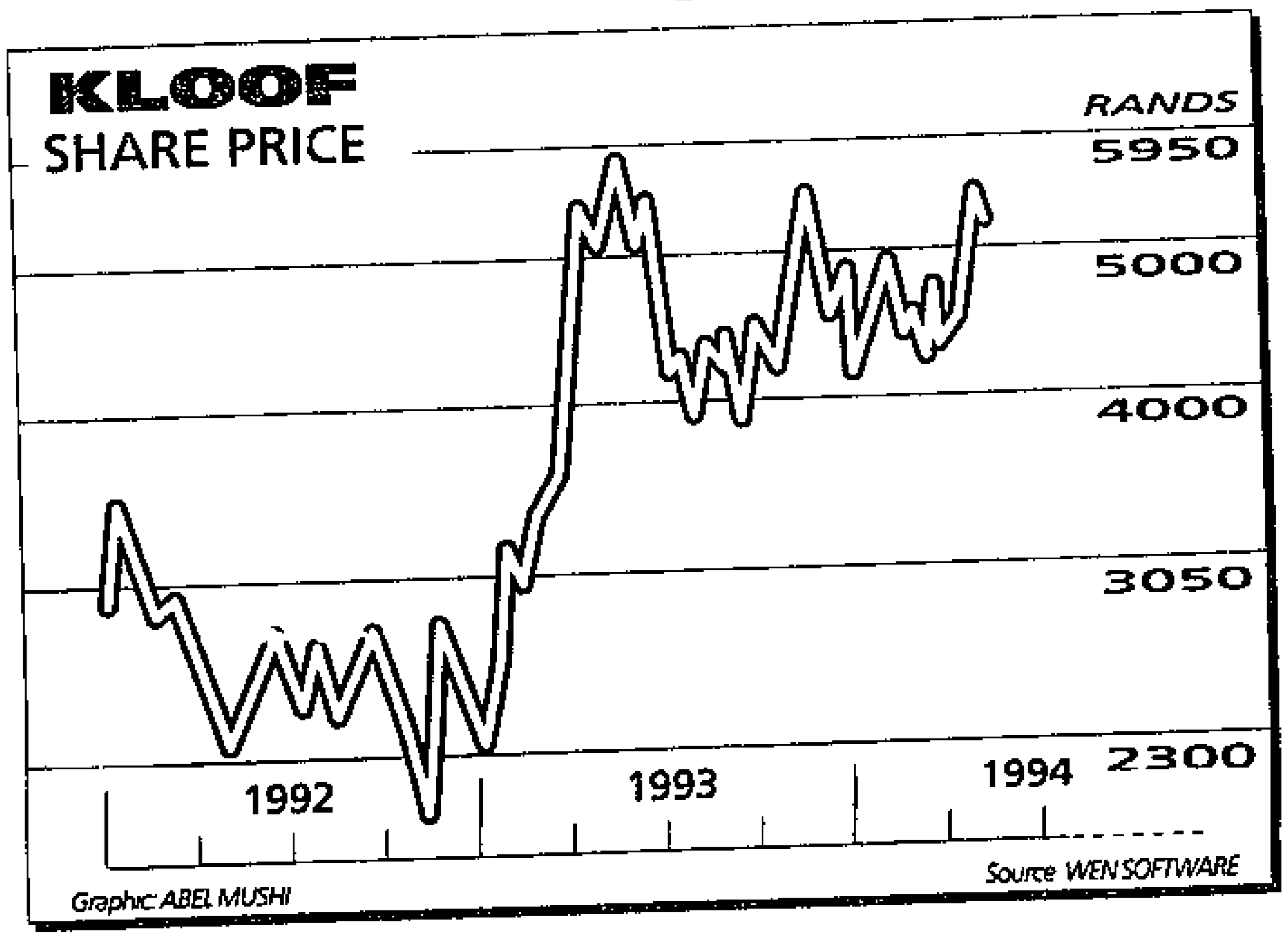
Munro paid tribute to management and employees for responding positively to the need to maintain output. But he said group overtime costs had risen by R5 million on each of the three holidays worked.

Altogether, group working profit dropped by 6,7 percent to R543,3 million, while pre-tax profit was 5,5 percent lower at R591,7 million.

Tax, including the transition levy, rose 7,6 percent to R199,4 million Taxed profit was R392,2 million — 11 percent lower than in March.

The average gold price received was 3,2 percent higher at R43 513 a kg, while working costs rose R25,6 million to R750,9 million

But if the R15 million paid for holiday work and the



R6 million paid by Doornfontein to discharged employees were excluded, the real rise in costs was less than one percent.

With many of the problems of the June quarter out of the way, the group was expecting a much improved September quarter

It was working hard to improve labour relations and achieving considerable success.

He believed the gold price was in an upward trend. Everytime it fell back, Far East buyers would emerge and buy at a steadily rising base price.

Kloof was the feature of the quarterlies, reporting a taxed profit of R190,1 million — down R2,2 million from the March quarter

This was despite an illegal strike costing about R25 million in lost production

Production was back to normal at the No 3 Sub-Vertical shaft, which was heavily damaged in the December quarter

(214)

Production at Kloof in the September quarter is expected to rise to 540 000 tons from 500 000 tons in the June quarter. The current high grade of 14,3 grams a ton should be maintained

The **Leeudoorn** division at Kloof was the only mine to increase production.

But a drop in grade contributed to the working profit falling R9,6 million to R21,3 million.

Mining conditions were not easy at Leeudoorn and, as it is in the development stage, it does not have the flexibility to change working areas

Marginal **Doornfontein** swung from a R4,3 million profit to a taxed loss of R8,1 million, but this included the R6 million settlement

Munro said some of the increased costs were the result of getting the mine back into shape

It had built up cash reserves and its life was now measured in months and quarters instead of in weeks and months, as was the case a year ago.

It intended opening up better-grade areas in the southern lease area and some of the areas closed by seismic events

East Driefontein, helped by a higher yield and higher gold price, lifted working profit R1,9 million to R208,7 million, which was a great achievement, said Munro

Working profit at **West Dries** dropped by R10,6 million to R152,2 million. Taxed profit was down R34,3 million to R194,5 million.

Deelkraal, which is building up output, lifted taxed profit by R47 000 to R15,7 million.

Rising costs erode Gold Fields' profit

B/Day 12/7/94

MICHAEL URQUHART

GOLD revenues and net profit for Gold Fields' gold division decreased for the three months to June despite a higher gold price, its quarterly results revealed.

This was due to an increase in working costs from R23 410/kg for the March quarter to R25 265/kg, while gold production fell from 30 982kg to 29 721kg. The after-tax profit fell from R441m to R392m, despite the fact that the gold price rose by 3,5% over the quarter

Good news from East Driefontein was that although it failed to match the increase in milling rate of the previous quarter, the gold yield increased from 11,6g/t to 11,9g/t This was despite expectations that improvements in grade would be reversed.

West Driefontein's milling rate was down to 635 000 tons from the previous quarter's "appropriate" level of 660 000 tons, Gold Fields executive director Alan Munro said

This meant profit was substantially down on the previous quarter, but Munro said the March figure had been flattered by an insurance payout

Capex was lighter than expected for the Driefontein division, as certain development and shaft sinking had not been keeping up to schedule

Tonnage treated at the reclamation plant was unchanged at 600 000 tons, but with a lower yield of 0,5g/t (0,6g/t), gold production dropped to 321kg (348kg)

Munro said Driefonten was the mine of the future and the group was spending more money on development to ensure that future

Doornfontein had a dismal quarter, with the R5m profit of the March quarter changing to an R8m loss Working costs, which increased from R33,5m to R43,6m, included R6m paid out in terms of a Labour Appeal Court order. But the mine did make a profit for the year as a whole

Munro said Doornfontein would be looking forward to at least another two quarters, and additional expenditure would be undertaken to open up better grade areas

Deelkraal was described as the "disappointment of the quarter" as ore milled slipped from 372 000 tons to 345 000 tons This caused working costs to rise from R33 503/kg to R39 921/kg

The mine was struggling, but not to the extent that it would be unable to cover capex and dividend payments this year.

Kloof had failed to maintain tonnage of 180 000 tons a month, but increased yield to 14,3g/t (13,8g/t).

Munro said the mine managed to get back into the No 3 sub-vertical shaft without a serious disruption in production A temporary pumping and a mid-shaft loading system had been put into place, and the shaft had been recovered down to the 41 level This cost about R30m

The 10-day work stoppage at Kloof had cost the company about R25m.

There had been a short disruption at Libanon as a result of a fire. Libanon was currently dealing with another fire, which it was in the process of sealing off

(214)

Gold Fields June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Driefontein	**705**	**11,9**	**8 390**	**218,9**	**18 401**	**43 278**	—	—	—
	720	11,6	8 352	196,9	16 975	41 739	—	—	—
West Driefontein	**635**	**11,2**	**7 104**	**250,2**	**22 365**	**43 785**	**194 495**	**97 911**	**48**
	660	11,4	7 492	234,1	20 624	42 357	228 813	164 317	80,6
Kloof	**500**	**14,3**	**7 154**	**297,2**	**20 769**	**43 449**	**190 063**	**97 770**	**70,5**
	540	13,8	7 449	286,1	20 741	42 341	192 303	129 299	93,3
Leeudoorn	**340**	**6,4**	**2 174**	**217,2**	**33 956**	**43 756**	—	—	—
	330	7,3	2 416	217,1	29 652	42 426	—	—	—
Libanon	**385**	**6,0**	**2 311**	**257,6**	**42 908**	**43 627**	—	—	—
	386	5,7	2 183	247,3	43 722	42 535	—	—	—
Deelkraal	**345**	**5,3**	**1 813**	**209,8**	**39 921**	**43 785**	**15 714**	**(2 215)**	—
	372	5,9	2 206	198,7	33 503	42 279	15 667	9 259	9,3
Doornfontein	**286**	**2,7**	**774,7**	**152,6**	**53 640**	**43 698**	**(8 059)**	**(4 538)**	—
	301	2,9	884,4	111,4	32 922	42 460	4 274	5 201	13,0

(214)

CT 15/7/94

Plan for mine closures touted

From MADDEN COLE

JOHANNESBURG. — The Mineral and Energy Affairs Department was planning a national strategy to cushion the effects of the closure of marginal mines on workers and their communities, Minister Pik Botha said yesterday.

He said the crisis at Durban Deep had underlined the need for an overall [illegible] to deal with mine closures.

Urgent attention was being given to the creation of a problem-solving partnership between mine management, trade unions, community leaders and government. This would include worker retraining, encouraging small business [illegible] and assistance in finding alternative employment.

Botha said he had instructed his department to re-examine ways of dealing with the social effects of Durban Deep's closure. The departments of Finance, Labour, Housing and Land Affairs would be consulted to ensure all alternatives were covered.

"[illegible] expect to receive a report on this within days rather than [illegible]."

All marginal mines would be examined in this way. Data on lifespans of various mines and the number of workers were being studied to evaluate the problem.

Options should cover the maintenance of a viable local community.

But Botha said no false expectations should be raised as he could not guarantee Durban Deep would be saved.

ANC mineral and energy affairs committee chairman Marcel Golding MP said last night platitudes about good intentions were not enough. Instead, Botha should call a meeting of all stakeholders to demonstrate his commitment to the RDP.

A request for a meeting with the Minister a week ago had been ignored.

"What we need now is a targeted assistance package to enable us to deal with the problems on the downgrading of mines."

A minimum requirement was for the Minister to lead a meeting with all stakeholders and to agree to a framework to resolve the Durban Deep crisis.

Randgold said last night it welcomed the Minister's intention to review the situation of marginal mines.

● NUM general secretary Kgalema Motlanthe said the NUM welcomed Botha's expression of commitment. "The Durban Deep issue deserves urgent discussion between the union, government and stakeholders."

The absence of legislation regarding the social impact of the downscaling of mines was "scandalous".

Randgold moves into profit

From MICHAEL URQUHART

JOHANNESBURG — Randgold & Exploration's marginal mines gave a mixed performance in the June quarter, despite a firmer gold price.

Reuter reports that extraordinary items took the company's three gold mines' after-tax income to R38,7m from a R17,8m loss in the first quarter.

CE John Turner said all three mines suffered disruptions associated with the elections "but we expect higher productivity over the next two quarters".

Both ERPM and Blyvooruitzicht showed working losses. Harmony improved working profit to R15,1m (R7,5m), but plans to increase capex to R45m during the next year would affect the bottom line.

The company would concentrate on opening up new ore reserves, Turner said.

Blyvoor's loss decreased to R629 000 (R3m). Turner expected the mine to come back into profit at some point.

At ERPM, a working profit of R380 000 for the March quarter changed to a working loss of R2,1m after costs climbed to R49 862/kg (R47 277/kg).

ERPM and Harmony had their final profit improved by special items. In ERPM's case, R23,7m was refunded to the company on its electricity bill, which for several years had over-registered consumption.

The R28m provision for the Merriespruit slimes disaster in the March quarter meant Harmony's final profit was strongly up for the June quarter at R16,2m.

Nearly 11 000kg of gold had been sold forward to June 1995, which could adversely affect the mine should gold prices climb, analysts said.

Pleasant shock for ERPM

Outlook better at Randgold mines

Star 15/7/94

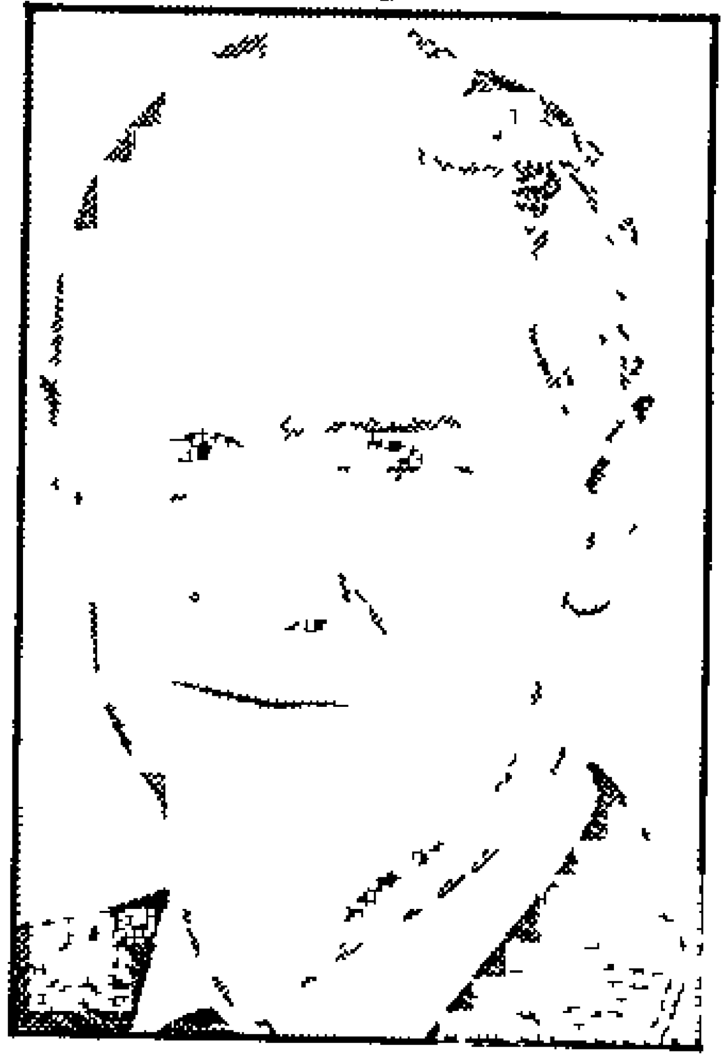
BY DEREK TOMMEY

The Randgold June quarterly gold mining reports reflect optimism about the prospects for its three remaining mines — Harmony, Blyvoor and ERPM

The fourth, Durban Deep, is to stop most underground operations at month-end

A noteworthy feature of the quarterlies is the repayment by Eskom of R23,7 million to ERPM for over-registered consumption, enabling ERPM to pay a special dividend of 8c a share

Randgold chairman John Turner says the overpayment was determined in a careful audit of electricity costs, which led to the discovery of a wrongly wired Eskom meter.



John Turner . . wrongly wired meter.

The overcharging, which amounted to about R200 000 a month, had been being going on for several years

Harmony, which works the lowest grade of ore in the industry and has been close to the danger list for some time, looks like being on the road to much better things, its report shows

Although its operations — and those at the other two mines — were disrupted by the election, it increased its tonnage milled and more than doubled its working profit from R7,5 million to R15,2 million. Taxed profit was 16,2 million (R9,7 million).

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A sign that the management has growing confidence in the mine is a planned capital expenditure of R45 million over the next 12 to 15 months

The aim is to give the mine greater flexibility in its mining operations and to make good some of the reduced capital expenditure of the past

In the six months to last December, the mine's capital expenditure was only R3,6 million

One important factor in Harmony's future is that it should get a steadily increasing gold price

As a result of hedging operations, it received only R40 847 a kg for its gold in the June quarter

This compares with the virtually unhedged price of R43 723 But Harmony has sold forward half of its current year's output at a price of R43 727 a kg In the event of the price rising, some 70 percent of the rise would accrue to the mine.

At **ERPM** election considerations resulted in a drop in production A useful increase in the yield was not enough to offset the fall and a wage-related cost increase As a result the mine had a working loss of R2,3 million after a working profit of R308 000 in March

But working conditions should improve this quarter

Blyvoor, which is marking time until it is able to access its higher grade Western Deep tribute area later this year, reduced its working loss to R1,1 million from R3 million in the March quarter

Mixed figures from Randgold mines

B/Day 15/7/94

MICHAEL URQUHART

RANDGOLD & Exploration's marginal mines gave a mixed performance in the June quarter, despite a firmer gold price

Reuter reports that extraordinary items took the company's three gold mines' after-tax income to R38,7m from a R17,8m loss in the first quarter (214)

CE John Turner said all three mines suffered disruptions associated with the elections "but we expect higher productivity over the next two quarters"

Both ERPM and Blyvooruitzicht showed working losses. Harmony improved working profit to R15,1m (R7,5m), but plans to increase capex to R45m during the next year would affect the bottom line.

The company would concentrate on opening up new ore reserves, Turner said

Blyvoor's loss decreased to R629 000 (R3m) Turner expected the mine to come back into profit at some point

At ERPM, a working profit of R380 000 for the March quarter changed to a working loss of R2,1m after costs climbed to R49 862/kg (R47 277/kg) Randgold said costs had been affected by disruptions and provisions for the possible termination of services of employees involved in violence

Turner said productivity and production targets had not been met at the mine

All the mines showed increases in grades, especially Blyvoor and ERPM. This offset a slight fall in ore milled, leaving gold production more or less constant

ERPM and Harmony had their final profit improved by special items In ERPM's case, R23,7m was refunded to the company on its electricity bill, which for several years had over-registered consumption

The R28m provision for the Merriespruit slimes disaster in the March quarter meant Harmony's final profit was strongly up for the June quarter at R16,2m

An underground fire at its Number 4 shaft had been brought under control About 10 000 tons of the current quarter's tonnage had been affected, Harmony milled 1 579 000 tons in the June quarter.

Although it had performed well, analysts said it was likely to be held back by hedging contracts Nearly 11 000kg of gold had been sold forward to June 1995, which could adversely affect the mine should gold prices climb.

Although Blyvoor also had hedging contracts, Randgold said it was about 70% exposed to any rise in the gold price

However, it was not considering changing its low-key hedging strategy.

The mining house would continue using a combination of options to protect marginal mines from a fall in the gold price, as well as take advantage of any price rise

● See Page 11

Mixed fortunes for struggling Cape mines

(214)

MARC HASENFUSS
Business Staff

ARG 16/7/94

BLACK Mountain Mineral Development and O'okiep Copper Company — two Northern Cape mining groups in the Gold Fields stable — had mixed fortunes in the quarter to end June

Black Mountain saw operating profit creep up to R15 million (previous quarter R14,8 million) from a slight increase in ore milled to 378 000 tons

Metal sales, however, were inconsistent at Black Mountain with an encouraging eight-fold increase in copper sales to 1 519 tons marred by marked drops in lead and zinc sales to 18 000 tons and 5 860 tons respectively

A tax bill of R2,1 million and the transitional levy of R962 000 eroded bottom line to R11,9 million — 18 percent lower than the end March quarter

Capital expenditure at Black Mountain was a nominal R373 000 for the quarter under review

O'okiep's profits were tarnished by a dramatic 63 percent increase in cost of sales to R40,9 million in the quarter to end June

This was unfortunate, wrecking the solid 44 percent sales increase achieved in the quarter.

Bottom line was also dented by lower copper grades

Pre-tax profit came in at R657 000, well down from the R3,3 million achieved in the previous quarter

In addition, the capital expenditure bill was a heavy R2,6 million

Directors said operations at O'okiep were also affected by month long industrial action in April/May.

POSBUS130

COMPANIES

Bright outlook for East Dagga

MICHAEL URQUHART

FURTHER increases in the rand gold price are likely, making the outlook for East Daggafontein extremely favourable, chairman Peter Bieber says in the company's annual report B/Day

The group, which pushed distributable income for the year to R17,7m (R7,1m), holds the rights to a number of slimes dams on the far East Rand 18/7/94

These are being treated by East Rand Gold and Uranium Company at its Daggafontein plant

The company lifted revenue from treatment of dump material to R17,7m (R1,9m), although the dividend from its subsidiary fell to R2,9m (R4,1m) and interest received dropped to R4,9m (R5,6m). (214)

The company estimates that it has a reserve of economically recoverable gold of 20 510kg, which at current production rates gives an estimated life of more than 10 years

East Dagga's share of gold which is economically unviable at current prices is a further 8 140kg.

East Dagga said its subsidiary, Dumpco, had sold to Impala Platinum the effluent situated on slimes dam 6L13

Initial estimates are that the dam contains 12 440kg of platinum group metals Dumpco would receive 33% of any profit generated by the project.

The company said a reassessment of the viability of the Withok slimes dam was being undertaken as a result of the increase in the price of gold

The dam contained 125-million tons of gold bearing material, at a grade of 0,35g/t.

Chinese options for SA gold houses

(214) CT 19/7/94

From MICHAEL URQUHART

JOHANNESBURG — SA mining houses were looking at opportunities in the Chinese gold mining industry, after China announced at the weekend that it would open the industry to foreign companies, sources said yesterday

Reuter reported that China would introduce overseas investment and technology selectively to mine its gold resources, which were low grade and hard to screen

A draft programme would be implemented on a trial basis and 20 foreign companies had expressed an interest.

Gencor and Gold Fields were interested while Anglo American's off-shore arm Minorco was also taking a look.

Gencor was negotiating the sale of its biox process to the Chinese for treatment of factory gold ore

Senior new business manager Trevor Rees said Gencor hoped for a large capital sum up front, as it had to be sure its technology would not be used on more profitable Chinese mines

Potential

Gencor's biox process would be particularly suited to the sulphide type deposits likely to be found in the mines on offer

Gold Fields said it had a team in China evaluating potential opportunities.

Kevin Chris, of Gold Fields Mineral Services, said a number of foreign companies had signed letters of intent with China

Anglovaal gold mines turn in disappointing results

Star 20/9/94

BUSINESS STAFF

The Anglovaal group's gold mines have returned disappointing results for the June quarter

Taxed profit decreased from the March quarter's R70 million to R45 million, which sum included transition levy payments of R20,3 million

Hartebeestfontein's taxed profit decreased to R40,2 million from R62,9 million in the previous quarter

The higher revenue received, R44 145/kg (R41 077/kg), was offset by lower grade, lower tonnages associated with unplanned public holidays and higher costs caused by year-end adjustments and additional payments where work was carried out on public holidays

Included in the lower profit was an amount of R19 million for the one-off transition levy

Revenue received from underground operations totalled R44,1 million (R41,1 million) and from the low-grade gold plant R45,5 million (R42,4 million)

Harties' profit after capex fell from R52,3 million to R22,2 million, translating into earnings of 19,9c (46,7c) a share

Loraine incurred a loss after tax of R277 000 (R440 000 profit) (214)

Because of the continuous cycle of mining and milling operations, production losses on public holidays could not be made up on weekends

There was a cost penalty where work on public holidays did take place.

Development in the 3C area continued to deliver encouraging grades Some areas were less faulted than anticipated, based on the previous quarter's development

Limited stoping has started from this area and should build up significantly over the next eight months

Loraine's loss after capex was R1,1 million (previous quarter loss of R247 000)

At **Eastern Transvaal Consolidated**, taxed profit declined to R5,4 million (R5,9 million) as a result of the transition levy (R1,2 million), with higher costs offsetting the better gold price received

The higher costs stemmed mainly from year-end provisions and the premium paid for work on public holidays

ET Cons's post-capex earnings totalled 0,9c (4,9c) a share

Village Main Reef maintained operating profits by achieving a higher throughput of material to offset the lower yield The results include the proceeds of the sale of freehold property

An amount of R135 000 was paid in respect of the transition levy

Village Main earned, net of capex, 39,2c (13,2c) a share in the June quarter

Levy, unofficial holidays hit Anglovaal gold mines

B/Day 20/7/94

MICHAEL URQUHART

UNOFFICIAL public holidays and transitional levy payments combined to hit Anglovaal gold mines' bottom line for the June quarter

Hartebeesfontein was hardest hit by the levy, with a R19m payment on pre-tax profit of R97,2m (R107,9m)

The tax bill for the June quarter rose to R57m (R44m) despite lower pre-tax profit, leaving the after-tax profit down 36% on the previous quarter at R40,2m (R62,9)

Revenue received rose sharply to R44 145/kg (R41 077/kg) as the company unwound its forward positions But profit a kilogram remained virtually unchanged, as working costs rose 9,5% to R32 551/kg (R29 467/kg).

Anglovaal said the large increase in working costs for Harties was a result of the unplanned holidays

These had brought, too, additional payouts for work on the holidays

Harties would be using options to lock in a minimum price of R39 441/kg on 5 600kg during the financial year to June 1995

Gold recovered at the Harties low-grade ore plant fell to 665kg (706kg), but increased profit a kilogram meant profit for the plant fell slightly to R17,8m (R18,2m)

Eastern Transvaal Consolidated had a drop in tonnage milled to 92 577 tons (95 528 tons), but increased grade to 9,6g/t (9,2g/t) saw gold production remain static at 887kg (882kg)

The company had to pay a transitional levy of R1,2m, but the overall tax bill fell to R1,6m (R4,6m) This enabled the company to keep after-tax profit at R5,4m (R5,9m)

The dividend of R6,9m, which was announced before the transitional levy, exceeded distributable profit for the quarter (214)

A fall in ore milled at Lorraine was offset by an increase in grade to leave gold recovered virtually the same as in the March quarter

Increases in working costs outstripped the improvement in gold revenue, leaving the mine nursing a working loss of R1 915/kg (R103/kg) Total working loss for the quarter was R2,8m (R149 000)

Anglovaal said development in Lorraine's 3C area continued to deliver encouraging grades

Village Main Reef maintained profit by achieving a higher throughput to offset the lower yield The results include the sale of freehold property

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
Hartebeesfontein	**767**	**8,5**	**6 550**	**277,98**	**32 551**	**44 145**	—	—	—
(underground)	795	8,8	6 965	258,16	29 467	41 077	—	—	—
Hartebeesfontein	**471**	**1,41**	**665**	**26,59**	**18 835**	**45 544**	**40 212**	**22 210**	**19,8**
(gold plant)	484	1,46	706	24,23	16 612	42 361	62 916	52 286	46,7
ET Consolidated	**93**	**9,6**	**887**	**316,95**	**33 080**	**43 470**	**5 423**	**762**	—
	96	9,2	882	285,12	30 880	42 563	5 993	4 206	4,9
Lorraine	**432**	**3,3**	**1 436**	**150**	**45 126**	**43 211**	**(277)**	**(1 102)**	—
	451	3,2	1 454	137,57	42 671	42 568	440	(247)	—
Village Main	**187**	**0,81**	**151**	**28,71**	**35 576**	**43 338**	**(130)**	**2 377**	**39,06**
	163	0,95	155	33,66	35 394	42 200	709	799	13,2

Production falls at Gengold mines

ARCT 29/7/94

MARC HASENFUSS
Business Staff

GENGOLD reported a 17 percent drop in net income to R89 million (previously R107 million) in the quarter ended June on the back of lower production at most mines

The group's Kinross and Winkelhaak mines were worst affected by the production fall-off, reporting a marked drop to 440 000 tons and 358 000 tons milled

Kinross recorded a 18 percent drop in net profit to R21,5 million, while **Winkelhaak** managed a five percent increase to R13,6 million

Beatrix managed to maintain production at 520 000 tons milled, yielding 3 224 kgs of gold Net profit was static at R21 million for the quarter under review

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Grootvlei also held production at the previous quarter's level, maintaining net income at R3,8 million

Buffels, which saw production dip and working costs rise, reported a 24 percent drop in net income to R14,6 million

Meanwhile, financing at **Oryx** has been delayed until the values of northern and eastern mining areas are known

Gengold will provide short-term bridging finance of R25 million a month to cover the mine's working costs and interest payments

Gengold posts 17% income drop

(214) CT 21/7/94

From MICHAEL URQUHART

JOHANNESBURG — A drop in production, labour disruptions and the payment of a [illegible] levy saw [illegible] gold division Gengold post a 17% drop in net income to [illegible] for the June quarter.

Gold production [illegible] this [illegible] gold price which [illegible] previous [illegible] virtually [illegible] St Helena where the [illegible] from 6.9g/t.

Grootvlei, Stilfontein [illegible] St Helena were [illegible] levy a [illegible] them being [illegible] nancial [illegible]

Gengold [illegible] the group would [illegible] serves [illegible] with inter[illegible] would sho[illegible] current gold [illegible] was in [illegible]

Gengold reaped the [illegible] higher [illegible] hedging [illegible] old hedging obligations had led to the gold price [illegible] lower th[illegible]

The [illegible] sales contract [illegible] Stilfontein, [illegible] had to [illegible] cover rich [illegible] the mine [illegible] in future to lock in [illegible] gold price.

[illegible] production [illegible] 294kg (3 220kg) [illegible] production to return [illegible] the next quarter.

[illegible] to maintain [illegible] 150 000 tons [illegible]

No 1 shaft in the [illegible] at the [illegible] opened for mining of the [illegible] reef. The water level at the mine [illegible] in January or February. The mine would receive [illegible]

[illegible] gold production down [illegible]

Production [illegible] was being undertaken to see whether Stilfontein could be [illegible] 320 tons of gold [illegible] current gold price.

Earnings impaired by public holidays, transition levy

Star 21/7/94

Gengold poised for better

(214)

BY DEREK TOMMEY

Two unusual and non-recurring factors — the five public holidays and the 5 percent transition levy — spoilt what would have been an outstanding June quarter for Gengold mines

But despite lost production and cost increases arising from the additional holidays, the higher gold price helped push up group working profit by R22,2 million to R179,1 million

However, higher taxes and the transitional levy, which cost the group R29,2 million, took their toll

Taxed income dropped from R106,8 million in March to R88,8 million.

Chairman Gary Maude expects improved results this quarter The two unusual factors affecting the June figues will no longer apply

The productivity of the workforce shows signs of returning to normal after the election unrest, and the mines will get the full spot gold price, which is R2 600 a kg, about 6 percent, more than the R42 744 they received in the June quarter. This follows from the decision by the group to stop hedging output

Gary Maude ... plans have been delayed.

To help investors assess the lives of the group's mines, Gengold has scored a first for the local industry by publishing production estimates

The feature of the Gengold group gold dividends declared is the final of 155c a share from St Helena.

This brings the amount paid in the past 12 months to 285c (105c paid in the prior 12-month period)

The sharp increase in St Helena's dividend follows the introduction of heavy-duty vacuum cleaners to suck up fine gold particles

Other dividends were:

■ Beatrix — Increased June payment of 50c (year ago 43c), making 83c (78c) for the year

■ Buffels — Reduced payment of 140c (165c), making 305c (315c) for the year.

■ Grootvlei — Reduced payment of 25c (30c), making 50c (75c) for the year.

■ Kinross — Unchanged payment of 180c, making 270c (300c) for the year.

■ Leslie — Reduced payment of 30c (35c), making 45c (55c) for the year

■ Stilfontein — Increased payment of 75c (30c), making 150c (60c) for the year.

■ Unisel — Increased payment of 20c (15c), making 25c (35c) for the year

■ Winkelhaak — Unchanged payment of 130c, making 200c for the year

Maude raises the possibility that underground mining might be restarted at Stilfontein

The mine has large quantities of low-grade Ventersdorp Contact Reef (VCR) and the feasibility of mining some of this at the current gold price is being investigated

As Stilfontein's shafts have been kept in commission, there would be no difficulty in resuming mining operations However, much will depend on working costs

Maude says plans to refinance the Oryx mine have been delayed Oryx needs abouy R900 million to reach revised production targets

Negotiations with shareholders have reached the point where it would be possible to finance the mine to break even

But development is only now starting in the richer areas of the mine, and the result obtained in the next six months could show a completely different picture of prospects

While this development is taking place, Gencor has agreed to provide short-term bridging funds of about R25 million a month to cover Oryx's working costs and interest payments on its R525 million loan.

Estimated Life of Mine Production

Company	Tonnage (m-tons)	Expected Yield (g/t)	Total Gold (000 kg)	Total Ounces (000)
	Production at gold price equivalent to present day — R42 500 per kg			
Beatrix	52,1	5,9	305	9 806
Buffelsfontein	6,7	7,1	47	1 513
Grootvlei	6,6	5,5	36	1 164
Kinross	31,0	6,2	193	6 218
Leslie	3,1	6,0	19	604
St Helena	6,2	7,5	46	1 489
Unisel	15,5	6,6	102	3 289
Winkelhaak	27,0	6,2	166	5 336

Gengold posts 17% drop in net income to R88m

B/Day 21/7/94

MICHAEL URQUHART

A DROP in production, labour disruptions and the payment of a transitional levy saw Gencor's gold division Gengold post a 17% drop in net income to R88,8m (R106,8m) for the June quarter

Gold production was down 3,9%, but this was offset by an average gold price which was 8% higher than the previous quarter Grades remained virtually unchanged, except at St Helena where the grade rose to 7,6g/t from 6,9g/t

Grootvlei, Stilfontein and St Helena were hardest hit by the transitional levy, as a change in year end led to them being taxed on an 18-month financial year

Gengold chairman Gary Maude said the group would publish total reserves in future, a practice in line with international standards This would show total economic reserves at current gold prices rather than what was in the immediate pay area

Gengold reaped the benefit of the higher gold price as it unwound its hedging positions fully But meeting its old hedging obligations had led to the gold price received being R1 500 lower than the average spot price

The only mine with any forward sales contracts was Stilfontein, which had to ensure a minimum income to cover rehabilitation costs Maude said the mines would use "knock-out" puts in future to lock in a minimum gold price

(214)

Beatrix used its stockpile to maintain production at 3 224kg (3 220kg) Maude said that this stockpile was now used up, but that he expected production to return to normal during the next quarter

Buffelsfontein did not have the face to maintain tonnage, which fell to 456 000 tons (480 000 tons)

No 1 shaft in the East Geduld area at the Grootvlei Mine would be opened for mining of the Kimberley reef The water level at the mine was still rising, and pumping would start in January or February The mine would receive pumping assistance from the state, but would still be able to pay a dividend

Kinross and Winkelhaak were the mines most affected by the labour unrest, with Kinross gold production down at 2 850kg (3 030kg) and Winkelhaak down to 2 403kg (2 602kg) Winkelhaak's capex climbed to R6,6m (R323 000) but Maude said this was a return to normal levels of capex after an abnormal March quarter

At St Helena there was a drop in tonnage but grades climbed due to the success of large industrial vacuum cleaners to sweep particles of high grade dust from the stopes

Production at Stilfontein was up strongly, especially from cleanup operations Maude said an investigation was being undertaken to see whether Stilfontein could be mined economically The mine had reserves of about 320 tons of gold which were uneconomic at current prices

Unisel was still developing to the payface, and production would only build up in the second half of 1994

GENGOLD June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	520	6,2	3 224	149,82	24 165	42 780	20 767	10 474	11,14
	520	6,2	3 220	149,89	24 207	39 582	21 020	13 837	14,7
Büffels	456	6,3	2 852	239,25	38 253	42 745	14 592	4 005	36,4
	480	6,4	3 080	229,47	35 761	39 865	19 097	9 008	81,9
Grootvlei	120	5,3	640	194,56	36 480	42 783	3 833	1 281	11,2
	120	5,5	662	187,98	34 074	39 442	3 880	2 561	22,4
Kinross	440	6,5	2 850	280,97	27 125	42 861	21 517	16 151	89,7
	465	6,5	3 030	259,27	25 249	39 655	26 145	20 164	112
Leslie	101	6,7	681	226,77	33 633	42 580	1 733	984	6,2
	101	6,7	678	200,23	28 971	39 698	4 163	4 827	30,1
Oryx	29	1,6	46	—	—	43 790	—	—	—
	13,9	2,3	32	—	—	40 099	—	—	—
St Helena	172	7,6	1 299	248,38	32 889	42 665	6 602	5 980	62,1
	195	6,9	1 350	274,09	31 799	39 590	10 861	10 205	106
Stilfontein	272	1,3	363	32,11	24 198	42 785	2 166	3 439	26,3
	282	1,0	[illegible]	[illegible]	32 232	39 563	3 014	5 134	39,3
Unisel	163	5,7	[illegible]	202,37	35 470	42 617	3 986	3 208	11,46
	160	6,1	973	201,14	33 076	39 714	5 639	3 863	13,8
Winkelhaak	358	6,7	2 403	232,68	34 664	42 680	13 596	7 003	57,5
	388	6,7	2 602	212,15	31 636	39 607	12 987	12 664	103,9

Low labour productivity wipes out R675-m

Gold losses cause concern

Star 22/7/94 (214)

BY DEREK TOMMEY

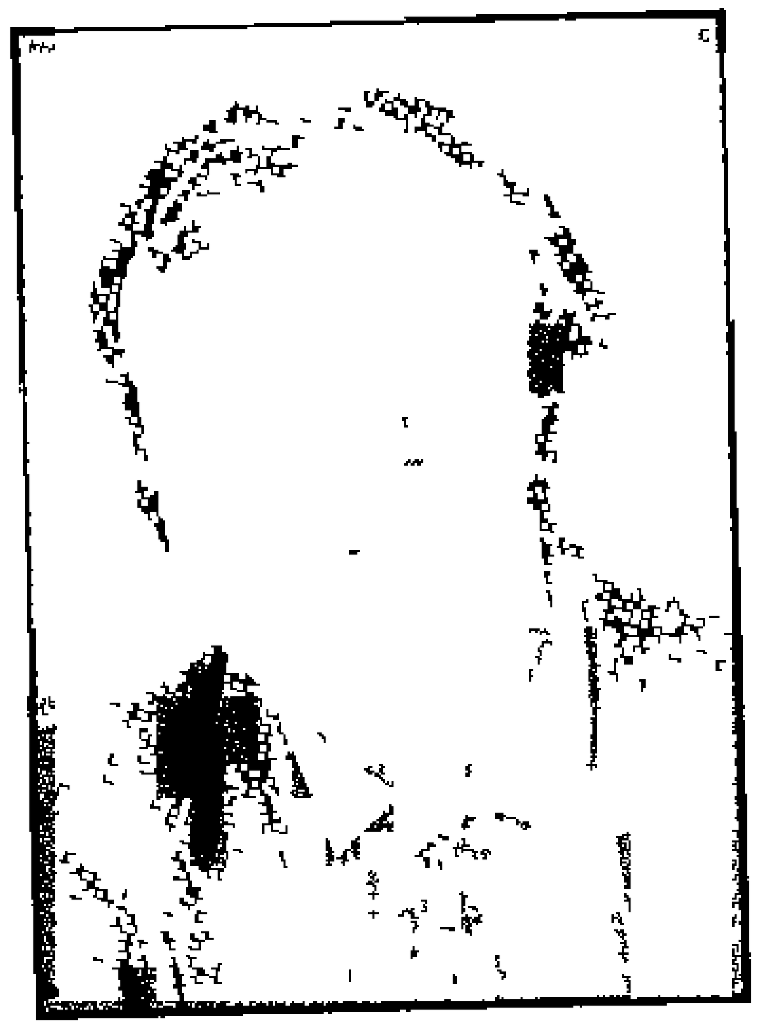
The mining industry's loss of efficiency in the June quarter cost it 15 tons of gold worth R675 million, says Anglo American's gold and uranium division chairman Clem Sunter

He was commenting yesterday on the 31 percent drop in group attributable profit from gold from R263,5 million to R182,1 million

The group, together with the rest of the gold mining industry, was hit by a spate of unscheduled holidays, by the transition levy, which cost it R21,4 million, and by a decline in labour productivity

Sunter said the industry was still the principal flywheel of the economy and that it would make a big difference if it could perform at full speed.

The 15 tons of gold represented a loss in tax revenue of R405 million, while the mining industry and its shareholders took a R270 million hit



Clem Sunter . . . economy can ill-afford this loss.

"This is a huge sum of money and the economy can ill-afford to take this kind of loss — particularly in view of the Government's need for money to fulfil the RDP programme."

Sunter said he hoped the industry could reach a wage settlement quickly, for this was the one hurdle it still had to cross to get the mines operating at full speed.

He said gold had traded at $370 to $400 in the last quarter and that this trading band should continue

At present, inflation was not sufficient to drive the price through the $400 mark.

But the OECD economies were improving, which suggested that jewellery demand would improve

This increased physical demand should raise the trading floor from the present $360 to $370 to betweeen $370 to $380, with prices oscillating as traders moved in and out.

Sunter said the Vaal Reefs No 11 shaft, which was being sunk to exploit the Moab lease area, would now be used to work Southvaal's South Lease area.

The hoisting capacity of the shaft would be increased by 30 000 tons a month, which would provide earlier access to the South Lease area, and result in lower working costs for both areas

The changes are expected to cost R166 million

However, reflecting recent improvements in the gold price, Vaal Reefs has raised its interim dividend by 9,1 percent from 660c to 720c a share and Western Deep has increased its interim by 7,8 percent from 255c to 275c a share

Freegold was hit hard by a drop in labour productivity This, together with a drop in yield, resulted in available profit falling R58,4 percent from R114,6 million to R47,7 million

Gold production was 5,1 percent lower at 23 982 kgs This followed a 1,1 percent drop in tons milled and a 3,9 percent decline in average yield

At **Vaal Reefs** output dropped by 5,8 percent to 16 889kg following a decline in tonnage milled and a fall in average yield

Revenue rose 6,4 percent from R40 971 to R43 607 a kg and total working costs rose 0,5 percent

Gold profit, however, was slightly lower at R211,7 million (R21,5 million)

Western Deep's pre-tax profit dropped 14,2 percent to R122,3 million, while available profit was 38,8 percent lower at R29 million

At **Elandsrand**, available profit was down 11,7 percent to R17,6 million.

But **Ergo**, which recovers gold from dumps, increased its attributable profits by 2,6 percent to R16 million

'Gold industry loses R675m to disruptions'

MICHAEL URQUHART

WORK stoppages stemming from the elections cost the gold industry R675m in lost production during the June quarter, Anglo American gold and uranium division chairman Clem Sunter said yesterday

Speaking at the company's quarterly presentation, Sunter said his conservative estimate was that disruption had cut 15 tons from the industry's normal output Total industry gold production was about 144 tons in the March quarter BIDay

At a price of R45 000/kg during the quarter, this would mean a loss in revenue of R675m, Sunter said. As government's share of the industry's revenue was 60% with the transitional levy, this meant a loss of R405m to government, while the balance had to be borne by shareholders

Sunter said government could hardly afford that type of loss, in view of the money it needed for the reconstruction and development programme (214)

He hoped wage negotiations would reach a settlement as quickly as possible, as this was the only hurdle before mines could resume full production 22/7/94

Anglo's mines were hammered by the transitional levy and production losses relating to the elections, with the division reporting a 31% fall in available profit for the June quarter Mainstay Freegold was hit by labour disruptions on 23 separate occasions during the quarter

Available profit plunged R81,4m to R182,1m. Of this decrease, R21,4m was attributable to the transitional levy Capex was up R23m at R281,8m (R258,1m)

A 4% higher gold revenue of R43 462/kg (R41 621/kg) was more than offset by an 8% rise in unit working costs to R33 923/kg (R31 482/kg). Low inflation rates in the major economies meant the upper level of gold would continue to be $400, Sunter said

But an increase in jewellery demand likely to be caused by world economic growth would push the trading floor to between $370 and $380 Investor buying would continue creating temporary oscillations within this fairly tight range

● See Page 13

Knights lifts profit to R4m

MICHAEL URQUHART

PROFIT from the sale of Ergo shares and property and a dividend from the Ergo shares pushed Knights Gold Mining's distributable profit up to R4m (R2,1m) for the three months to June

Knights sold 874 000 Ergo shares, leaving it with 442 000 remaining

The company increased tonnage milled 4,6% to 881 000 tons (842 000), but falling grades meant gold production increased only 2,2% to 314kg (307kg)

Knights said higher working costs, which were at R13,31/ton (R12,62/ton), were the result of paid work on public holidays, increased unit prices of reagents, higher water consumption in dry months and additional transport costs

The company has acquired the plant and surface dump facilities of the New State Areas Gold Mine near Springs It said total capital expenditure on this project was expected to be R6,3m, of which R3m was included in the June quarter's capex figure of R3,83m

The acquisition was expected to contribute R450 000 a month to profit from this October, with a life of at least 10 years

Knights cautioned shareholders that it planned to separate its property interests from its gold mining interests, and would apply for a listing for its property interests

A dividend would not be paid as a large portion of cash would be usedto develop its property interests

Anglo companies see profit drop

BDay 22/7/94

214

MICHAEL URQUHART

COMPANIES in Anglo American's gold and uranium division saw available profit drop sharply for the June quarter as the transitional levy and rising costs cut into revenues

Available profit was down 31% at R182,1m (R263,5m), with the transitional levy weighing in at R21,4m

Hardest hit was Freegold Available profit plunged 58,4% to R47,7m (R114,6m), as the company struggled with a "remarkable" drop-off in labour productivity and a fall in grade

The company had 23 separate incidents of labour unrest over the past quarter, Freegold regional GM Ken Dicks said, and was affected particularly in the high grade pillar areas

Tonnage milled was down to 5,76-million tons (5,83-million tons), and combined with a decreased grade of 4,16g/t (4,33g/t), gold production was 5,1% lower

With the combined effect of increased unit working costs of R38 257/kg (R36 050/kg), earnings a share dropped sharply to 40c (96c)

Shaft sinking at Freddies No 4 shaft was going according to plan Dicks said a number of shafts would come to the end of their lives at the turn of the century, and production would not be maintained

The Metallurgical Scheme was coming to the end of its life, and no further dumps had been found for treatment

Vaal Reefs turned in disappointing production figures and lower grades This was offset by a higher gold price, a dividend from Southvaal and decreased royalty payments to Southvaal, which pushed before-tax profit up 15,9% to R188,3m (R162,5m)

Vaal Reefs regional GM Dick Fisher said problems with fires and seismicity had been largely overcome, and the labour situation was fairly normal

Sinking of the Vaal Reefs No 11 shaft advanced 386m during the quarter Total depth to date was 1 693m

Western Deep, with tonnage milled maintained at 1,3-million tons (1,29-million tons), an 8,1% fall in grades to 5,76g/t (6,27g/t) and a rise in unit working costs of 11,4% to R31 812/kg (R31 812/kg), saw gold profits down 13,4% at R111,1m (R128,3m)

Higher capital expenditure pulled down available profit for the quarter 38,8% to R29m (R47,4m)

Total working costs at Ergo rose 5% to R115m (R109,3m), mainly as a result of R1m for work on public holidays and a R1m provision for wage increases

This largely negated an increase in gold revenue of 3,2% to R181,1m (R175,5m), leaving profit before tax 0,4% higher at R69,3m (R69,1m) Available profit was down 11,7% to R17,6m (R20m)

Ergo grades were down to 2,8g/t (3,14g/t), leaving gold production lower at 3 310kg (3 677kg)

Consolidated profits from better grades

MICHAEL URQUHART

CONSOLIDATED Mining Corporation benefited from better grades and higher gold revenue in the June quarter which offset higher unit working costs and increased profitability

Net profit at West Witwatersrand rose 17% to R5,9m (R5m) and profit at Benoni 10% to R1,75m (R1,59m)

Ore milled at West Wits fell to 493 811 tons (589 664 tons), mainly because of declining availability of oxidised ore for heap leaching Grade was up to 1,68g/t, as higher grade underground mining made up a greater proportion of total tonnage

Costs increased by 10% to R30,6m (R27,8m)

Benoni production increased by 31kg from the previous quarter to 401kg

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
Vaal Reefs	**2 697**	**6,26**	**16 889**	**194,52**	**31 072**	**43 607**	**168 200**	**71 700**	**375**
	2 806	6,39	17 928	186,07	29 118	40 971	141 300	65 900	345
Western Deep	**1 309**	**5,76**	**9 309**	**183,14**	**31 812**	**43 742**	**97 300**	**29 000**	**105**
	1 293	6,27	10 138	178,99	28 549	41 206	110 200	47 400	171
Elandsrand	**543**	**7,72**	**4 193**	**211,62**	**27 431**	**43 201**	**50 336**	**17 640**	**18**
	543	7,88	4 280	201,24	25 531	41 010	53 749	19 968	21
Freegold	**5 769**	**4,16**	**23 982**	**159,04**	**38 257**	**43 249**	**112 600**	**47 700**	**40**
	5 833	4,33	25 272	156,19	36 050	42 431	179 400	114 600	96
Ergo	**11 825**	**2,8**	**3 310**	**9,14**	**32 659**	**43 810**	**18 786**	**15 983**	**31**
	11 693	3,14	3 677	8,83	28 093	41 076	25 762	15 584	30

Rights issue likely to refinance Oryx

BDay 25/7/94

MICHAEL URQUHART

REFINANCING for Gengold's Oryx gold mine would be used to fund the mine to completion and to pay off its bank debt, Gencor finance director Mick Davis said on Friday

He said he would prefer Oryx to be fully funded by equity because the cost of debt was so high (214)

Gengold announced at its quarterly results presentation that refinancing the Free State mine would be delayed for up to six months while further exploration work was done Development on the reef had turned north and there should be a large increase in information on grades

The company wanted to delay refinancing until it had more information to enable it to compile an accurate prospectus, which would allow it to make a more sensible decision on which route to follow for refinancing, Davis said

The refinancing, which would probably take the form of a rights issue, would have to raise about R900m. Meanwhile, Gencor was bankrolling Oryx to the tune of R25m a month.

Although delaying refinancing would lead to increased interest costs, this would not affect the financial position of the mine materially, Davis said.

The mine warned in October that poor initial grades had derailed its business plan, forcing its break-even point back three years Gengold has since been discussing refinancing with Oryx's banks and the mine's four shareholders — Gencor, Genbel, Sanlam and Anglo American, which together provided initial funding of R979m. The mine was expected to have run out of money by the end of last month

Anton Botha, MD of Genbel, which has a 14,2% stake in Oryx, said the decision to delay refinancing had been correct.

The information expected from the mine within the next six months would enable Gengold to present an accurate picture of what could be expected in the next two to three years

He did not believe the decision to wait would necessarily make the financing cheaper The cost of finance would depend on the gold price and what mining prospects the new information showed.

Botha said Genbel would look at diluting its shareholding in Oryx if the price was right, as he felt Genbel was over-invested in the counter. Genbel would also be prepared to convert its interest-free debt to Oryx into shares, he said.

Sanlam said it would decide on its policy towards Oryx only when Gengold approached it with a definite offer.

Gold mining costs are set to rise 5%

B/Day
25/7/94

MICHAEL URQUHART

WORKING costs in the gold industry will rise at least 5% during the current quarter, industry sources say

(214)

Gold Fields executive director Alan Munro said the outcome of the current dispute between the National Union of Mineworkers (NUM) and the industry would be critical in determining costs.

Total working costs would increase in line with inflation, with any increase in labour costs superimposed on this, he said

As 50% of working costs in the mining industry consisted of payments to employees, a 10% wage settlement would result in a minimum increase in costs of 5%

But he said it was likely gold revenue would keep pace with costs Although a lot of marginal mines were in a vice already, it would not get much tighter

Anglo American gold division MD Nap Mayer said the current quarter should see a reversal in the upward trend of unit working costs, as production returned to normal levels It was, however, unlikely to come down to last year's levels, he said

He said the margin between unit working costs and revenues could even increase, primarily due to a weak rand

But he believed there was limited scope for improving productivity to keep total costs down It would take a big leap in technology to achieve significant productivity improvements, he said

Mayer said any major disruption, such as a strike arising from the current dispute with NUM, would have an adverse effect on productivity Unit costs would inevitably rise if there was a strike.

Gencor financial director Mick Davis said the important issue in keeping a lid on costs would be to reduce them in a way that produced robust mines able to withstand low prices

The mines should be able to take the knocks and still be positioned to take advantage of high prices

Chamber of Mines chief economist Francois Viruly said the issue was how working costs would be contained in the future Decreasing the labour force was not the answer Only improvements in productivity could reverse the current trend

JCI merger will create supermine

BiDay 26/7/96

MICHAEL URQUHART

JOHANNESBURG Consolidated Investment (JCI) has proposed combining the mining interests of Western Areas and South Deep mines, giving the mining house access to what is believed to be the largest untapped gold reserves in the country

In a cautionary announcement today JCI says the possible merging of the two mines is being discussed It could create an enlarged mine which would benefit from synergies of joint operations

The successful conclusion of negotiations would result in Western Areas undertaking mining operations on behalf of South Deep, in exchange for a share of the profits generated by the South Deep ore body, JCI said

South Deep would provide funding allowing Western Areas to mine the ore body and return the profit This would enable shaft-sinking and mining of the ore body to begin earlier than previously expected

Western Areas is already mining the VCR reef at South Deep

As part of the deal, Western Areas would acquire South Deep's assets, excluding mineral rights and freehold property. JCI gold division MD Bill Nairn said the assets, which included tunnels and a backfill plant, were worth more than R100m

Synergies between the two mines would lie in the provision of services by Western Areas to South Deep These services would include ventilation, power, water and technical assistance

South Deep ore is currently milled at the Western Areas plant It would mean that South Deep would not have to draw on Western Areas' technical staff and facilities, such as accommodation, when it started its own shaft-sinking operation

Market sources said that because Western Areas' assessed loss was being eroded as the mine came into profit, it was likely that JCI would be looking at the tax implications of combining the two projects.

Capital expenditure at South Deep could be used to write off some of the profit from Western Areas, essentially allowing Western Areas to fund the capex at South Deep

Higher gold price helps JCI to improved earnings

Star 27/7/94

■ **BUSINESS STAFF**

Helped by a substantially higher gold price and the recovery in production at Western Areas, JCI increased its June quarter attributable profit after tax and capital expenditure by R19,2 million, or 37 percent, to R71,4 million

This was only marginally lower than the R72,6 million achieved in the December quarter prior to the steel drum failure at Western Areas

JCI points out that the June results include the effects of the five public holidays over the election period, which cost it R37 million, and the R11,5 million cost of replacing Western Deeps' hoister.

Gold production for the quarter was down by more than one percent to 12 479 tons from 12 625 tons previously

But gold revenue increased by nearly five percent to R539 million

Western Areas reports that 60 percent of its insurers, after repudiating the winder drum shaft claim, had now agreed to settle. Discussions continue with the remaining co-insurers (214)

The settlement amount has not been brought to account in the quarterly results, but will be included in the annual accounts The company says the impact on taxed profit will be significant

Western Areas doubled net profit after tax and capital expenditure to R28,6 million, although this was still down on December's R40,9million

Gold production was up to 4,07 tons from 3,41 the quarter before

Randfontein Estates, hit by the worker disruptions, saw gold production slip to 7,56 tons from 8,39 tons

But a higher gold price and a cut in working costs lifted taxed profit marginally to R76,9 million from R73,5 million

HJ Joel reported a good quarter, with taxed profit up to R2,3 million, against a net loss of R2,2 million the quarter before

Despite worker disruptions, gold production was up to 849kg from 828kg, which was in line with improved grades and a slightly higher throughput

JCI also noted that Joel's 7-day working week arrangement, which expired in April and affected output, had been renewed for a further 12 months

Development continues to build up ore reserves These are expected increase significantly in the September quarter

JCI gold mines all see improved bottom line

BDay 27/7/94

MADDEN COLE

(2-14)

THE turnaround by JCI's HJ Joel gold mine was the highlight for the June quarter in which all group gold mines reported improved bottom lines in a period dogged by holidays.

Randfontein Estates was saved by a higher gold price in a quarter which saw a drop in production because of the holidays. Tonnage milled decreased 8,6%, and combined with a lower yield, gold production was down 9,9% at 7 562kg

The R3m fall in working costs could not stem the lower operating profit at R114,7m (R119m), but a lower tax bill of R48,6m (R50,2m) and a rise in interest received to R10,8m (R4,7m) pushed up net profit to R76,9m (R73,5m)

Western Areas had recovered fully from the setback the breakdown of the No 2 Sub Vertical Shaft in the previous quarter and would have reported better results but for ethnic conflicts and holidays, gold division MD Bill Nairn said.

Repair costs of R11,5m to the SV2 winder were brought to account in the June quarter, but loss of revenue was accounted for in the March quarter.

The mine increased tonnage 13,7% and yield 5,2% Gold production moved up 19,5%, and coupled with lower working costs and higher revenue, net profit after capex doubled to R28,6m

Although not strictly comparable with the March quarter when production was interrupted by failure of the SV2 winder, Nairn said the results compared favourably with the R40,9m achieved in the December quarter

Improvement in mill throughput and yield, combined with higher gold revenue and maintained costs, pushed HJ Joel back into the black. Operating profit came in at R1m from the previous loss of R0,8m.

The five public holidays during the period cost Joel R2,6m in lost revenue. The expiry in April of the special working week arrangements concluded with unions and associations last year came to an end and adversely affected production.

Nairn said new agreements had been made and a full seven-day working week, including both stoping and developing, was in place Total costs again had been maintained at a low level.

Reef and waste development continued to build up ore reserves after being affected by the ending of the previous seven-day working week, and Nairn said it was expected that by September reef raise holings between levels would add significantly to ore reserves. This would allow an increase in tonnage through improved mining flexibility

Development at South Deep was experiencing teething problems, but it was on target with 496m metres advanced in the quarter The VCR reef raise was complete as well as access development to 250 level.

Reduction in recovery grade was caused by unexpected changes in the strike of the faulting systems on the bottom west side of the long wall. This was being negotiated successfully and grades had improved.

Gold recovered at 199kg was 36% lower than the 311kg in the previous quarter

JCI June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein .	**1 826**	**4,14**	**7 562**	**124,72**	**30 116**	**44 010**	**76 944**	**52 490**	**85,9**
March	1 998	4,20	8 392	115,50	27 500	40 825	73 454	52 351	85,6
Western Areas	**574**	**7,09**	**4 068**	**222,19**	**31 351**	**42 036**	**43 166**	**28 589**	**70,9**
March ..	505	6,74	3 405	245,64	36 431	40 636	22 483	14 281	35,4
H J Joel	**154**	**5,51**	**849**	**222,52**	**40 363**	**41 576**	**2 272**	**(9 654)**	**(9,9)**
March ...	152	5,45	828	222,36	40 820	39 797	(2 223)	(14 375)	(14,7)

COMPANIES

R2,3bn needed to fund JCI mine

MICHAEL URQUHART

JOHANNESBURG Consolidated Investment's South Deep mine would need R2,3bn to fund it to full production, and shaft sinking would start by November or December, JCI gold division MD Bill Nairn said yesterday. B/Day

The mine yesterday announced plans to combine interests with the adjacent Western Areas. Shares of both mines responded well on the JSE yesterday. 27/7/90

South Deep surged 22,3% to hit a year high of R41, while Western Areas climbed R4,50 to close at a year high of R60. Western Areas was trading at a low of R15,85 during August last year.

Nairn said Western Areas would be coming into a tax-paying position with an insurance claim caused by the breakdown of the SV2 winder drum shaft

With the mine coming into a tax-paying position, it was likely that JCI would be looking at the tax benefits to be gained from writing off South Deep's capital expenditure against Western Areas profit.

This would allow Western Areas to partially fund South Deep's development. Under the agreement, Western Areas would undertake mining operations at South Deep in return for a share of the profit generated by the South Deep ore body.

The ore body is estimated at 785-million tons, at an average in situ grade of 3,4g/t. Grades vary from below 3g/t to more than 20g/t. (214)

Marginal ERPM's share price increases by 20%

B/Day 29/7/94

MICHAEL URQUHART

RANDGOLD's ERPM mine share price gained 20% on the JSE last week when a number of marginal gold mining shares saw prices rise

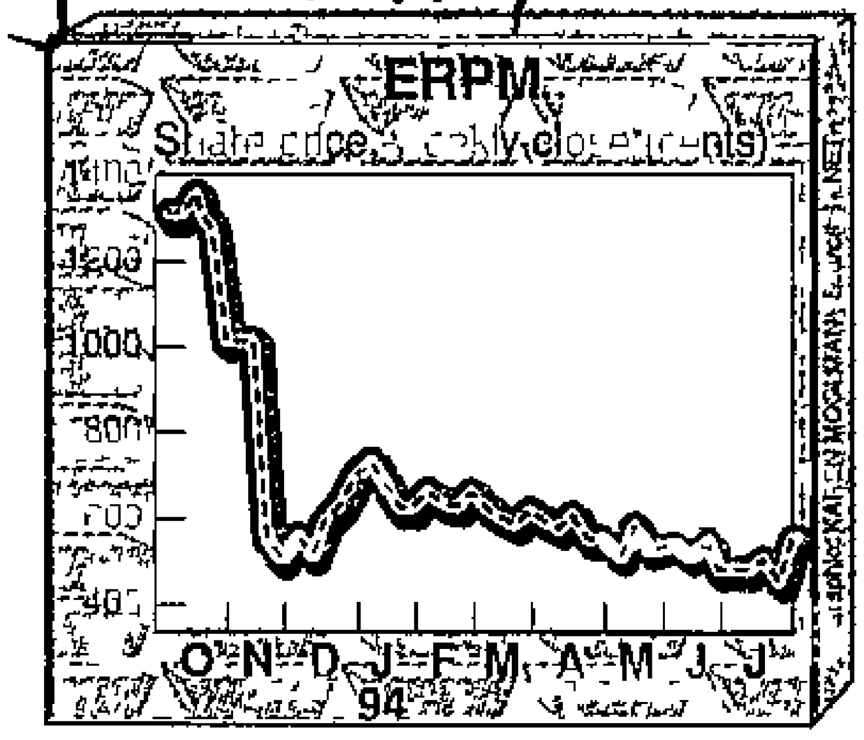
Other marginal shares which moved up from Monday included Grootvlei, which rose from R10,25 to close at R11,50 yesterday; Leslie, which climbed from R6,80 to R7,30, and Joel, which improved from R4,90 to R5,25

Analysts said the positive response of ERPM shares to the gold price was because the mine was highly geared to any change in the price (214)

One analyst said the high volume of relatively low-cost dump material treated by ERPM — the mine treated 508 000 tons of sand, producing gold at an average cost of R22 502/kg in the June quarter — meant gold price increases were reflected quickly in ERPM's bottom line

The rights issue for R550m called last year also meant ERPM did not have a debt burden, he said

In addition, a higher gold price would mean an increase in reserves as lower grade material became economically viable Although this would mean a decrease in grades, the analyst felt increased reserves could help ERPM hit its production targets.



The other alternative was that gold production and grades would remain stable, and ERPM would benefit from the higher gold price

Another analyst said ERPM's failure to hit its production targets had been the major cause of its problems There was the potential for a turnaround if figures such as costs and production improved, but he was not certain this could be done under Randgold's current management

Two other Randgold mines, Harmony and Blyvoor, remained static, with Harmony recording a rise of 25c from Monday to close on R24,75

An analyst said smaller market capitalisation stocks, such as marginal mines, were highly illiquid and not well known, which meant foreign players and big institutions were not interested in them

Northam devaluation provision for GFSA

(214)

CT 3/8/94

From MUNGO SOGGOT

JOHANNESBURG — Gold Fields could write off about R700m from its Northam Platinum stake if it followed mining investment subsidiary New Wits's decision to take a provision against the ailing platinum mine, analysts said yesterday

New Wits, unveiling its results for the year to June, said it would take a R35m extraordinary charge to cover the devaluation to market value of its 3,5% stake in Northam

Gold Fields, which holds 60% of Northam, would have to write off about R700m if it was to cover the same devaluation on its 49,5-million shares

The mining house said it would announce its decision when it published its results this month Company sources said the forecast figure was fair

Northam said no inference should be drawn from New Wits's provision

New Wits — which owned 2,51-million Northam shares at the end of 1993 — said the move followed the persistent low market value of Northam shares The shares were fixed 50c higher at 625c yesterday, against a R29 peak in 1992 The Zondereinde mine called a R350m rights issue in December 1992, but was forced to seek a R220m bank loan just months later

The bulk of that cash has been exhausted The mine's future now hinges on a technical assessment currently being done

New Wits said the decision had been taken irrespective of the study's outcome

Stockbrokers said the write-offs should not affect the market's valuation of New Wits or Gold Fields as valuations would already have discounted the difference between Northam's market price and its carrying cost in New Wits's balance sheet

Platinum forms about 2% of Gold Fields' assets

New Wits reported a fall in revenue from its investments to R25m (R32m), with a final dividend unchanged at 35c It managed to hold its dividend because a firmer gold price had helped push its investment income up 20% to R20m (R16m) New Wits's expenditure rose to R3,9m (R2,7m), R1,8m of which had been spent exploring reefs in the southern Free State

● Meanwhile, Vogelstruisbult Metal Holdings Ltd yesterday declared an unchanged interim dividend of 15c per share, absorbing R2,8m, for the six months ended June 30, Reuter reports

Following on the sale of New Wits shares in the previous financial year, a further 100 000 shares in that company were realised during the six months

Income from investments for the period amounted to R4,6m (R3,9m)

As announced earlier, the entire holding in Rooiberg Tin Limited was sold, subject to a suspensive condition

NUM questions Randgold takeover

214

WM 12-18/8/94

Jacques Magliolo

THE National Union of Mineworkers has appealed to the Johannesburg Stock Exchange to halt the planned takeover of Randgold, saying it should first consider "certain ethical questions".

The *WM&G* is in possession of a letter sent to the JSE's Ethics Committee by NUM general secretary Kgalema Motlanthe, in which he says: "We would like to bring to your attention certain ethical questions which we believe apply to the proposed takeover of Randgold by a consortium consisting of Fraser Alexander, Time Mining, Aurora Mining and SC Warburg."

Shareholders are due to meet to effect the bid on August 18. The consortium says it has secured 56 percent support for the takeover.

NUM believes Fraser Alexander will become responsible for the management of the company and that Peter Flack of Fraser Alexander will become the new chairman of Randgold's board.

NUM's concerns about the deal are outlined in the letter. They include:

●Fraser Alexander had the contract for maintaining slimes dams at Merriespruit's Harmony Mine, which is owned by Randgold. The Department of Mineral and Energy Affairs has launched an inquiry into the slimes-dam burst, in which 30 people died, to establish its cause and who was liable. In dispute is the degree of responsibility of the respective parties in relation to the disaster.

●In the event that either party is held liable for the disaster, they will face huge claims for damages.

If the liable party is underinsured, or insurance is conditional, this would have significant financial consequences for the company concerned.

●In this context, a central player in the consortium to take over Randgold could thus face claims for damages from the company it seeks to take over.

●As a potential consequence, Fraser Alexander could exert undue influence in relation to possible claims against it. In the scenario NUM says is envisaged by Fraser Alexander, it is possible Flack could — as chairman of Randgold — be faced with deciding whether to pursue claims that could put his own company out of business.

●Furthermore, it is understood that Fraser Alexander currently has contracts for slimes-dam maintenance at all Randgold mines. If found liable for the disaster, it would be expected to lose these contracts; yet a change in ownership of Randgold could unduly influence such business decisions, with adverse effects on safety and effective rehabilitation of the mines.

In addition to NUM's attack on the proposed takeover, the *WM&G* has ascertained that Randgold is to launch its own counter-attack against Fraser Alexander and will advise shareholders not to touch the deal.

A spokesman for Fraser Alexander said the NUM letter "came as a complete surprise" and that he could not comment.

First Wesgold hits back in Randgold row

(214) CT 15/8/94

Own Correspondent

JOHANNESBURG — First Wesgold has dismissed claims by Randgold & Exploration that it is valueless, saying that if Randgold was correct then it implied that First Wesgold management were either "incompetent or crooks"

Fraser Alexander chairman and consortium spokesman Peter Flack said at the weekend that the information supplied to Randgold had been the same as that given to Standard Merchant Bank, which had valued First Wesgold

First Wesgold had valued its only asset — West Rand Consolidated Mines — at R50m, with rehabilitation charges of R18m in a due diligence exercise, before First Wesgold bought West Rand Cons

In its defence against First Wesgold's hostile takeover bid, Randgold said last week it valued West Rand Cons at R25m, with rehabilitation costs of R40m-R60m

Flack said some assets, which Randgold had claimed were valueless, were viable, including slimes dams and sand dumps which were viable at current gold prices

He said the price at which First Wesgold had valued Randgold shares — 725c — was reached at the time of agreement with the shareholders The subsequent price rise could be because the prospect of new management had lifted investors' hopes Randgold closed unchanged at 875c on Friday

Meanwhile, in a move Randgold dubbed "unprecedented", the NUM called for the JSE to investigate "potential conflicts of interest" in the First Wesgold bid

The union said that if Fraser Alexander gained influence over management decisions for Randgold mines, it could affect claims arising out of the inquiry into the Merriespruit slimes dam disaster The dam is part of Randgold's Harmony mine and managed by Fraser Alexander

Life of mine figures debated

B/Day

MICHAEL URQUHART

THE unveiling of the life of mine ore reserves by SA mining houses was unlikely to lead to a large upward re-rating of SA gold shares, analysts said yesterday 16/8/1994

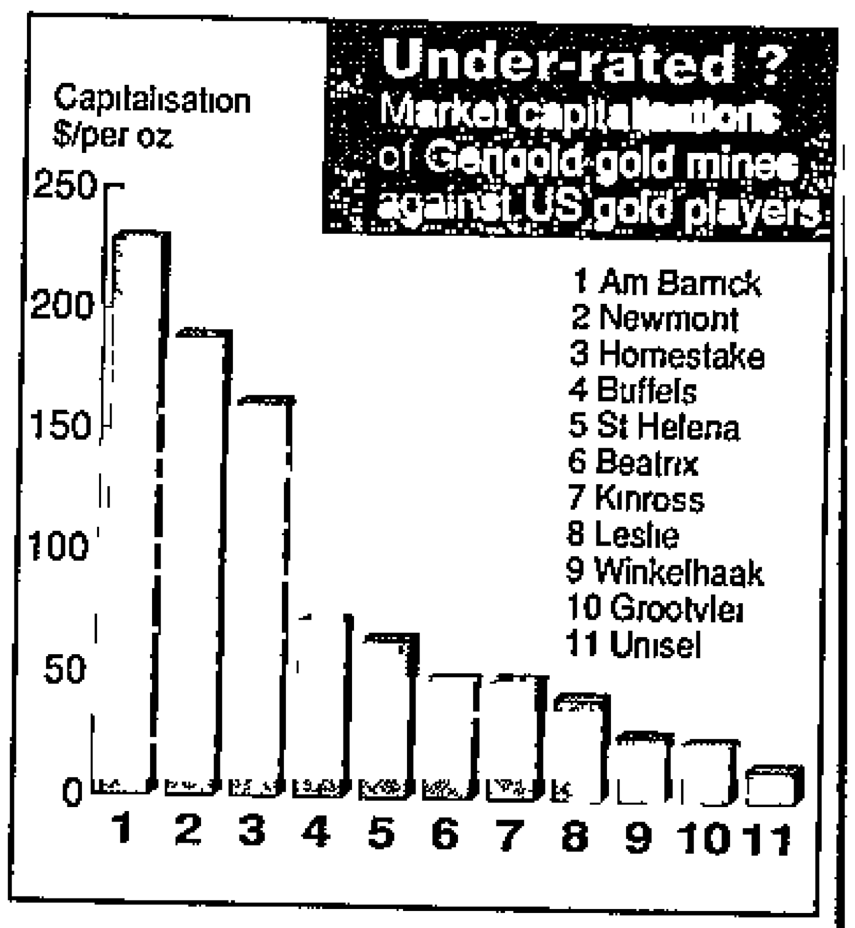
SA gold mining houses currently publish only proven ore reserves, while overseas houses publish total reserves This has led some overseas investors to discount SA gold shares due to low reserves compared to those of overseas companies

Gencor's gold company Gengold led the way for SA mining houses by publishing its life of mine reserves with its June quarter results Several other mining houses have indicated they will follow suit (214)

Analysts said other discount factors such as political risk and exchange rate risk would continue to hold down SA shares relative to their overseas counterparts

One analyst said while some US investors did not understand the SA reporting system, the better-informed took this into account when rating SA shares

He said it was also difficult to compare local shares with those of North America as the structure of the two markets was different, with different price earnings and dividend yields



Another analyst said with the static gold price overseas, investors were net sellers of SA gold shares.

He said the publishing of life of mine reserves would only lead to re-rating of SA gold shares if the gold price ran and overseas investors became net buyers

Another factor holding back SA shares was the structure of the industry, with mines linked to one area

Also, SA mines could not write off development of one area against the profit of another SA was a high-cost gold producer

Takeover: Randgold in bid to halt meeting

CT 16/8/94 (214)

JOHANNESBURG — Randgold and Exploration Company yesterday said it had asked a consortium wanting to take over First Wesgold to cancel a general meeting for this purpose planned for Thursday

If the meeting was not called off, it said, it would make an urgent court application to stop the implementation of any takeover resolutions passed at the meeting

The company said in a statement certain minority shareholders had complained that the terms of the proposed acquisition were unfair The firm released the text of an announcement to be published in the press today

"On the basis that the First Wesgold acquisition is unfair," the announcement reads, "Randgold has been advised that the implementation of the acquisition would constitute a breach of Section 38 of the South African Companies Act"

This section deals with "financial assistance by a company for and in connection with a purchase of or subscription for its own shares"

A Randgold appeal against a Securities Regulation Panel finding that the proposed acquisition is not an affected transaction will be heard on Wednesday

Last week it was disclosed that Standard Merchant Bank's valuation of First Wesgold, based on the conceptual plan from First Wesgold's management, was R68 9 million after rehabilitation liabilities

FirstCorp Merchant Bank, Randgold's advisers, valued First Wesgold at R25m, excluding rehabilitation liabilities, based on information provided by First Wesgold's management and technical consultants

Randgold's environmental division estimated rehabilitation liabilities at between R40m and R60m

Yesterday Randgold said its audit had been reviewed by international mining consultants Fluor Daniel Wright and they concluded the auditors' methodology and data had been acceptable — Sapa

Gold Fields pays improved dividend

Star 17/8/94

■ BUSINESS STAFF

Gold Fields of South Africa Limited (Gold Fields) has declared an improved final dividend of 140c per ordinary share for the year to June, resulting in a total of 210c (200c for the previous year) (214)

The higher dividend cover is indicative of an improvement in earnings

With the firmer average rand gold price, income from investments rose R102 million, from R262 million to R364 million, reversing the downward trend since 1989.

Higher income was offset, however, by a drop in the sale of investments, resulting in a lower sharedealing surplus of R1 million (R37 million previously)

Notwithstanding this, the marked improvement in income still made a contribution of R65 million to revenue of R562 million.

Administrative and technical expenses showed a slight increase, but these were limited, year-on-year, to 7,7 percent

The directors are aware of a technical assessment being conducted at Northam Platinum's Zondereinde operation Irrespective of the results, which has not yet been determined, it has been considered prudent, in view of the sustained low market value of Northam Platinum shares over an extended period, to write down the carrying value of Gold Fields' investment in that company to the market value at June 30

This write-down of R663 million is included as an extraordinary item The high level of group reserves allowed for a transfer of R509 million from reserves

Gold Fields opts for write-off

MICHAEL URQUHART

GOLD Fields opted to take a R663m provision against its investment in struggling platinum mine Northam for the year to June, forcing the mining house to draw heavily on its reserves BDay

A stronger gold price, which underpinned the performance of mines such as Kloof and Driefontein, lay behind a 23% rise in attributable earnings to R357m Earnings were fixed at 370c (301c) a share, and the total dividend was pegged at 210c (200c) — the first rise since 1989

But the continued sluggish JSE performance of Northam, in which Gold Fields holds 60%, forced the write-off. The group transferred R509m from its reserves and used retained income to cover the write-off and dividend pay-out of R203m

Northam shares were trading at 525c yesterday, against R12,50 12 months ago and a R29 high in 1992 17/8/94

Northam — which is due to report its year ends this month — called a R350m rights issue in 1992, but was soon forced to seek a R220m bank loan Most of the cash has been exhausted (214)

The mine's future now hinges on a technical assessment Gold Fields said that irrespective of its results, "it has been considered prudent, in view of the sustained low market value of (the) shares over an extended period, to write down the carrying value of Gold Fields' investment"

□ To Page 2

Gold Fields

BDay 17/8/94

□ From Page 1

to the June 30 market value.

The provision overshadowed an otherwise strong performance from the mining house Income from investments rose to R364m (R262m), reversing a downward trend since 1989 This was partially offset by a fall in profit on realisation of investments from R37m to R1m, resulting from a drop in the sale of investments (214)

Expenditure and amounts written off rose to R183m (R176m), due largely to a rise in administration, technical and general costs. Drilling and prospecting expenditure rose to R43m (R41m)

Gold Fields said good progress had been made drilling the shallow mineralisation adjacent to the Tarkwa mine in Ghana, with encouraging results.

Though pretax profit came in at R379m (R321m), the group's tax bill fell to R8m (R18m) The transition levy cost R1m

RANDGOLD

Fm 26/8/94

Anatomy of a rout

It's a timely reminder that shareholders, not managers, own companies

After two weeks of brinkmanship, mining house Randgold — all that is left of the once proud Corner House — has been taken over by its shareholders If that sounds strange, it is because shareholders, by and large, are a dispossessed constituency in SA the overthrow of Randgold's managers last week was nothing less than a revolution staged by a species known better for its sheep-like docility than for any preparedness to take command

The signal sent by disaffected shareholders encapsulates a philosophy long embraced by the *FM* it is that shareholders actually do own their companies, not managers, that major companies are not personal fiefdoms, operated at the pleasure of powerful executives, they are the essential building blocks of the economy and instruments for the creation of wealth and employment The overthrow — that is what it was — of Randgold's controlling executive contains messages of profound import for all companies and managers

Randgold is the gold mining and exploration rump of Rand Mines It was formed in September 1992 out of a decision by holding company Barlow Rand The break-up was preceded by the sale of Barplats, the group's disastrous venture into platinum mining through the acquisition of the Lefkochrysos mine Once that was sold off (to Gencor's Impala), the way was opened for a mini-unbundling which had the effect of unlocking value in the remaining holdings — gold, coal, property and exploration

Randgold was left with four deep-level gold mines — ERPM, Durban Deep, Blyvooruitzicht and Harmony — all of which display the characteristics associated with extreme mining age falling grades, uneconomic distances from shafts, heat problems, diminishing reserves

They are what analysts love to call "marginals" — mines which swiftly fall prey to falling bullion prices but which, conversely, react remarkably when gold moves in the other direction

Marginals also have considerable gearing It is this idiosyncrasy which makes them favourites among a vast number of gold "bugs" — investors around the world who share a common belief in the ultimate supremacy of gold over other financial instruments

Randgold's listing in February 1993 was undertaken by the use of a dividend in specie Barlow Rand shareholders received scrip in Randgold rather than the normal rights offer associated with a new listing And it is evident the route was chosen because Barlow Rand executives clearly appreciated that a standard-type listing probably wouldn't have been well received (214)

And it is a typical SA mining house, with relatively small holdings in the mines it manages and an overwhelming reliance on the management fees it earns These fees are themselves the subject of growing controversy a long-established tradition in the industry is that the houses tie their mines into long-term agreements, probably not fewer than 10 years and sometimes of a rolling nature, and in a manner which makes them almost impossible to break

These agreements enable mining houses to draw fees from management (often based on turnover), from buying services (perhaps 2,5% on everything purchased), from capital projects (engineering and design fees)

Randgold's Sealey, Turner, shareholder

only way to go

and to recover direct costs It can certainly add up in the case of Blyvoor, for example, the mine paid fees of R4,6m in financial 1993, compared with an after-tax profit of R14,4m In another case, Rustenburg Platinum, mining house JCI drew fees in financial 1993 of R92,7m compared with after-tax profit of R285,5m

In the UK, Julian Baring (of London merchant banker S G Warburg's investment arm, Mercury Asset Management) took the view that Randgold was underpriced and offered good value Considering the size of the mining funds under management — approaching £1bn — his investment in Randgold was minuscule But Baring, which accumulated scrip from as low as R3 a share, soon ran up to nearly 29% (currently 25%) of Randgold's issued equity And Baring is canny with cash he was happy when the price went to R8 a share, not so happy when he heard stories of recalcitrance by Randgold's managers

This is where the story takes an interesting turn Some years ago, control of listed Rand Leases, an independent gold producer on the West Rand, was acquired by the Kebble family Previously, the mine was managed by Anglovaal and then by the Severins Director Brett Kebble (jnr) saw synergies in a tie-up between Rand Leases and neighbour Durban Deep, MD Roger Kebble's (snr) approaches were rejected by Randgold However, the Kebbles weren't to be so easily deflected Over a period of months Kebble jnr contacted nearly all Randgold's major shareholders and struck an alliance with Adam Fleming, the SA MD of prestigious UK merchant banker Robert Fleming

When Randgold announced it would suspend and then close underground operations at Durban Deep, Fleming and Kebble were waiting Baring was persuaded that the need for action to unlock wealth in Randgold-managed mines had never been so urgent With Mercury's substantial shareholding tied in with other concerned investors, all that was needed was an alliance to provide adequate management

That was achieved when Baring and Fraser Alexander chairman Peter Flack struck an arrangement which involved the purchase by Randgold of First West Gold, a mining operation on the site of the old West Rand Consolidated gold mine Ironically, it was this deal which so nearly decapitated the entire process

With a strong leadership in place, Baring sat back to await developments Flack, now aided by Kebble jnr, Fleming and Rand Merchant Bank's Nigel Brunette, called on Randgold to convene a meeting of members for the purpose of electing 11 new directors and to purchase First West Gold for nearly R70m The election of so many new directors would give board control to Flack, paying for First West with 8m Randgold shares (plus R10m in cash) would give Flack's consortium 20% of the house's equity, in effect its own power base

The meeting was called and, for a few days at least, Flack's team and Randgold's managers played an attenuated if awkward form of footsie Before long, however, FM 26/8/94

Randgold CE John Turner decided to fight back His defence seemed to be well orchestrated, as it concentrated on the three fronts which he and his advisers saw as being Flack's weakest points

The first of these was First West Randgold employed high-powered managers and then took the project apart If anything, they did it too thoroughly While the financial community was prepared to concede that Flack's value of R70m was probably slightly too high, they weren't about to be persuaded that its ultimate liabilities actually exceed its value

Turner's team played what could have been a good hand badly The truth is shareholders were prepared to pay that price to put strong, effective management in place.

The second Randgold thrust was to associate alleged radiation dangers from dumps with high uranium content with the First West project

That brought the National Union of Mineworkers (NUM) into the fray but, in the event, NUM's intervention, led by unit co-ordinator Kate Philip, was both too late and too evidently lacking in technical expertise.

The prevailing consensus is that the NUM allowed itself to be used in what was a shareholder fight

As their third effort, Randgold's managers rested on the law. First, they appealed against the Securities Regulation Panel ruling that the election of so many new directors was not an "affected" transaction (that is, a change of control) When they lost that, they urgently sought an interdict in the Supreme Court to suspend the extraordinary general meeting of shareholders When they lost that, the game was up at the EGM the next day, Flack was able to marshal 15m votes to the 5m of the managers It was a rout

Philip

(24)

This incident raises pertinent issues for SA shareholders and executives The first is the extent to which managers can use company money to thwart owners' wishes The *FM* learns that Randgold owes its advisers in the region of R600 000 Not surprisingly, new Randgold executive chairman Flack is sitting on his hands — and the cheque book.

The second is what this may presage for the mining houses, both in the way they are structured and in their exercise of control over managed mines The matter of fees already excites criticism, which is bound to increase as shareholders exercise their rights of ownership For decades, SA business has sought to invest abroad, now foreigners are looking to invest here They will add their voices and wallets to growing demands for change in corporate governance

Of course, Baring's and Flack's achievement is the easy part of this story Making Randgold work better will be more difficult Flack has already made it clear he intends a thorough review of every aspect of the company's business, it's unlikely that will be completed before the year-end That will be followed by swift action. The *FM*'s guess is that Randgold's management agreements will be sold back to the mines for more equity; a small, highly concentrated team will be assembled at the centre to provide technical management; and, where possible, synergies will be exploited — the most obvious is probably the merger in some form of Durban Deep and Rand Leases.

The burning issue at the end of the day is whether it will be successful. No-one knows, least of all Flack. But investors can take comfort from the company's discount to its underlying NAV depending on how the sums are done, this is as much as 50% and, subject always to the way bullion and the new managers perform, Randgold may well present an inviting investment opportunity

David Gleason

Still profitable, Ergo it continues

B/Day

ANGLO American's gold reclamation company East Rand Gold Uranium (Ergo) had at least 10 years left at current gold price and cost levels, it said yesterday

Ergo, the world's biggest gold reclamation operation, was projected to close this year when it opened in 1977.

But officials said Ergo would seek to expand reserves by acquiring more mine dump material.

Ergo is a high-volume, low-margin operation that runs 24 hours, seven days a week. It pioneered Anglo's high-technology carbon-in-leach process to retreat abandoned gold mine slimes dams and recover mainly residual gold.

Current average grade is 0,52g/t Both Ergo's profit and the length of its life are highly sensitive to the gold price 214

New GM Bill Kretschmer said recent bullion strength and increased tonnages had given Ergo more flexibility in treating a blend of different grade surface material, thus helping to extend its future.

Ergo produced 13 050kg of gold from 46,2-million tons of material treated in its last financial year to March 30/8/94

Officials said production was expected to remain steady in the current year, though it was on target to rise to more than 50-million tons in the next financial year

However, gold output was likely to be little changed as higher tonnage is expected to offset a decline in yield, they said

Plant upgrading has seen gold recoveries rise to about 60%, but officials said there was little scope left for improvement using current dump material

Expected capital expenditure for the current year is R46m (R33,9m) — Reuter.

TOWN
↑CITY

Plenty of life left in Ergo

BRAKPAN — East Rand Gold Uranium estimates it has at least 10 years of life left at current gold price and cost levels, and says it will continue to seek to expand reserves by acquiring more mine dump material. (214)

Ergo — the world's biggest gold reclamation operation covering 1 800km² east of Johannesburg — was due to close this year in terms of initial projections when it opened in 1977, but officials predict plenty of life still in the mine.

"The operation is meeting its new targets," new GM Bill Kretschmer said. CT 30/8/94

Ergo is a high-volume, low-margin operation that runs 24 hours, seven days a week.

Managed by Anglo American, it pioneered the group's high-technology carbon-in-leach process to re-treat abandoned gold mine slimes dams and recover mainly residual gold. Current average grade is 0,52g/tonne.

Both Ergo's profits and the length of its life are highly sensitive to the gold price.

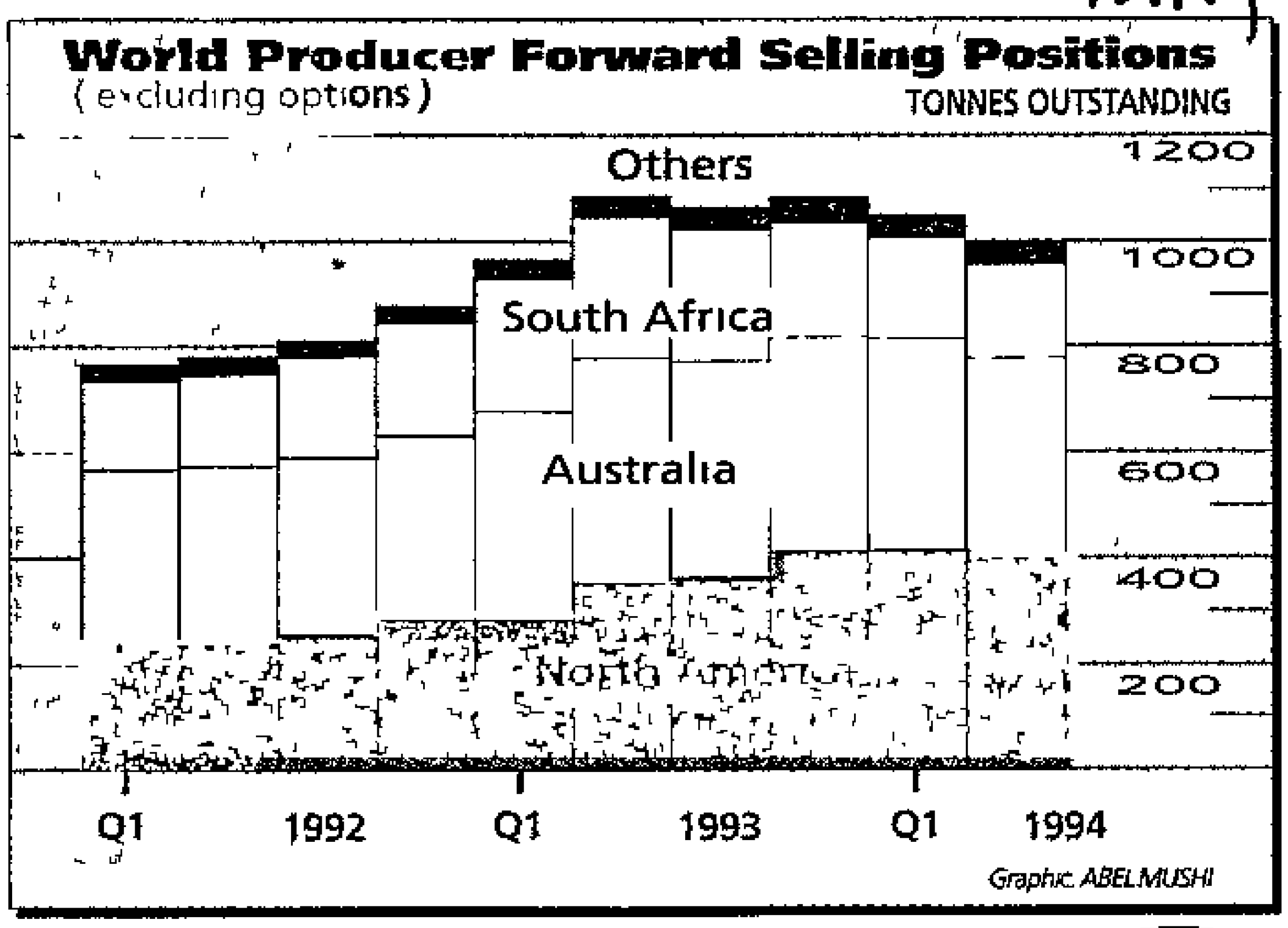
Kretschmer said recent bullion strength in both dollar and rand terms combined with steadily increased tonnages had given it more flexibility in treating a blend of different grade surface material, thus helping to extend the future of the main Ergo division beyond expectations to "10 years-plus". — Reuter

Only 36 tons sold off in 6 months to June

Central banks ease up sharply on gold sales

Star 1|9|94

BY DEREK TOMMEY



Central bank gold sales dropped sharply in the first half of the year, says Gold Fields Mineral Services in its latest survey entitled Gold Update 1

This is good news for gold bulls who live in constant fear that central banks will embark on a selling spree amd flatten the price

The report says official sales dropped from 275 tons in the first half of last year to 36 tons in the first half this year

"The virtual absence so far this year of net official sales, apart from reduced disposals from Canada, may signal the end of the most recent period of official sales," it says

Few central banks are buying gold at the moment, it says But it would not need much more doubt about the dollar's fragility to induce them to switch into other assets, including gold.

The supply of gold was also reduced by a complete stoppage in futures' sales From 217 tons in the first half of last year, these sales dropped to zero in the same period this year

New mine production rose 2 percent to 1 115 tons in the six months to June, compared with a year ago

The only other major increase in supply came from the disinvestment of 159 tons, against nil last year

The disinvestment came mainly from speculators It suggests that the reduced volatility in the gold price might have disillusioned some investors who switched to more volatile commodities

But as only half of last year's new investment has come back to the market, it seems that a number of purchasers still believe the gold rally has farther to go

214

Altogether, the total supply in the first half of this year is estimated at 1 592 tons, down from 1 707 tons in the second half of 1993 and 1 905 tons in the first half

One disappointing feature of the gold market is that total fabrication demand slipped to 1 391 tons in the six months to June — 11,7 percent down on a year ago

The 1 175 tons of gold used in jewellery in the first half of this year was up slightly on the 1 142 tons offtake in the second half of last year, but down 13,6 percent on the 1 359 tons used in the first half of last year

The report says this year's jewellery offtake reflects mixed trends These inlcuded improved demand in the US sluggish European demand, an extremely weak offtake in the Middle East, and lower demand in the Far East after the price rise

However, a bright feature was the absence of dishoarding, which was a feature in the Asian markets a year ago

The report offers some hope of higher physical offtake later this year

The recovery in Europe suggests an upsurge in jewellery buying, while the higher oil price might stimulate jewellery demand in the Middle East

But the big question-mark over gold is what will happen in China, which is following an austerity policy

In summing up the outlook for the market, the authors of the report say prospects are finely balanced, and that a good case can be made for suggesting the gold price could move either upwards or downwards, depending on the interplay of various factors and people's perception of gold's fundamentals

Gencor developing offshore gold mines

CT 1/9/94 (214)

By ARI JACOBSON

INTERNATIONAL natural resource company Gencor is at an advanced stage of developing gold mines in South America, West Africa and Turkey, says Gencor's CE mineral resources John Raubenheimer

Raubenheimer, speaking at a presentation to analysts in the Cape Town yesterday, said while the total output from these mines might not significantly impact on world output, it would impact on Gencor's bottomline

This was because these potential mines, which will give Gencor a global spread of gold production, could produce at around $200 an ounce, against average costs at SA mines of $325

Other new areas of exploration include a copper/gold mineral mine in Papau New Guinea and, closer to home, a diamond mine in Botswana and a mineral sands project in Namibia

Keynote speaker, Gencor Chairman Brian Gilbertson, pointed out that the two latest acquisitions — Billiton and Randcoal — came at a time when "commodity prices are starting to move upwards" and volumes and prices were showing the sort of improvement that should allow the group to report favourable results for the current year

He was however 'hesitant' to comment further until the Billiton purchase had been bedded down

"More importantly Gencor is a dollar earning company and of course that makes the rand/dollar exchange rate crucial to performance."

He said that the cash resources of the group would be used to "invest in projects" and added that the group was already "one of the largest investors in SA'.

This was based on its investments in aluminium plant Alusaf and stainless steel project Columbus. Both projects were running ahead of schedule and proving to be "below budgeted costs"

Both projects are expected to start production in the middle of next year and be at full steam by 1996.

Gilbertson said the latest purchase, Randcoal which will be merged with Gencor's coal division Trans-Natal — would create significant synergies" including cost reductions in production and harmonisation of exports, while possessing the "critical mass" to expand offshore.

Gencor, at its current trading price of R13 50, has gained 22,7% over the past year.

● Engen Ltd said it had established an American Depository Receipt (ADR) programme with the Bank of New York.

Star 6/9/94

Prospects bright for Loraine

BY DEREK TOMMEY

In the past six months the share price of the Loraine gold mine has risen more than 50 percent — from 1500c to 2350c The reason for the spectacular gain is that recent developments have transformed prospects

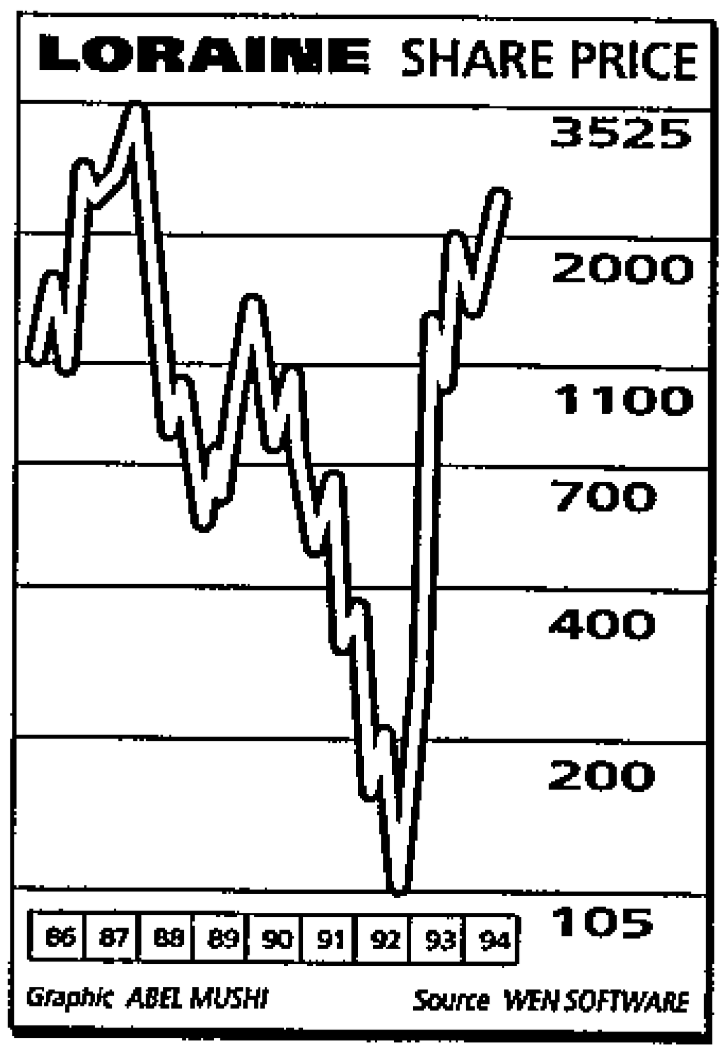
Not so long ago it was seen as a marginal short-life producer.

Now it is being regarded as a mine with good prospects for increased earnings and with a life of 11 years — possibly longer if, as much of the share market expects, it is merged with the adjoining Target gold mining venture

Broking firm EW Balderson recently issued a bullish report prepared by Jens Jacobsen and Nick Goodwin on the mine's prospects

They said that at the current gold price Loraine shares offered value

The mine is shifting its centre of operations to the No 3 Shaft complex where high-grade Basal Reef ore reserves have been opened up.



Graphic ABEL MUSHI Source WEN SOFTWARE

It is also likely that additional ore will be mined along the western margin of the lease area and that the operational life will continue for at least the next 11 years.

Economies resulting from the concentration of mining in only one shaft area and the use of the No. 1 Shaft by Target will result in cost reductions

The use of vacuum cleaners (Trans Vacs) will result in a major improvement in the mine call factor and thus gold production

The two analysts said an analysis of financial feasibility suggested the merger of Loraine and Target would probably materialise at that time

(214)

They predicted that at a gold price of R45 000/kg, Loraine should be in a position to pay dividends of 236c a share for 1994-95, 421c for 1995-96, 498c for 1996-97 and 626c for 1997-98

However, if Loraine and Target were merged in 1996, Loraine's earnings a share would drop to 205c in 1995-96, to 237c in 1996-97 and rise again to 374c in 1997-98.

The merger would reduce the dividend flow to current Loraine shareholders But it would increase the life of the merged complex to 28 years

Dazzling results precede unbundling plans

JCI goes out with a bang

Star 7/9/94

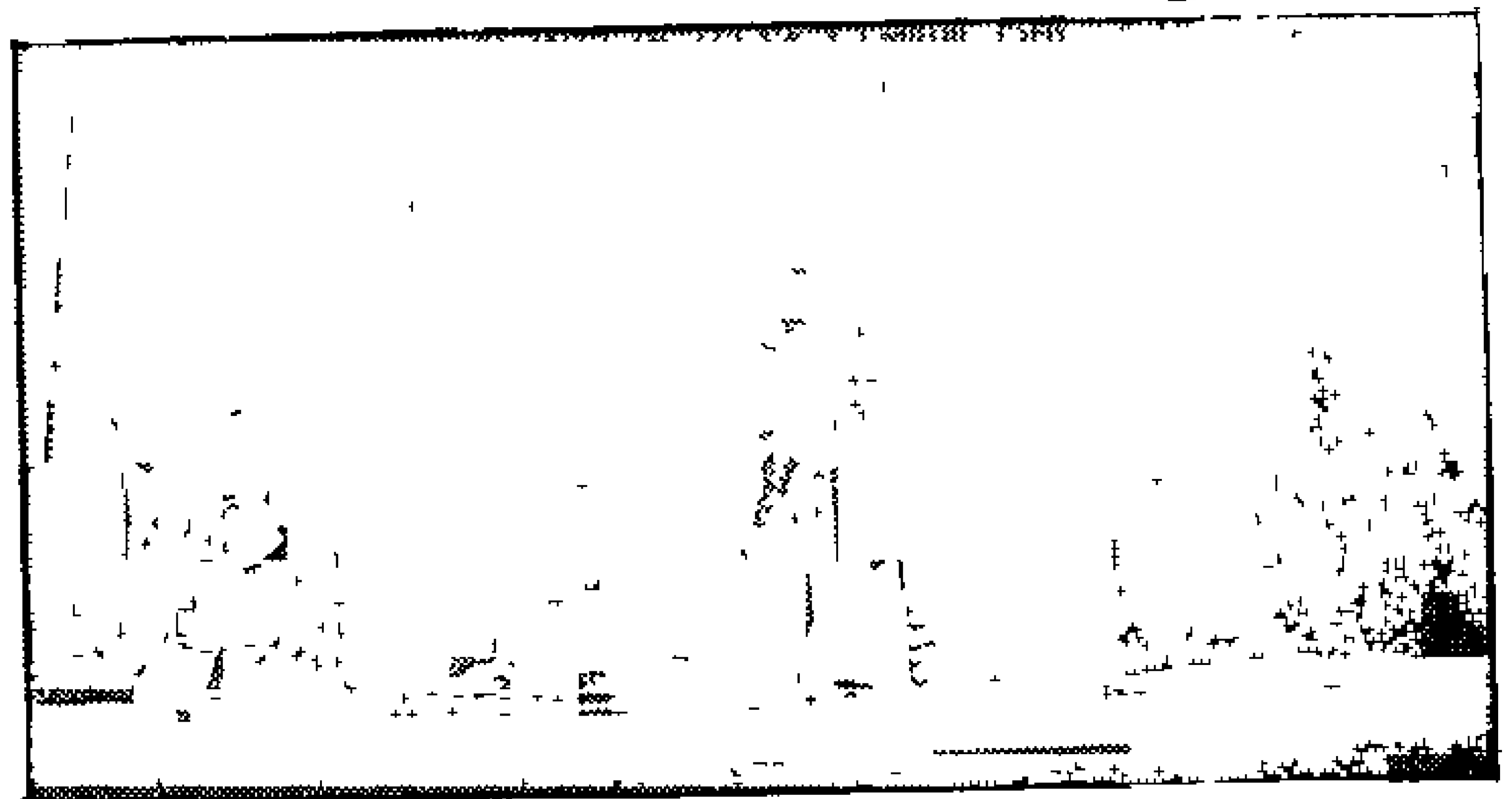
BY DEREK TOMMEY

JCI, Johnnies, Johannesburg Consolidated Investment — three famous names for one of the Rand's most important mining houses for more than 100 years — is going out with a bang

Destined to be unbundled and split up into three companies by April 1995, Johnnies' final profit declaration — for the year to June — should please shareholders and give them much more to remember it by than they probably expected

Equity earnings are up 57 percent to R912,9 million, attributable earnings are up 73 percent to R748 million, the final dividend is up 71 percent to 154c, and the total dividend for the year to June is up 51 percent at 200c a share

Chairman Pat Retief said yesterday the improved earnings were the result of increased contributions from most sectors, plus a non-recurring profit of R84,5 million from the sale of Argus Newspapers and the reversal of R130 million previously written off against the company's investment in Joel



At the conference yesterday (from left): Vaughan Bray, finance director, Pat Retief, and Barry Wood, finance manager. PICTURE NATASHA PINCUS

Earnings from minerals and mining grew by more than a third from RR212,1 million to R324,6 million.

Platinum earnings rose 34,1 percent to R114,5 million, gold earnings rose 171 percent to R93,8 million, diamond earnings rose 31,6 percent to R104,2 million, and coal earnings increased almost 13-fold to R23 million.

Against this, mining finance and other earnings dropped 60 percent to R10,7 million and exploration absorbed R21,6 million — some R5,8 million more than last year

Earnings from the industrial and property portfolio rose by R135,7 million to R367,7 million

The contribution from its industrial portfolio alone rose 47,4 percent to R361,7 million

Ferrochrome had a turnaround from a loss of R15,4 million to a profit of R4,9 million (214)

Earnings from fees, interest and treasury operations and net surplus on realisations increased from R84 million to R207,1 million.

Equity-accounted earnings before extraordinary items were R912,9 million (1993 R582,4 million).

An amount of R80 million was provided for future medical aid costs of current and future pensioners, and R41 million for unbundling and rationalisation

Attributable earnings amounted to R505c (293c) a share and equity-accounted earnings before extraordinary items to 616c (394c) a share

Retief said that as Johnnies would become three separate companies, the current final dividend could not be used a guide to future declarations and should be regarded as a one-off

The three companies arising from the unbundling would together have a slightly greater net asset value than Johnnies had

De Beers was discussing the purchase of the group's diamond companies

He added that in view of the uncertainties in some parts of the diamond trade, valuing these companies on a 10-times earnings basis was perhaps not as conservative as some people claimed

There was no intention of paying a cash bonus out of the proceeds of the sales of the diamond companies

This would probably be used as working capital in the mining company

Retief said that Johnnies profits should continue to improve

The global economy was continuing to expand, with the Japanese and German economies moving quite strongly off the bottom of the economic trough

Gold Fields scores in Ghanaian venture

Star 8/9/94

■ BY DEREK TOMMEY

SA mining houses are actively seeking new ventures overseas

This is because most of the profitable local opportunities have already been exploited or have become too costly to develop at current metal prices

Gold Fields is one of the houses that has been looking for new opportunities and appears to have struck gold in Ghana.

Operations at Tarkwa Goldfields, which Gold Fields Ghana took over from the Ghanaian government in July last year, had operating profits of $2,25 million in the 12 months to June

Previously the mine was running at a loss.

The mine milled 220 700 tons of underground ore during the year and produced 42 271 ounces of gold. (214)

The average grade was 0,19 ounces (6,5 grams) a ton The mine received an average gold price of $377,69, while costs averaged $310,25 an ounce. Taxed income was $1,555 million

Richard Robinson, who is in charge of the operation, says he is pleased the mine is once again profitable

A major contributing factor was a 30 percent rise in labour productivity measured in tons treated per employee.

This followed the use of a smaller, appropriately-sized and structured workforce, two wage increases of 20 percent, the end to short-service employee contracts and greater focus on health and safety.

This, in turn, led to the number of shifts per 1 000 employees lost through illness and accidents falling 55 and 75 percent respectively

Good progress has been made with refurbishment programmes, which came to $1,8 million in working costs and $1,4 million in capital expenditure

An exploration programme is being undertaken to identify potential resources for underground and opencast mining in a bid to expand operations

Gold Fields holds 85 percent of Gold Fields Ghana, with the rest of the shares being held by the Ghanaian government.

Harties has life of 12-16 years

MICHAEL URQUHART

TONNAGE milled from underground sources at Hartebeesfontein gold mine is expected to decrease by 20 000 tons, and grade by 0,6g/t, in the current financial year, says Anglovaal.

This reflected the state of a mine in the last quarter of its life

In the Harties annual report, the company said the life of the mine could reasonably be expected to be between 12 and 16 years A higher proportion of remnant mining, declining face availibility and the depletion of certain high grade areas would lead to the lowering of production levels and gold output, it said

Throughput at the low grade plant was planned at 160 000 tons at a grade of 1,27g/t The company said these levels of production could be maintained for a further 10 years BDay

Harties made a profit before taxation of R429m for the year to June 1994, which was nearly double the R244m from the previous year. But an increase in the tax bill from R99m to R212m meant after-tax profit was only R217m 15/9/94

Capex for the year of R46,9m was below the planned level of R71,6m, mainly as a result of the provision for the purchase of certain infrastructure at the Stilfontein gold mine not being utilised (214)

Provision for the infrastructure necessary to handle water via the Margaret shaft, after the closing of mining operations at Stilfontein, had been made for the current financial year

Driefontein 'not likely to improve'

B/Day 21/9/94

MICHAEL URQUHART

THE gold price would have to improve substantially before Gold Fields of SA would be able to increase its dividend at its Driefontein Consolidated gold mining operation, gold division head Alan Munro said in the company's annual report.

Driefontein increased its dividends from 150c in 1993 to 240c for the year to June 1994, on a rise in attributable earnings to R785m from R546m, but Munro said planned increases in capex and a need to strengthen the balance sheet meant dividends would probably be maintained at this level

Kloof increased its dividends from 110c to 180c as attributable earnings climbed from R480m to R748m. There would be scope for these to be increased next year despite formula tax and the greater rate of capex at Libanon and Leeudoorn, Munro said

East Driefontein had a successful year with tonnage increasing and an unexpectedly high grade area encountered on Ventersdorp Contact Reef. These factors had increased gold production by 5 261kg.

Several stopes through the VCR reef from the No 4 subvertical shaft had traversed particularly rich areas, resulting in overall yield rising by 1,7g/t to 10,9g/t

Development to reef from the No 5 subvertical shaft had been delayed by an estimated 18 months as a result of the mine failing to gain anticipated exemption from mining regulations

West Dries had also had a successful year, he said, despite gold production declining by 1 033kg due to a fire, days lost during the election and industrial action.

The fire broke out in the No 6 tertiary shaft area in January and was extinguished only in April. It caused extensive damage and as the area contained higher than average grades it had a negative effect on grade and tonnage.

Priority was being given to re-establishing the fire damaged area to rebuild the tonnage from No 6 shaft, which would counter the fall in yield from production from the CL and Main reefs.

214

The year for Kloof had been dominated by an accident at the Kloof division No 3 subvertical shaft last October which put the shaft out of action Production from the division fell by nearly half after the accident and has risen steadily since Repairs are being done between 41 and 43 level.

Shallower areas of the Leeudoorn division were badly affected by severe seismic events As a result crews were transferred to deeper, lower grade areas of the mine which led to a decline in the yield from 8,3g/t to 7g/t This yield is expected to increase during the coming year

The Libanon division suffered from conflict which led to the resignation of 1 000 employees, and a major breakdown of the No 4 subvertical shaft rock winder Tonnage milled declined 18% in the second half.

The use of temporary contract mining is hoped to bring production back to the previous rate of 160 000 tons a month

Doornfontein pegs hopes on better ore

BDay 22/9/94

MICHAEL URQUHART

THE outlook was bleak for Gold Fields of SA's Doornfontein gold mine unless it maintained yields above 5g/t at the current gold price, the company said in its annual report

Chairman Michael Fuller-Good said if the company could achieve higher grade and there was an increase in the gold price, then solid progress made on the mine would act as a springboard for good results

The mine made a working profit of just R1,1m for the year to June 1994, which Fuller-Good said was disappointing in the light of the improved gold price

He said there had been difficulty in establishing the mine as a continuous operation, due to a decline in second-half stope production, higher than expected maintenance costs on old equipment and a decline in stope-face values in the fourth quarter

Solid progress had been made towards establishing a continuous mining operation, he said, but the cost meant the mine had not been able to improve its very marginal position, despite the higher gold price

Sister mine Deelkraal failed to meet its primary operational target due to a fall in gold production from the previous year

Deelkraal chairman Alan Munro said the new 10- and 15-line longwalls had run into difficulties and failed to provide expected tonnage, and conditions in 21-line longwall had deteriorated due to faulting and the presence of a major dyke

The solution to the geological problems lay in opening up more longwalls as quickly as possible, he said, so that the mine had the space to produce the targeted tonnage

Munro said the attitude of the workforce had been "very negative" through much of the year

Despite these negative factors, an improvement in the gold price allowed the company to nearly double its working profit, he said

Actual capex of R42,6m was well below the planned level of R58m, as bad conditions delayed the completion of the No 1 tertiary shaft hoist chamber, which in turn prevented work starting elsewhere on the shaft

Munro said completion of the shaft had to proceed without delay, or replacement ore below 33 Level would not be available (2-14)

Planned capex for the coming year is R75m Munro said funding these requirements from current operations would require a much improved operating performance

A rapid increase in tonnage to the mill was needed at a grade higher than the previous two years, he said

Gold mine back in the black

MICHAEL URQUHART

WEST Rand Consolidated Mines, the gold mine run by the consortium that recently took management control of Randgold, made an attributable profit of R613 000 for the six months to June.

This compared with an attributable R6,6m loss for the same period the previous year.

The company said the gold-related assets of consortium member Aurora Development and Exploration were being evaluated by independent advisers, with a view to their acquisition by West Rand Cons. B|Day

The effect of the acquisition would be to convert West Rand Cons into an active gold mining, development and exploration company. 28|9|94

The acquisition of Aurora Development and Exploration was expected to be completed in the final quarter of 1994.

West Rand Cons made a working loss of R587 000 for the six months to June.

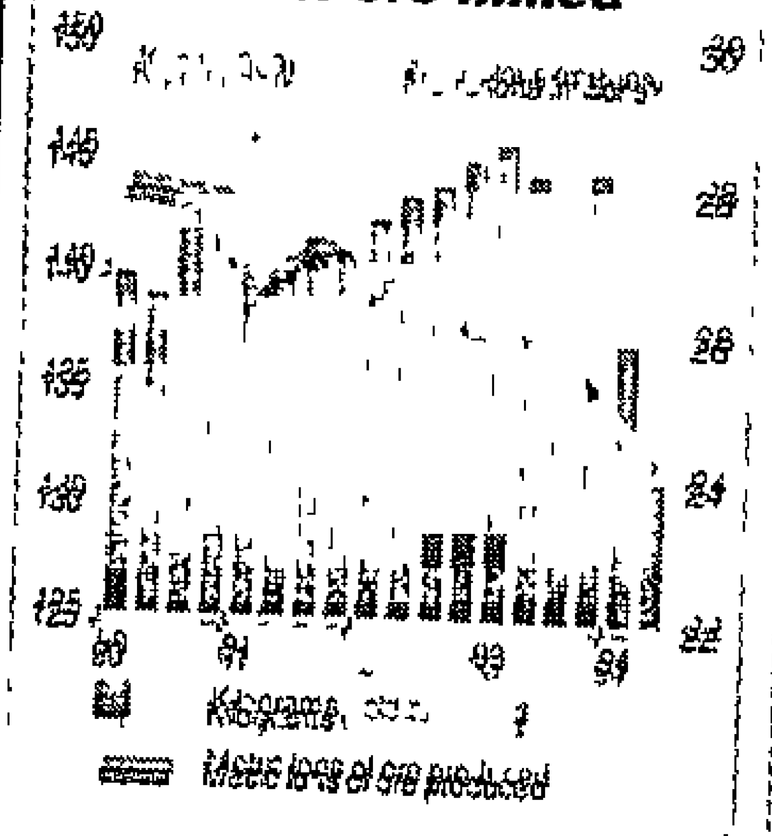
This compared with a working loss of R9m for the six months to June 1993. (214)

But a sundry income of R1,2m pulled the company into a before-tax profit of R699 000.

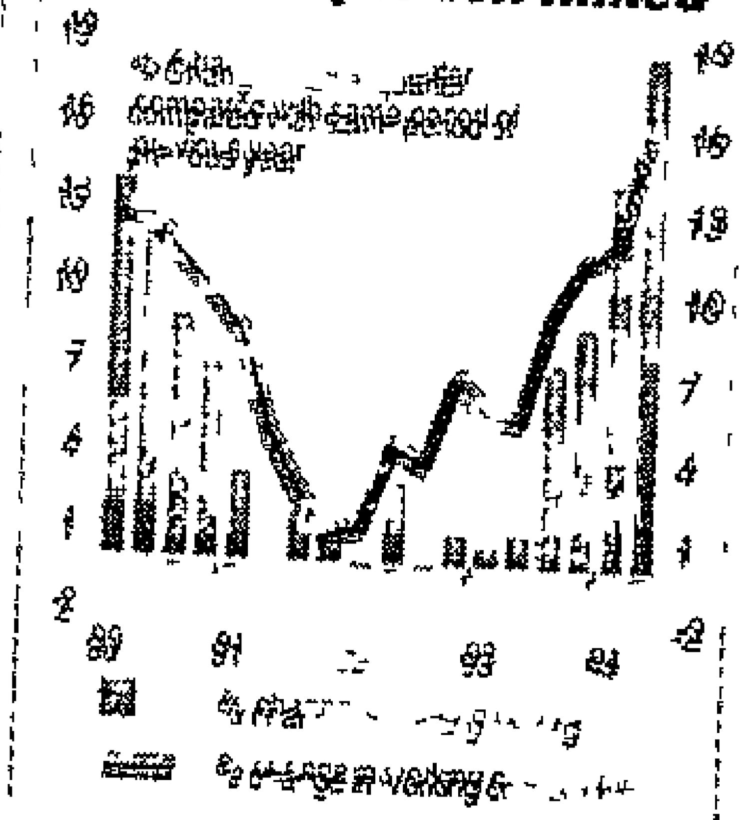
The working loss included a R332 242 provision for a contribution to the Nuclear Fuel Corporation's Environmental Decommissioning Trust Fund.

The company said it did not expect there to be further payments to the trust fund.

Gold production (kgs) compared with tons of ore milled



Percentage change in working cost per kg gold and per ton milled



Costs a threat to gold mining

BY JOHN SPIRA Star

Gold mining working costs, which have been showing an alarming increase, are the single most important challenge facing the industry. 28/9/94

The Chamber of Mines notes: "When compared with the same quarter the previous year, the average cost/kg for the second quarter shows an alarming increase of 18,6 percent (16,4 percent for cost/ton milled) Year-on-year increases of such magnitude were last seen in the late 1980s."

Part of the rise is statistical by nature Lower grades — which accompany falling pay limits when the gold price gains — reduce output and hence can lift costs

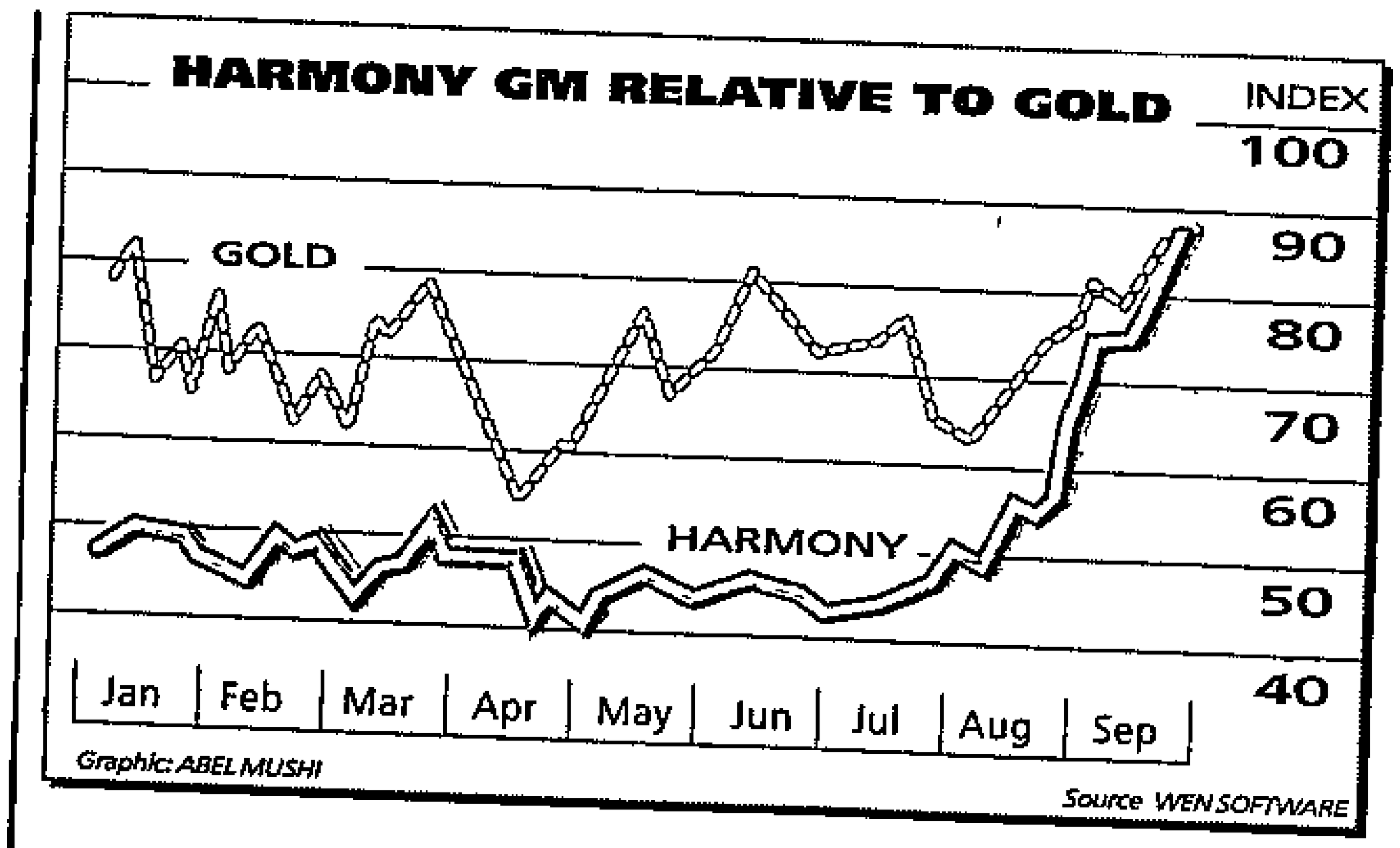
Of great concern is poor labour utilisation. It has depressed output and helped push up costs

Work stoppages continued to hinder output in the post-election period, while working cost have risen further as a result of wage increases.

"The fact that there are still seven gold producers operating on a marginal basis heightens concern Currently these mines produce 40 tons of gold annually and employ 35 000 workers Spiralling costs could cause them to close sooner than expected." (214)

For the first time in several years the industry had allocated more revenue to capex. "As a result it will recoup some of the backlogs that developed in recent leaner years."

Although higher capex and the transitional levy reduced revenue available for distribution, dividends for the half-year to June totalled R1,4 billion — 53,6 percent up on the same period in 1993



Everything going for Harmony

Star 30/9/94

■ BY CHARLOTTE MATHEWS

The sharp gain in the price of marginal gold producer Harmony's shares in the past two months was a combination of the higher gold price, expectations of good September quarterlies and new management, gold analysts said yesterday.

The shares closed at R47 on Wednesday, where they were nearly double their R25 at the beginning of August

In the same period, gold lifted to $396,25 from $383,85 However, Harmony declined 200c to R45 yesterday, in line with other gold shares.

As one of the largest and most efficient marginal mines it would show a sharp appreciation as soon as the rand price of gold escalated.

An extra factor is speculation that the commercial rand will weaken even more when the finrand is abolished

But other marginal mines have not shown as spectacular a performance

Loraine gained 29 percent to R24,50 in the same period, while Doorns was 44 percent better at 700c

Analysts said possible reasons for Harmony's unusually fast climb could include an insurance payout from the Merriespruit Dam disaster, the change of management of holding company Randgold and speculation that its results for the September quarter would be good

(214)

September quarterlies could show a reimbursement from insurers of a large proportion of the R28 million provided for in March for aid for victims of the collapse of the dam

In addition, Harmony is also expected to gain more from the higher gold price than in the past because its unfavourable forward hedging contracts have expired.

In August, a consortium of Randgold shareholders took control of the company and analysts said there was a market perception that the new managers would move further to improve its fortunes

An analyst said gold shares in particular tended to move very fast as more buyers saw a rising trendline. Overseas investors had probably realised Harmony's potential while the price was still R25

Stability gives Gold Fields a lift

BDay

MADDEN COLE

MINING companies in Gold Fields' gold division reported a general improvement in the September quarter after effects of stabilised working conditions filtered through in the latter half of the quarter

Gold operations GM Michael Fuller-Good said yesterday the disruptions of the general election seemed over by mid-July, resulting in greater productivity and containment of costs

And combined with a higher gold price, working profit increased significantly R588,5m from R543,3 in the June quarter

Fuller-Good described East Driefontein's results as excellent, with the milling rate returning to previous levels The anticipated slight decline in grade had only a marginal effect on gold production

With the drop in costs a ton milled, in spite of wage increases, working revenue moved up to R371,5m (R363,1m), he said

"From tonnage milled it can be seen that East Drie is now becoming an important division"

West Driefontein also reported a higher milling rate with unchanged yield, but the mine would have to control costs, Fuller-Good said Working costs were sharply higher at R172,7m (R158,9m)

The reclamation plant performed reasonably well, with an improved yield and a higher production of 333kg (321kg), Fuller-Good said

Doornfontein's tonnage milled improved significantly, especially from underground But underground yield remained stubbornly low, decreasing for the past two quarters

Much of the machinery and equipment was showing signs of wear, but the age of the mine did not encourage replacement, he said. "So it's a case of patching up machinery from many breakdowns. So we have a double problem with high repair costs and low underground yield"

To improve yield, mining was being carried out in best grade areas, old working areas were being vacuumed and pillars mined

"But there has been a gradual decline in values with the change in depth Unless we can improve the yield, the mine can't last indefinitely with these costs 12/10/94

"If we're not successful, the mine will have to close"

Deelkraal suffered production losses from a two-day illegal strike in July, but an increased milling rate and higher yield pushed up gold production Working revenue showed an improvement to R91,1m (R79,4m).

Kloof division was again the star performer, and in what Fuller-Good described as an excellent quarter, overcame tonnage losses caused by the election, and raised gold production Working revenue rose to R347,1m (R310,8m) (214)

"The mine is not back to normal, but it was a fine effort"

Dewatering of 43 level of the No 3 Sub-Vertical Shaft had started, but repair teams still had to remove damaged steelworks from the shaft

Libanon experienced a difficult quarter, Fuller-Good said A fire in the Harvie-Watt Shaft in July affected production, but the winder drum of the man hoist at No 4 Sub-Vertical Shaft had been repaired last month The effect of the breakdown had been minimal in the past quarter

Randgold posts overall loss as working costs rise

BIDay 18/10/94

MICHAEL URQUHART

214

RISING working costs and a number of extraordinary items continued to hammer Randgold & Exploration mines, with two of the mines posting a profit and two a loss.

Harmony was the only mine which managed to make a significant profit, while East Rand Proprietary Mines' profit dropped. Durban Roodepoort Deep and Blyvooruitzicht were stuck firmly in the red.

Ore milled was similar at all the mines bar Durban Deep, where underground ore milled plummeted from 225 000 tons to 81 000 tons, in line with its new management's plan to cut the mine's underground production to 60 000 tons a quarter.

The price received for the gold ranged from R43 123 to R45 051/kg as the mines unwound their hedging positions.

Overall, the Randgold group reported a net attributable loss of R4,3m for the quarter versus a R30,8m attributable profit for the June quarter.

Contributing to the poor results was an R11,4m loss to cancel hedging contracts for Blyvoor and Harmony, which was done to get maximum benefit from the gold price.

Gold produced at Durban Deep fell steeply from 807kg to 315kg because of to a drop in tons milled in underground operations to 81 000 tons (225 000 tons). Yield increased marginally to 3,89g/t (3,59g/t).

Management's plans included retrenching 4 600 employees at a cost of R19,7m. This was the main contributor to the R20,9m (R7,9m) attributable loss recorded by the mine. The increased working loss of R15m (R8,8m) was offset by a sale of gold in process which raised R13,2m.

The lower production meant unit costs nearly doubled to R101 492/kg (R55 509/kg), which meant the working loss moved to R56 441/kg (R13 248/kg).

The sand treatment operation, which now makes up nearly half of all gold produced, showed a good improvement as lower unit costs and higher revenue meant working profit increased to R17 472/kg (R12 299/kg).

Blyvoor reported an attributable loss of R3,8m (R1,1m) as an unexpected fall in yield to 5,64g/t (6g/t) meant gold produced declined to 1 287kg (1 387/kg).

The unit cost increase to R48 301/kg (R44 950/kg) more than matched the increase in revenue, leaving the unit working loss slightly higher at R3 543/kg (R3 038/kg)

A total working loss of R2m (R629 000) was further inflated by a R3,9m write-off to cancel hedging contracts.

ERPM's attributable profit fell to R8,5m (R23,5m). This was put down to an abnormal item last quarter of R23,7m. The figures disguised a turnaround in operational results, with the company posting a working profit of R5,6m versus a loss of R2,3m last quarter. An improvement in yield to 6,43g/t (6,12g/t) led to an increase in gold production of 1 696kg (1 494kg), and lower unit working costs of R45 697/kg (R49 862/kg)

Harmony's attributable profit fell to R11,9m (R16,2m) as a higher working profit of R18,5m (R15,2m) was knocked by a R7,5m expense after its hedging contracts were cancelled.

The Merriespruit No 1 shaft was fully operational after an accident, but lost production of 25 000 tons. Repair costs of about R3m would be taken into the next quarter's results.

RANDGOLD September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Blyvoor	**238**	**5,64**	**1 287**	**272,65**	**48 301**	**44 758**	**(3 807)**	**(5 603)**	**(23,3)**
June	231	6,00	1 387	269,89	44 950	41 912	(1 070)	(4 724)	(19,7)
Durban Deep	**81**	**3,89**	**315**	**394,69**	**101 492**	**45 051**	**(20 880)**	**(21 069)**	**(906,19)**
June	225	3,59	807	199,09	55 509	42 261	(7 917)	(7 932)	(341,2)
ERPM	**264**	**6,43**	**1 696**	**293,57**	**45 697**	**44 578**	**8 515**	**229**	**0**
June	244	6,12	1 494	305,30	40 862	43 723	23 582	13 138	8,8
Harmony	**1 596**	**3,23**	**5 148**	**139,10**	**40 118**	**43 123**	**11 869**	**8 363**	**31,1**
June	1 579	3,31	5 229	135,27	38 489	40 847	16 210	7 586	28,2

Some improvement at Randgold

Star 18/10/94

BY DEREK TOMMEY

September quarter results from Randgold — the last under the old management — show increased working profits at Harmony and ERPM, but greater difficulties at Blyvoor, which might have to cut operations.

However, Peter Flack's new management team, which assumed control after a boardroom takeover, has started making its presence felt

Flack has been appointed chairman of Randgold and its mining companies He has resigned as chairman of Fraser Alexander, but will continue as chairman of holding company Fralex.

Dennis McIntosh, who has been with Fraser Alexander since 1979, has been appointed that company's chief executive.

Flack said yesterday that Durban Deep's underground operations would definitely not close (The mine was well ahead with its plans to stop underground mining when control of Randgold changed hands)

(214)

Flack said it was one of the new team's priorities to re-establish Durban Deep as a viable operation However, underground production was being scaled down to 60 000 tons a quarter

Merger

He said discussions were continuing on a possible merger with neighbouring Rand Leases This would provide the combined operation with access to a larger ore body and reduce costs

The possibility of a Durban Deep rights issue was also being considered

Helping to keep Durban Deep going was the sale of its "treasure chest", which all mines keep and which was found to contain R13,2 million worth of gold

Another step by the new management had been the cancellation all hedging contracts for Blyvoor and Harmony at a cost of R11,4 million to enable them to get the maximum benefits from the gold price

Harmony, the group's most profitable mine, despite being the industry's lowest-grade producer, increased working profit to R18,5 million from R15,2 million in the June quarter

Working costs a ton were well controlled This, together with a slight increase in production and a higher gold price, offset the lower yield

ERPM, which is opening up a mine in a deep part of its original lease area, had a working profit of R5,6 million, against a working loss of R2,3 million in June

Production and yield increased while cost a ton declined Production is expected to improve again this quarter

At Blyvoor the development of the Western Deep tribute, on which the mine is pinning its future, was behind schedule

Yields

Lower yields in the old part of the mine had led to the working loss rising, from R629 000 in June to R2 million in the September quarter

The mine was holding talks with workers on restructuring operations, Flack said

(214)

JCI gold mine profits slide 36,6%

CT 19/10/94

From MICHAEL URQUHART

JOHANNESBURG — JCI gold mines reported a 36,6% fall in attributable profit for the September quarter, despite a climb in mill throughput of 5% to 2,7-million tons and a 2,5% increase in gold production to 12 789kg

Gold revenue increased by 3,5% to R557,9m, but a number of extraordinary items and the taxation of Western Areas hammered the company's bottom line.

Western Areas reported more than a 50% cut in attributable profit to R36,5m (R75,5m) despite a rise in gold production to 4 366kg (4 068kg)

A R22m insurance payment boosted results, but the mine's uranium contracts expired, so uranium revenue fell from R7,7m in the June quarter to nothing in September

Western Areas tax shield had also been exhausted during the quarter and the mine paid tax for the first time The falling away of the uranium revenue resulted in operating profit falling to R54m (R77,4m)

JCI gold division MD Bill Nairn said although there were no contracts to sell uranium, the mine would continue to produce uranium and stockpile it at Nufcor

Gold produced at H J Joel rose to 950kg (849kg), with ore milled up 12,3% to 173 000 tons

But despite the increase in gold revenue to R38,9m (R35,3m), a rise in working costs to R38,6m (R34,3m) brought profit sharply down to R332 000 (R1m) Interest received dipped, leaving attributable profit down 37,7% at R1,4m

Joel had a one day work stoppage during the quarter, which cost the mine R1,5m

Production at Randfontein increased by 67 000 tons to 1,89-million tons, but a 4,7% fall in grade to 3,95g/t meant gold produced was slightly down at 7 473kg (7 562kg)

Attributable profit fell by 21,8% to R60,1m, as a slightly lower gold revenue was not helped by an increase in working costs to R235,9m (R227m)

JCI gold profit declines despite production hike

MICHAEL URQUHART

JCI gold mines reported a 36,6% decline in attributable profit for the September quarter, in spite of a climb in mill throughput of 5% to 2,7-million tons and a 2,5% increase in its gold production to 12 789kg.

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(214)

The falling away of the uranium revenue resulted in operating profit falling to R54m (R77,4m)

JCI gold division MD Bill Nairn said although there were no contracts to sell uranium, the mine would continue to produce uranium and stockpile it at Nufcor

Gold produced at HJ Joel was also up, with ore milled rising 12,3% to 173 000 tons, and a slight fall in grade, resulting in a rise in gold produced to 950kg (849kg)

But despite the increase in gold revenue to R38,9m (R35,3m), a rise in working costs to R38,6m (R34,3m) brought profit sharply down to R332 000 (R1m)

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JCI September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	**1 893**	**3,95**	**7 473**	**124,65**	**31 575**	**43 649**	**60 187**	**41 872**	**68,5**
June	1 826	4,14	7 562	124,72	30 116	44 010	76 944	52 490	85,9
Western Areas	**615**	**7,1**	**4 366**	**228,28**	**32 156**	**44 151**	**36 476**	**26 146**	**64,9**
June	574	7,09	4 068	218,65	30 853	42 036	75 461	60 884	151,1
HJ Joel	**173**	**5,49**	**950**	**223,38**	**40 678**	**41 017**	**1 415**	**(12 727)**	**(6,5)**
June	154	5,51	849	222,52	40 363	41 543	2 272	(9 654)	(4,9)

Slight improvement for Anglovaal gold mines

BiDay 19/10/90

THE Anglovaal gold mines reported an attributable profit of R46,2m for the quarter to last month, a marginal increase from the June quarter's R45,3m

Profit at most of the mines remained virtually unchanged, as gold revenues remained static and working costs were kept stable In some cases unit working costs decreased

Hartebeesfontein increased its profit to R42,1m (R40,4m) Although tonnage milled was higher, a lower grade of 8g/t (8,5g/t) meant production was lower at 6 242kg (6 550kg)

Anglovaal said Harties was a mature mine with little flexibility, and the mine was fixed into a course whereby it had to treat lower-grade ore The company said the grade should improve

The bottom-line result was boosted because the R18m transitional levy was paid in the June quarter

MICHAEL URQUHART

Loraine's attributable loss increased from R277 000 to R2,4m, despite a lower working loss of R238 000 (R2,8m)

But the company was hit by a tax bill of R1,8m on non-mining income, which covered a full year

Gold produced increased to 1 561kg (1 436kg) as the yield rose to 3,6g/t (3,3g/t)

The higher grade was due to an increased contribution from the 3C area, which would eventually provide most of the mine's underground material

Eastern Transvaal Consolidated increased its attributable profit to R6,2m (R5,4m), on a steady gold production of 885kg (887kg)

Ore milled increased to 96 805 tons (92 577 tons), but this was offset by a fall in grade to 9,1g/t (9,6g/t)

214

Anglovaal said tonnage was up this quarter because of a recovery from the public holidays in the June quarter Capital expenditure at Sheba should lead to higher tonnages in the long term, the company said

Village Main Reef had an attributable profit of R255 000 (R135 000 loss) Gold production was maintained at 151kg, but the bottom line of the company was improved by a lower appropriation for closure costs of R685 000 (R2m)

ANGLOVAAL September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Hartebeesfontein	**785**	**8,0**	**6 242**	**277,55**	**34 905**	**43 337**	**—**	**—**	**—**
(underground)	767	8,5	6 550	277,98	32 551	44 145	—	—	—
Hartebeesfontein	**474**	**1,24**	**586**	**24,93**	**20 167**	**43 693**	**42 112**	**36 403**	**32,5**
(gold plant)	471	1,41	665	26 59	18 835	45 544	40 212	22 210	19,8
ET Consolidated	**96**	**9,1**	**885**	**301,81**	**33 014**	**43 695**	**6 234**	**3 173**	**3,7**
	93	9,6	887	316,95	33 080	43 470	5 423	762	—
Loraine	**1 429**	**3,6**	**1 561**	**16 301**	**44 800**	**44 648**	**(2 357)**	**(3 720)**	**22,7**
	432	3,3	1 436	150,00	45 126	43 211	(277)	(1 102)	—
Village Main	**165**	**0,91**	**151**	**31,86**	**34 794**	**42 344**	**255**	**301**	**4,9**
	187	0,81	151	28,71	35 576	43 338	(130)	2 377	39,06

Lower tax helps Harties

Star 19/10/94

BY DEREK TOMMEY

A sharp drop in tax payments at Hartebeestfontein (Harties) helped the mine to show a slight increase in profit in the September quarter, Anglovaal group's gold mining quarterly results show (214)

A fall off in the yield from 8,5 grams to 8 grams a ton led to the working profit from gold dropping from R93,7 million to R66,4 million

But a drop in tax payments from R56,9 million to R28,0 million — largely due to the transition levy being paid in the June quarter — enabled the mine to show a taxed profit of R42,1 million, against R40,4 million in June

At Loraine, the cash-rich marginal mine, the operating loss was reduced from R2,75 million to R238 000

But a year-end provision of R2,2 million for rehabilitation costs and tax of R1,8 million on non-mining income, resulted in a loss of R2,4 million for the quarter

Eastern Transvaal Consolidated Mines increased taxed profit from R5,4 million to R6,2 million.

Village Main had a profit of R255 000, against a loss of R135 000 in June

JCI sounds warning on the need to boost mining productivity

Star 19/10/94

BY DEREK TOMMEY

JCI's September gold mining quarterly reports issued today carry an unpleasant message

It is that the industry needs to get a higher gold price or increase substantially its productivity if mining profits generally are to show any improvement in the future

Although the September quarter was in many respects a good one for the group, its net profit after tax from gold mining slumped from R154,7 million in June to R98,1 million (214)

Net profit after tax and capital expenditure dropped from R103,7 million to R55,3 million.

Hardest hit of the group's mines was Western Areas

As a result of the absence of work stoppages which characterised the June quarter, production increased 7,1 percent.

This and a fractionally higher yield, together with a 5 percent increase in the gold price, lifted profit from gold by 15,1 percent to R52,4 million

But the ending of the uranium contract, the neeed to pay tax and the fact that the June profits were boosted by a R22 million insurance claim, resulted in the mine's taxed profit dropping from R75,5 million to R36,5 million

Earnings after capital expenditure fell 57 percent from 151,1c a share to 64,9c

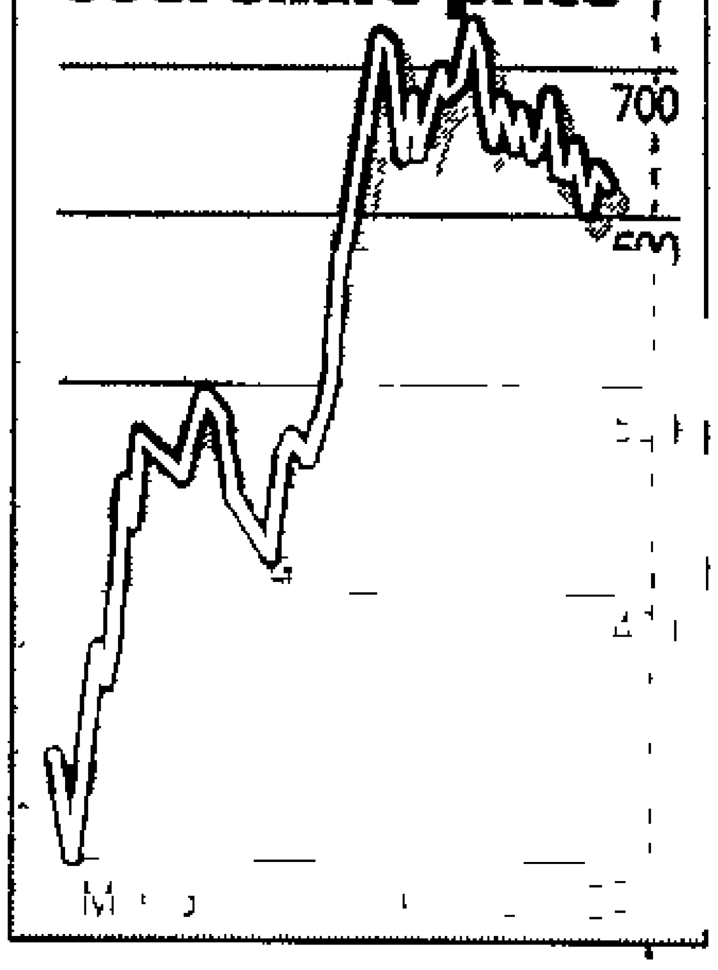
Chairman Kennedy Maxwell is fairly optimistic about the long-term price of uranium

Consequently, the mine will continue producing uranium, which will be stockpiled at Nufcor — the uranium treatment corporation

Progress is being made in merging Western Areas and the adjoing prospect Soudex. As soon as JCI is ready, it will make an announcement.

According to some analysts, Soudex contains the richest gold deposits in the world — but at quite a substantial depth and in a thick orebody, which is more difficult to mine than the usual reef.

Joel share price



HJ Joel, JCI's problem mine, had a net profit after tax of R1,4 million, down from R2,27 million in the June quarter.

It had a net loss after tax and capital expenditure of R12,7 million, up from 9,7 million in the previous quarter.

MD Bill Nairn says the strategy at Joel is to enlarge the ore reserves and to open faces to facilitate flexible mining

Ore reserves are expected to reach 700 000 tons by the end of the year from 421 000 toms in June.

The yield at the mine should improve to around six grams a ton

Randfontein's net profit after tax fell from R76,9 million to R60,2 million and net profit after tax and capital expenditure dropped from R52,5 million — equal to 85,9c a share — to R41,9 million, equal to 68,5c a share

Production increased by 3,7 percent, but the yield declined slightly, though unit costs were well controlled.

Nairn says the domestic mining industry must increase its productivity if it is to stay in business.

He says the higher gold price has given the industry a respite

But he is very conscious of the fact that the industry faced a 4 percent rise in costs in the September quarter

Gengold boosts income as mines recover strongly

B/Day 20/10/94

MICHAEL URQUHART

GENGOLD reported improved results for the September quarter, with after-tax income at its gold mines rising 43% to R126,8m as the group staged a strong recovery from a June quarter hit by labour problems and the transitional levy

Most of the mines posted a decrease in grade, but higher ore milled resulted in a gold output increase of 3% This was boosted by a 4% increase in the average gold price to R44 614/kg

Gengold deputy chairman Tom Dale said the two star performers in the Gengold stable were Winkelhaak and Unisel, which nearly doubled their attributable incomes and reduced unit working costs

Gold output at Unisel rose 14% to 1 063kg as grades improved to 6,3g/t (5,7g/t) and ore milled rose to 170 000 tons (163 000 tons) As a result, attributable income at the mine rose to R7,5m (R3,9m).

Dale said there was some concern about the development grades on the mine, but they had been "erratically positive" He said production would be maintained at 1 050kg

Winkelhaak also turned in a good performance, increasing gold production to 2 658kg (2 403kg) Attributable income rose to R21,5m (R13,6m)

Beatrix showed a steady performance in terms of costs and production and a much reduced tax bill of R14,4m (R21,9m) boosted the bottom line to R31,3m (R20,8m)

Buffelsfontein reported steady gold production of 2 836kg (2 852kg) as a fall in grade to 6g/t (6,3g/t) was cancelled by higher tonnage milled of 471 000 tons (456 000 tons)

Dale said the mine had been hampered by industrial relations problems as it had had to reduce its scale of operations

Grootvlei also experienced a fall in grade to 4,9g/t (5,3g/t) because expected grade improvements from old areas failed to materialise

Dale said an announced plan to develop Black Reef in the Consolidated Modderfontein lease area from the East Geduld No 1 shaft had been jeopardised because Cons Modder had given notice that it would not renew a tribute agreement it had with Grootvlei The agreement expires in October 1995.

Kinross boosted tonnage milled to 465 000 tons (440 000 tons) which, combined with a steady grade, allowed the mine to increase gold produced to 3 010kg (2 850kg)

Costs were up 8% at the mine due to the higher mining activity, but unit costs remained static (214)

Leslie's grade and consequently its gold production was down, but a halving of the tax bill boosted its bottom line to R3,6m (R1,7m)

St Helena also took a knock in grade, down to 6,7g/t (7,6g/t) as production at the lower grade No 8 shaft increased

Stilfontein's profits took a knock as a fall in grade to 1g/t (1,3g/t) and lower ore milled of 268 000 tons (272 000 tons) depressed gold production to 267kg (363kg)

Dale said the fall in gold production was due to 100kg of gold recovered from a gold plant cleanup last quarter being reflected in last quarter's figures This resulted in the latest figure being compared to a high base

Metres developed at Oryx increased, but faulting meant the number of development ends available decreased, and development fell to 195m (560m) Dale said enough information should be available by year-end to determine whether the mine should continue

GENGOLD September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	**542**	**6,1**	**3 304**	**152,89**	**25 082**	**44 724**	**31 311**	**17 678**	**18,8**
June	520	6,2	3 224	149,82	24 165	42 780	20 767	10 474	11,14
Buffelsfontein	**471**	**6,0**	**2 836**	**236,69**	**39 310**	**44 709**	**16 366**	**5 665**	**51,5**
June	456	6,3	2 852	239,25	38 253	42 745	14 592	4 005	36,4
Grootvlei	**125**	**4,9**	**620**	**192,16**	**38 897**	**44 745**	**3 555**	**1 886**	**16,5**
June	120	5,3	640	194,56	36 480	42 783	3 833	1 281	11,2
Kinross	**465**	**6,5**	**3 010**	**179,55**	**27 739**	**44 647**	**31 187**	**24 030**	**133,5**
June	440	6,5	2 850	175,69	27 125	42 861	21 517	16 151	89,7
Leslie	**102**	**6,3**	**643**	**226,86**	**36 022**	**44 558**	**3 612**	**2 948**	**18,4**
June	101	6,7	681	226,77	33 633	42 580	1 733	984	6,2
Oryx	**49**	**1,3**	**65**	**—**	**—**	**43 804**	**—**	**—**	**—**
June	29	1,6	46	—	—	43 790	—	—	—
St Helena	**200**	**6,7**	**1 330**	**230,57**	**34 672**	**44 300**	**10 480**	**9 509**	**98,8**
June	172	7,6	1 299	248,38	32 889	42 665	6 602	5 980	62,1
Stilfontein	**268**	**1,0**	**267**	**33,68**	**33 805**	**44 398**	**1 203**	**3 354**	**25,7**
June	272	1,3	363	32,11	24 198	42 785	2 166	3 439	26,3
Unisel	**170**	**6,3**	**1 063**	**212,82**	**34 036**	**44 438**	**7 540**	**5 794**	**20,7**
June	163	5,7	930	202,37	35 470	42 617	3 986	3 208	11,46
Winkelhaak	**400**	**6,6**	**2 658**	**221,18**	**33 285**	**44 555**	**21 547**	**15 820**	**130**
June	358	6,7	2 403	232,68	34 664	42 680	13 596	7 003	57,5

Gengold income up by 43%

214

CT 20/10/94

From MICHAEL URQUHART

JOHANNESBURG — Gengold reported improved results for the September quarter, with after-tax income at its gold mines rising 43% to R126,8m as the group staged a strong recovery from a June quarter hit by labour problems and the transitional levy

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Dale said enough information should be available by year-end to determine whether the **Oryx** mine should continue

Star 20110 14
Gengold mine earnings up sharply

BY DEREK TOMMEY

The September quarter results from Gengold mines should be well received by shareholders because most of them report sharply higher attributable earnings

In most cases this is the result of reduced tax payments thanks to the mines having paid the transitional levy in the June quarter.

But it is also the result of increased production, partly reflecting the reduced number of holidays and greater productivity.

These factors helped Gengold achieve the better results in the teeth of significant pay increases, which lifted mining costs by 4 to 5 percent

Attributable earnings at Beatrix rose from 25c to 35c a share, at Buffelsfontein from 36c to 51c, at Grootvlei from 11c to 16c, at Kinross from 90c to 133c, at Leslie from 6c to 18c, at St Helena from 62c to 99c, at Unisel from 11c to 21c and at Winkelhaak from 57c to 130c

Stilfontein, which is in closure mode, maintained earnings at 26c a share

The group's 10th mine, Oryx, has yet to produce profits

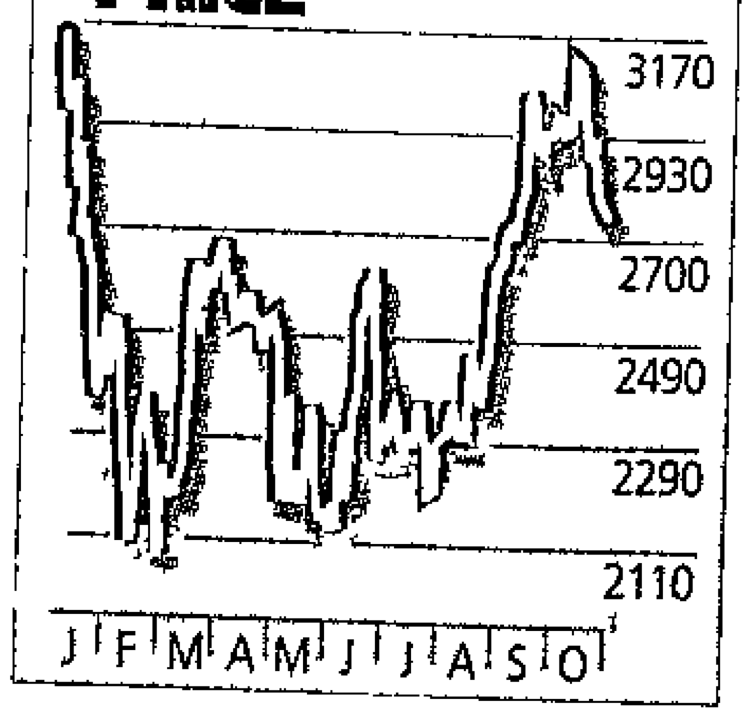
Gengold's deputy managing director Tom Dale said yesterday that Buffelsfontein had reached the stage where it would have to reduce production to remain profitable This was likely to entail further retrenchments (214)

Grootvlei is reviewing its plan to mine the Black Reef in its own lease area and a tribute area from Cons Modder, following Cons Modder giving 12 months notice of the termination of the tribute

St Helena is increasing production from No 8 Shaft, which accounts for the lower yield.

Dale said the use of vacuum cleaners to recover gold particles had increased the mine call factor (the percentage of gold recovered) from 65 percent to 85 prcent

BEATRIX SHARE PRICE



The rate of development at Oryx, which has a large question mark over the value of its gold deposits, is improving

Anglo gold mines turn in 10% profit

From MICHAEL URQUHART

JOHANNESBURG — Gold mines in the Anglo American stable increased after-tax earnings 10% to R491,8m, as most of the mines improved their figures after a June quarter hit by labour disruptions

Gold division chairman Clem Sunter said the group's reserves at current gold prices totalled 4 690 tons of gold, or 150 800oz

This gave a market cap of $60/oz, compared to American mining houses where the market cap was in the area of $200/oz

Average revenue for the quarter was 2% higher at R44 408/kg (R43 462/kg), but still lagged the spot price by about R400/kg due to the group's hedging policies

Tonnage milled by the group increased 5%

All the mines' working costs were hit by wage increases which came through this quarter, but the higher production meant unit working costs increased only 1%

Freegold, the world's largest gold mine, staged a strong recovery from the June quarter

After-tax income was up 35% to R152,5m as the mine benefited from not only higher production of 5,95mt (5,77mt) but also an increase in grade to 4,31g/t (4,16g/t)

Vaal Reefs increased gold production to 17 861kg (16 889kg), as an increase in ore milled to 2,85-million tons (2,69-million tons) was helped by a slight increase in grade

(214) CT 21/10/94

But the higher gold revenue was offset by a 27,8% increase in royalties paid to Southvaal Holdings to R66,2m (R51,8m) Also, a dividend paid by Southvaal last quarter meant after-tax earnings for the September quarter were lower at R160,7m (R168,3m)

Total capex of R118,5m (R109,4m) included R30,5m spent on Vaal Reefs No 11 shaft, which advanced 239m (387m) during the quarter

Western Deep Levels increased its after-tax profit 20% to R116,6m, despite a two-day industrial action Ore milled was static but a sharp jump in grade to 6,24g/t (5,76g/t) meant gold production increased to 10 021kg (9 309kg) Western Deeps regional GM Jim McLuskie said the higher grade was sustainable

McLuskie said Elandsrand had had a very bad quarter because of illegal industrial action which had cost it seven working days Gold production fell to 3 403kg (4 193kg) as ore milled and the grade declined

Ergo pushed up after-tax profit 30% to R24,5m

Amgold adds R88m to its attributable earnings

B/Day 28/10/94

MICHAEL URQUHART

THE Anglo American Gold Investment Company (Amgold) lifted attributable earnings to R310m for the six months to September compared with R222m for the same period the previous year on the back of higher investment income and profit on realisation of investments

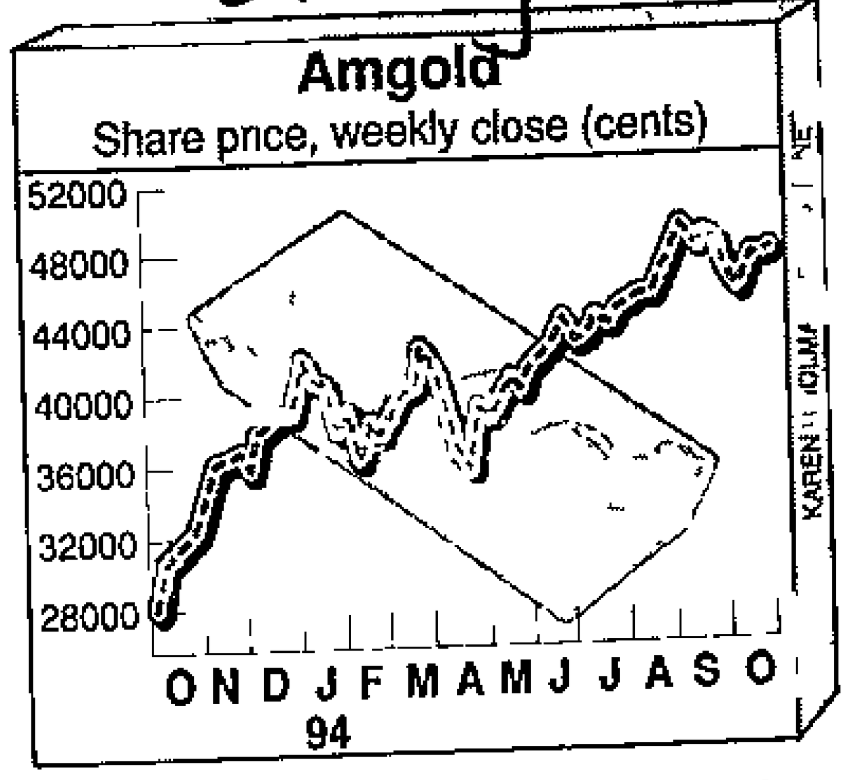
The company increased investment income 34% to R202m, helped by an increase in the rand gold price to R43 404/kg, 24% higher than in the comparable period

The dollar gold price had been 11% higher, but this had been boosted by the weakening of the rand in the first half of 1994, the company said

Amgold increased its interim dividend to 800c (625c) after improved earnings a share of R12,78 (R9,29)

Amgold holds significant stakes in Consolidated Vaal Reefs, Driefontein, Gold Fields, Freegold, Kloof, Zandpan and Western Areas among its portfolio of listed and unlisted mining and exploration shares

The company's continuing programme of switching certain investments into long life, relatively undervalued gold mines generated a surplus on realisation of investments of R109m (R63m)



But interest earned was down to R23m (R27m), which the company said largely reflected the prevailing lower interest rates over the period

Prospecting expenditure increased to R12m (R11m) with the increased tempo of exploration in Africa outside of SA

At September 30 the net asset value, after providing for the dividend, amounted to R509,53 a share, 22,5% higher than the R416,02 reported on March 31

Yesterday the counter was trading 300c up at R476 on the JSE, a discount of 6,6% to NAV

The company said investment income for the financial year ending March 31 1995 largely depended on the rand gold price during the six months to December 31 1994

If the price remained at current levels during that period, investment income for the second half of the financial year would be similar to that earned in the same period the previous year, the company said

This meant growth in earnings per share before any surplus on realisation of investments would be lower than the 24% achieved in the first six months, it said

(214)

Amgold said physical demand for gold remained strong, and the offtake in 1994 had held up well following the dip in demand due to the higher prices in 1993

The physical market had been dominated by continued healthy demand in India and the Far East, while the US market remained strong and consumption of gold in the US jewellery market had reached the record level of 301 tons a year

Amgold said the market for gold was expected to remain positive

Moab gold mine in line for new funds programme

(214)

CT 8/11/94

ORKNEY — Moab, SA's new developing gold mine, said it would need to raise money again early next year to fund the next stage of capital expenditure, but it had not yet decided on what route to take

"It will depend on market conditions," Dick Fisher, regional GM for parent company Anglo American said in an interview

He declined to say how much it would seek once the R250m from the 1993 rights issue was exhausted, but analysts estimated it would next need about R200m

Fisher said in an interview three options were being considered — another rights issue, which analysts said was the cheapest and most likely route because of the current high share price loan finance or funding via adjacent Vaal Reefs Exploration Co Ltd

Vaal Reefs is physically developing the project and Moab is also known as its No 11 shaft

The mine, which opened last year and is listed under its investment company Eastvaal Gold Holdings Ltd, will eventually cost about R3,2bn in accelerated terms Capital expenditure to date is R380m, with peak spending expected over 1997-1999

The Moab lease area lies in the OFS and is believed to be the largest high-grade gold deposit remaining in South Africa

In terms of initial projections, the mine is expected to yield some 293 tonnes of gold from an estimated 26,2m tonnes of ore, at a recovered grade of 11,2 grams per tonne over its 28-year lifespan Production is due to start in 1997

"We have no further information that's changed our view in the prospectus," Fisher said

First development and drilling will start in the 11a block in February, a year earlier than expected, and will be accessed via Vaal Reefs' existing no 8 shaft and planned new sub-shafts on which preparatory work is still being done

The project was progressing well with tight control over costs

Current sinking of the main 2 400 metre shaft, due to be completed mid-1995, was delayed earlier this year when water-bearing rock was intersected, and although the area had not yet been sealed, volumes were now controllable

Randgold hit by 41% fall in attributable income

B/Day 18/11/94

MARGINAL gold mine operator Randgold & Exploration experienced a 41% fall in attributable income to R4,9m for the year to September as the full effect of head office retrenchment costs cut into operating profit

Operating profit climbed 50% to R15,9m on turnover 18% higher at R59,6m as the company benefited from an improvement in the performances of Transvaal Gold Mining Estate (TGME) and Rand Mines Windhoek Exploration, which owns Randgold's stake in the Navachab gold venture

But after-tax profit was reduced by the retrenchment costs and lower management fees from Durban Roodepoort Deep. Exploration costs also rose sharply, from R4,9m to R7,2m Taxation was slashed from R7,5m to R46 000.

MICHAEL URQUHART

The company said the results were not strictly comparable with those of the previous year as it was the first time TGME's results were included for the full year The assets and liabilities of First Wesgold Mining had also been included for the first time

The First Wesgold acquisition — which previous management had claimed was valueless — had been completed with effect from September 30 Randgold said the valuation of R69m had been endorsed by two independent mining consultancies

Chairman Peter Flack said the situation at Durban Deep had been top of new management's list It had reversed previous management's decision to close the mine and would continue underground operations on a limited scale

Flack said Durban Deep's future depended on its merger with neighbouring Rand Leases, which would give it access to a substantially enlarged ore-body

214

Both mines were currently undergoing a technical evaluation as a precursor to the merger, which would be on the basis of Durban Deep acquiring Rand Leases for the issue of Durban Deep shares

Durban Deep management was considering a rights issue next year to refinance the mine It was relying on a R40m loan for working capital and to fund retrenchment packages of 4 500 workers

Flack said another priority had been the implementation of an improved grade control system

This was "absolutely essential" to the efficient operations of a marginal mine

Probe could rejuvenate Crown Mines

MICHAEL URQUHART

RMP Properties was investigating the feasibility of reopening Crown Mines for mining small tonnages of low grade reef, it said yesterday (214) BD 21/12/97

The study would also determine the feasibility of re-sweeping and revamping old areas through high-vacuum technology

Access to Crown Mines, which was closed in the early 1980s, is through No 14 shaft at Gold Reef City, where the greatest potential had been identified. Should the project proceed, access to and hoisting of ore from undergound would be carried out through one of the other shafts

Dick Plaistowe, GM of RMP Properties' land clearance and gold recovery division, which operates a plant at Crown Mines to process material from mine dumps, said the most likely area identified was the remnant main reef reserve in the footwall of the main reef leader horizon

Plaistowe said the limited availability of shaft infrastructure and access to the underground workings were factors restricting the progress of the investigation

The main 19 level haulage between No 5 and No 14 shafts had been dewatered and reconnoitring above level 19 had started

Over its 90-year life Crown Mines produced 1 400 tons of gold

Randgold extends West Africa venture

BD 12/12/94

MINING house Randgold had signed a mining convention with Senegal and started exploration drilling in Burkina Faso ahead of a proposed listing of its West African mineral rights on the London Stock Exchange next year, the company said at the weekend

(214)

Executive chairman Peter Flack said the convention had been signed during a recent tour by management of Burkina Faso, the Ivory Coast, Mali and Senegal It complemented the group's existing exploration programme in the region and its portfolio of mineral rights

BEATRIX PAYNE

The agreement defined the broad structure of future mining rights for an area in Senegal's Falame River, about 100km from Anglo American's Sadiola mine The company had also secured 1 000km² in Burkina Faso to complement its existing 2 500km² of concession rights being developed there in partnership with Newmont

The group would consider floating its West African interests in London or, given the region's ties to the Francophone countries, in Paris or Luxembourg, Flack said

Marginal mines 'must slow working cost rises'

BD 13/12/94 (214)

MICHAEL URQUHART

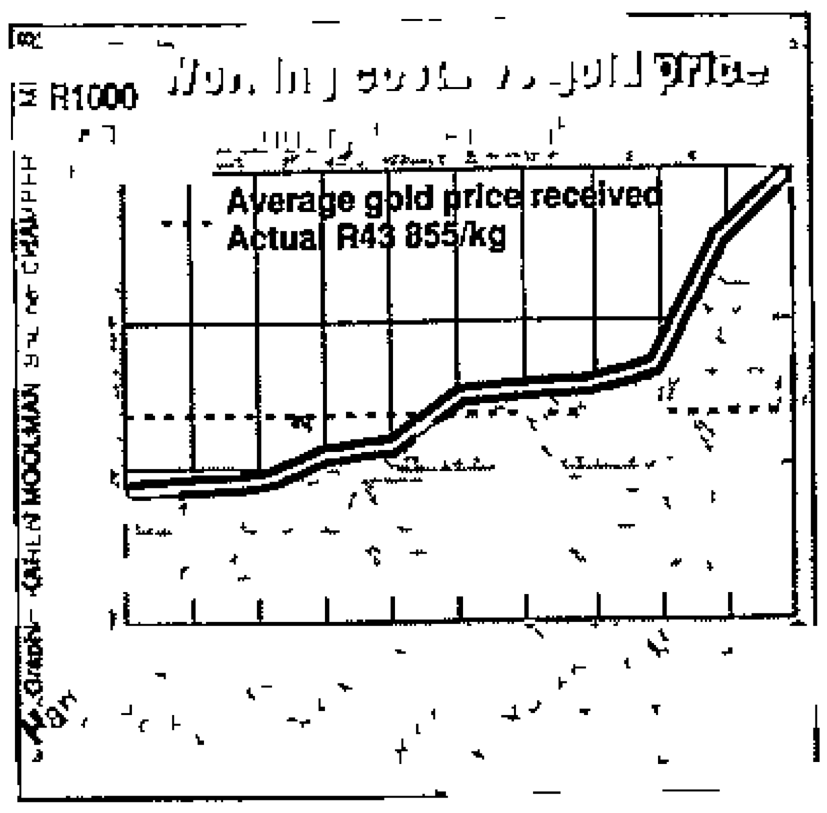
MARGINAL gold mines would remain with their backs to the wall unless they kept growth in working costs below inflation, analysts said yesterday

They were expecting an average rand gold price of R1 500/oz next year, an 11% increase on this year's average price But this was only likely to maintain the status quo for the marginal producers

If working costs increased at the expected inflation rate of 12% next year, there could be further downscaling in the industry, they said

Most analysts were expecting a dollar gold price of about $400 next year, and an exchange rate of between R3,80 and R3,90

One said the situation on marginal mines was looking no better, with mines still behind on capital expenditure and likely to fall even further behind unless working cost increases were kept below inflation



Some capital programmes could be scrapped if rising costs increased pressure on margins, he said

Should the rand strengthen or the dollar gold price decrease, the situation would be even worse Many mines had relied on a depreciating rand to remain viable

Chamber of Mines chief economist Francois Viruly said working costs increasing above the level of inflation was cause for concern

This would particularly affect marginal mines, which were locked into a certain grade and had very narrow margins

The effect of higher working costs should also be seen against the effect it would have on marginal shafts He said the closure of a marginal shaft could have a bigger effect on production and employment than the closure of a marginal mine

Marginal mines would have to get working cost increases back below inflation in order to survive

Viruly said with expected capital inflows into SA and the improved political situation, a depreciation of the rand could no longer be relied on to boost the rand gold price

One analyst said mines would have to look at improved productivity to stem the rise in working costs

They would be under pressure to increase training and improve conditions on mines Although this might lead to higher productivity, it would lead to higher working costs

Thumbs up for Durban Deep merger deal

(214)

CT 15/12/94

JOHANNESBURG — Randgold Exploration said it would go ahead with the plan to merge its marginal Durban Roodepoort Deep gold mine with neighbouring Rand Leases (Vogelstruisfontein) Gold Mining

The deal was still subject to shareholder approval in terms of general meetings scheduled for next year, but the companies had agreed in principle to the deal, it said in a statement

Durban Deep would acquire all the issued shares in Rand Leases in exchange for 2,9 million new Durban Deep shares at a rate of five Durban Deep shares received for every 200 Rand Leases shares held, it said

Randgold advised shareholders in August that it was considering the merger

"The proposed merger will give Durban Deep acccess to a substantially enlarged ore body as well as significant cost benefits, as it will effectively be two mines with a single overhead structure," Randgold chairman Peter Flack said

He re-iterated earlier statements that, if the merger went ahead, Durban Deep was planning a rights offer next year to refinance the enlarged company and to enable the company to implement profit-enhancing capital projects.

Since those announcements Durban Deep has raised R40m in bridging finance to take it through to a rights issue

Durban Deep reported a net loss, before negligible capital recoupment, of R20,9m in the three months to end-September 1994 versus a loss of R7,9m in the preceding quarter — Reuter

Western Areas, South Deep merge

(214)

CT 15/12/94

JOHANNESBURG — The mining operations of Western Areas Gold Mining Company and South Deep Exploration Company would be merged into a single entity, with effect from January 1, 1995, according to a statement yesterday

The merger would be effected by Western Areas acquiring South Deep's entire mining opration as a going conern for the issue of 36 262 720 new ordinary Western Areas shares The purchase consideration translates into an effective merger ratio of 92 Western Areas shares for every 100 South Deep shares held

An agreement between the two companies would be signed subject to approvals by both sets of shareholders and by the JSE in respect of the proposed transactions and the granting of a listing for the Western Areas consideration shares — Sapa

Randgold to proceed with its plans to merge mines

BD 15/12/94

(214)

MICHAEL URQUHART

RANDGOLD would go ahead with plans to merge its Durban Roodepoort Deep mine with neighbouring Rand Leases in a move to secure Durban Deep's viability, it said yesterday

The mining house said it would issue 2,96-million new Durban Roodepoort Deep shares to acquire all Rand Leases' share capital The deal would see Rand Leases shareholders receive one Durban Deep share for every 40 Rand Leases shares held

Randgold chairman Peter Flack said the merger would give Durban Deep access to a much larger ore body There would also be significant cost benefits as it would effectively create two mines with a single overhead structure

Ore reserves in Rand Leases could be accessed from Durban Deep's No 7 shaft Rand Leases was flooded down to level 24 Between levels 24 and 40 there were substantial ore reserves developed by Anglovaal before it closed the mine

Durban Deep's plant, which was older and less efficient than Rand Leases', could be used to treat underground material, while Rand Leases' plant could treat surface material

Flack said Randgold was looking at a Durban Deep rights offer to refinance the enlarged company and to enable it to implement profit-enhancing capital projects

Durban Deep had already raised R40m in loan finance to help fund the mine, pay outstanding creditors R10m and pay retrenchment costs of R25m for 4 000 workers

Underground tonnage from Durban Deep was being reduced to 60 000 tons a month, in line with management's decision to carry on with limited underground mining after the previous management had decided to close down underground operations

The merger, which Randgold announced it was considering in August, is still subject to approval by shareholders of Rand Leases and Durban Deep Randgold said further details would be announced in January

Randgold also said yesterday that Durban Deep had approached it about acquiring the gold mining operations of First Wesgold Investigations were under way

Rand Leases' share price had fluctuated wildly on speculation on the ratio of Durban Deep to Rand Leases shares At one point the shares reached a high of 150c when the Durban Deep share price was R49 The shares moved up 2c yesterday to 92c, still well off their year low of 16c Durban Deep rose R2 or 5,2% to R40

Gencor, Lonrho in CIS gold mine venture

MICHAEL URQUHART

GENCOR and Lonrho would form a joint venture to develop gold mines in the Commonwealth of Independent States, the two companies announced yesterday.

The companies had signed an agreement to create a company in which each would hold an equal share. (214)

Lonrho's contribution to the partnership would be its existing operations, contacts in the commonwealth and five years' experience in dealing with the republics of the former Soviet Union. Gencor would put in key technology tailored to mining in the region, backed by its strong mine development team BD 20/12/94

The joint venture would have the use of Gencor's Biox bacteriological oxidation technology, which used bacteria to release the gold in refractory ores — of which the commonwealth was believed to have vast reserves. Refractory ores are not amenable to treatment by ordinary methods.

The companies said Lonrho had won the Amantaytau Goldfields project in Uzbekistan largely because it had access to this technology, which it used at Ashanti Goldfields in Ghana

Discussions with the Uzbek State Committee on Geology were advanced for developing its Ingichki Research Establishment as a centre for testing ores to verify their amenability to the Biox process. This would save on transport costs to SA.

Ventures in other commonwealth states would be considered at a later stage.

Gencor minerals division head Alan Haines said the joint venture would develop opportunities identified by the former Soviet Union, rather than doing its own exploration. Initially there would be only a small requirement for funds as the joint company would be involved mainly in doing feasibility studies

Because of SA's exchange controls, Gencor would not be able to fund the development directly from its SA funds It was hoped that by the time one of the projects was ready for development, Gencor's offshore mining arm, Billiton, would be able to fund them.

Mines see rise in capital spending

JOHANNESBURG — SA gold producers appear to be generally more positive than for some time about initiating new projects, Chamber of Mines economist William Houtman said (214)

The industry's capital expenditure remains weak compared with rates seen in the past, he said in the chamber's latest newsletter

Yet while there were grounds for gold mines to remain cautious in the foreseeable future, a desire to raise such spending was evident and should lead to a degree of accelerated growth in 1995, he said

Gold industry projects which were initiated this year, or are currently under way, amount to some R7,6bn

As these typically long-range expansion programmes and new mines gained momentum, higher levels of capital expenditure could be expected to start emerging, he said

The industry's total capital expenditure in real terms was currently about half that recorded in 1988, reflecting curbs instituted in recent years largely in response to reduced profitability and mining rationalisation, he said

However, such spending had risen 14,2% in the first nine months of 1994 compared with the same period in 1993

He listed several factors connected with the rate of growth in mining output and profitability which he said were directly linked to capital and fixed investment in the industry

CT 28/12/94

South African gold production had declined since the mid-'80s and was expected to slide further in the next five years as established mines exhaust their more profitable and accessible reserves

It was natural for capital expenditure to be reduced proportionately in such circumstances

Profits, through which new spending can be financed, are still not back to levels that would warrant significantly higher expenditure In real terms, the dollar/gold price had yet to improve on that recorded prior to 1992

Better use of existing infrastructure, rationalisation of mining and improved planning had reduced the average development reef spending

And the state's continued imposition of ring-fencing controls constrained efficient business and tax planning by producers and so inhibits capital formation in the industry, he said — Reuter

MINING - GOLD

1995

'Mines could cost SA R3bn'

Mungo Soggot (214) 11/8/95

THE catastrophic gold mining performance could shave 0,5% off GDP and rob SA of R3bn in foreign exchange earnings this year, Standard Bank group economist Nico Czypionka said yesterday

Presenting the bank's economic review, Czypionka said a battle between the unions and mine management was looming and several shafts would probably close

"The industry is facing a grave problem in worker attitudes, and in labour relations and management methods in general If there is no resolution of this problem soon, and if gold production levels continue to decline, gold mining could become a factor which significantly reduces the economy's growth potential."

The mines' dismal performance — with first-quarter output down 8% on the same period last year — also had far-reaching effects on other areas of the economy, while lost export earnings stretched the deficit on the current account of the balance of payments (BoP)

Standard Bank was still hoping for growth of about 3% for the year, Czypionka said Agriculture's weak showing was also set to knock about 0,5% off GDP

The manufacturing sector was a source of good news — production volumes were up 10,5% between January and April compared with the same period last year

As the recovery was driven by fixed investment and not a consumer splurge, it was likely to be more sustainable than previous upturns Because it was this increase in fixed investment which was propelling imports — machinery imports were up 65% on last year — SA's current account deficit was not so worrying

But he believed the direction of the capital account, which was being buoyed mainly by speculative short-term money, would be the most important determinant of the near to medium term

SA was substantially underborrowed considering its current debt of about $18bn, it had about $20bn left in "borrowing headroom", assuming a debt to GDP ratio of 30% It appeared the surge in credit to the private sector was starting to taper off

Despite rapidly increasing economic activity, the Reserve Bank's tough monetary policy and the finance department's efforts at maintaining fiscal discipline were counteracting the inflationary response Inflation could slip back to single digits and should be kept in check next year if the rand did not weaken dramatically

Pik rebukes mine management

Mungo Soggot

(214) BD 4/8/95

MINERALS and Energy Affairs Minister Pik Botha yesterday called on gold mining management to cleanse itself of "archaic practices, rigid structures and blinkered thinking"

He told the 25th anniversary dinner of the Sandton Chamber of Commerce the greatest threat to the mining industry was soaring working costs and there was a tendency to blame labour and cut costs by retrenching

"But it seems to me that management needs to change Management must take the lead, encouraging productivity by its attitude towards and treatment of the workforce "

He said most of SA's mining houses were settled in ways formed in a different era He urged the industry to look carefully at management contracts "whereby founding houses tie mines to their apron strings"

"In an age of democracy, decentralisation, individual entrepreneurship and autonomy, the management contract system seems quaint and anachronistic "

Meanwhile, Botha said government was committed to allowing market forces to operate wherever possible in the highly regulated liquid fuels industry But government also recognised the industry "was unlike any other"

He said there were various ways of opening up the industry to competition, but this would take time "Anti-trust legislation should prevent price cartels, but often do not or cannot A social plan to find jobs and retrain employees who lose their jobs as a result of market changes should be set up But who will pay?"

Notwithstanding these dilemmas, government was leading the country out of the regulatory liquid fuels straitjacket

The SA petrol price, despite regulations, controls, levies and subsidies, was still one of the cheapest and most competitive in the world, said Botha

(214) Star 4/8/95

'Mining must adapt or die'

Management strategies on South African gold mines would have to change if the industry were to survive its current crisis, Mineral and Energy Affairs Minister Pik Botha said last night

Speaking in Johannesburg, Botha said management styles had to adapt to a new global work philosophy.

"It seeems to me that management needs to change to rid itself of possibly archaic practices, rigid structures and blinkered thinking"

Botha also said mines with an entrepreneurial approach and a reciprocal management and labour pact would be the salvation of the gold mining industry — Sapa

Gold mining's terrible toll

(214)

CP 6/8/95

By JEFFERSON LENGANE

Pik Botha calls for safety overhaul

ON AVERAGE, each ton of gold produced in South Africa kills one miner and seriously injures 12 others, the minister of minerals and energy affairs, Pik Botha, has told key players in the mining industry

Botha made the chilling disclosure during this week's third congress of the Southern African Miners' Federation

"Of the 19 countries listed in an International Labour Organisation table summarising fatal mining accidents per year, 13 have better safety records than South Africa. The only southern African country cited in the comparison is Zimbabwe with a fatality rate per 1 000 workers of 0,73, compared to South Africa's 1,05," Botha said

He said South Africa must strive to at least equal the record of Zimbabwe and learn from it about ways to reduce the fatality rate

"There are many monuments to the unknown soldier. I would like to close with a tribute, a verbal monument, to the unknown miner," Botha concluded

■ The re-elected president of the federation, James Motlatsi, told the congress that Swaziland's prime minster, Prince Mbilini, was "out of order".

This followed reports from the Swaziland delegation which claimed that their government was strongly opposed to trade unions and did not respect the rights of unions to strike. Swaziland's Mining, Quarrying and Allied Workers Union president, Selby Dlamini, said the authorities in that country were quick to call police and the army in when workers went on strike.

He cited as an example a miner who was shot dead by police during a strike in 1989. The worker was shot twice in the head and had to be flown to Baragwanath hospital where he died.

■ A contentious Industrial Relations Bill is being debated in the Swaziland parliament The Bill proposes to make workers and their unions pay for any damage to property during strikes.

Dlamini said the mine owners also caused problems "Most mines have no protective clothing and the few that have sell the clothing to employees This is unaffordable to workers," he said adding that wages on the mines were low.

At the close of the congress the federation issued a declaration in support of the Swaziland union's struggle. "All affiliates represented at this congress give unqualified support to the labour movement in Swaziland against the threat posed to them by the Industrial Relations Bill," the declaration said

Pik urges mine bosses to change

214) (BLD) sowetan 7/8/95

By Abdul Milazi

MINE management needed to shed its "archaic practises and blinkered thinking" for South African mines to survive, Mineral and Energy Affairs Minister Pik Botha said at the weekend.

"The greatest threat to the industry is its steadily escalating working costs, from a hundred rands per kilogram in the mid seventies to around R30 000 now," said Botha

Botha said mine management tended to blame labour for the problem and to cut costs through retrenchments He said, however, that the main problem lay with management.

"It seems to me that management needs to change, to rid itself of possible archaic pratices, rigid structures and blinkered thinking"

He said people's lives and livelihood were being shattered as they faced a future without a hope of jobs, without dignity and without means to feed themselves and their families

"We must act We must develop innovative business solutions to standard mining problems through strategic thinking and planning Not that we can avoid the inevitable death of the gold mines, but we can stretch their demise further into the future," said Botha

"Of course any mine is a wasting asset and will eventually die But those in the know estimate that a 10 percent improvement in management procedures and labour productivity can lengthen a mine's life by 40 percent," he said

Botha said the mining industry, especially gold mines had changed from being the lowest cost producers in the world to the most expensive

Due to the industry's declining competitiveness, South Africa's market share had been reduced from 44 percent in 1987 to only 25,3 percent to date

Botha said the industry had already shed more than a third of its workforce, 168 000 jobs lost from a peak of 534 000 in 1986 to 366 000 in 1993 Production decreased from 1 000 tons to 579 tons in 1994 and was still falling

‘Archaic’ practices of mining houses slated

eT(MR) 10/8/95 (214)

By John Spira

Pik Botha, the minister of mineral and energy affairs, has set the pyrites among the stopes by hammering mining house management for "archaic practices, rigid structures and blinkered thinking"

In a recent address to the Sandton Chamber of Commerce, Botha characterised the management-contract system of the mines as "quaint and anachronistic when weighed up against modern values"

The big mining houses have, not surprisingly, reacted with dismay and indignation to these charges Their ire will be further fuelled when they realise that the minister's attack stemmed from discussions with Randgold, perceived by the large, traditional houses as something of a maverick

While Botha steadfastly refused to disclose that it was Randgold's views which prompted his attack, he said that the house in question had achieved a dramatic improvement in results in the June quarter

Randgold's ERPM, Durban Deep, Harmony and Blyvoor were the only mines to do so as a group

"I do not say this unkindly, or even in a spirit of criticism The gold mining industry has a proud and illustrious career, but we have been spoilt at times with the sheer wealth of our natural resources"

At the heart of Botha's plea for greater efficiency was his concern for the industry's future "From being the lowest cost producers in the world our mines have become the most expensive Because of declining competitiveness, South Africa's market share has been reduced from 44 percent in 1987 to only 25,3 percent now"

Were the gold price outlook promising, such concerns would not be especially urgent But Botha said it was unlikely that the gold price would rise significantly

"Every time the price rises slightly, holders of gold move into the market When it drops, they withdraw Private holders want to sell as soon as the market moves up and central banks want to buy as soon as it drops

"With this tremendous supply overhang casting its shadow over the market, hopes of a significant and sustained rise in the gold price in the near future are slim" The recent travails of gold mining in South Africa was evident from

☐ The steep decline in the workforce — 168 000 jobs lost from a peak of 534 000 in 1986

☐ Reduced production from almost 1 000 tons 10 years ago to 579 tons last year

☐ Margins have dropped to less than 10 percent

Botha said many remedies had been suggested — recovering the work ethic to increase productivity, continuous mining and the use of bonus systems

"But the cure must surely involve management The greatest threat to the industry is its steadily escalating unit working costs — from a few hundred rand a kilogram in the mid-1970s to about R30 000 now

"The tendency is to blame labour for the problem and to cut costs by retrenchments It is undeniable — the figures show it — that workers have achieved significant improvements in pay and working conditions"

At the same time, management needed to change, he said

Those in the know estimated that a 10 percent improvement in management procedures and labour productivity could lengthen a mine's life by up to 40 percent

"Management must take the lead, encouraging productivity by its attitude towards treatment of the workforce

"We must develop innovative business solutions to standard mining problems through strategic thinking and planning — not that we can avoid the inevitable death of the gold mines, but we can stretch their demise into the future"

RUFFLING FEATHERS *Mines Minister Pik Botha*

CAROL PATON REPORTS ON A SO

FOR WHOM

UTH AFRICAN GOLD-MINING INDUSTRY THAT IS RAPIDLY LOSING ITS GLISTER

THE BELLS TOLL

(214) ST€ 13/7/95

ON THE wall of Gengold managing director Tom Dale's office hangs a photograph that is a strong reminder of gold mining's colonial past Mr Dale, dressed in khaki safari gear, poses, smiling, beside a hunting trophy — possibly a buffalo or maybe a wildebeest

But as the old mines run out of gold and ore grades decline, the anachronisms of the mining empires have become difficult to ignore Colonial arrangements — the endless supply of cheap, unskilled labour and the military-style organisation of the mines — that once produced super-profits now stand in the way of productivity

Once the producer of 70 percent of the world's gold, South Africa's market share has dropped to 25 percent Once the world's lowest-cost producer, South Africa's gold mines are now the most expensive

As profits are squeezed towards zero, the industry is at last feeling the need for change

The impact of the crisis is being felt far beyond the boardrooms of Johannesburg Far away, in the hills and villages of Lesotho, the shrinking of the gold mines is having a visible impact Once populated mainly by women, the villages are now filled with men, many of them dressed in overalls and gumboots

More than half of the mountain kingdom's gross domestic product comes from wages sent home by mineworkers the country has no other industry to speak of

Over the last 10 years, the gold industry has shed 168 000 jobs It is predicted that in the next decade, at least 100 000 more will go

MR Dale says the industry has reached a watershed "It's a mature industry and many mines have gone on past their life expectancy But although it's mature, it's not dead. It now needs to be managed differently

"What we need to do first is get the trust and support of organised labour — without it we cannot restructure "

The need for labour's input is a point on which mine owners, unions and the government all agree If successful, the industry could continue for another 20 years If not, more and more gold will be left in the ground as it becomes too expensive to dig out

A new deal will mean not only that workers must be made more productive, but that managers too must change, a fact that not all mining houses seem to recognise The Minister of Mineral and Energy Affairs, Pik Botha, says management needs to "rid itself of archaic practices, rigid structures and blinkered thinking"

Randgold — the new boys on the mining block — are leading the field in making changes After a revolt by shareholders that led to a hostile takeover by Fraser Alexander and a consortium last year, chairman Peter Flack has shaken up management practices and cut back on needless levels of supervision and bureaucracy The human resources manager, Richard de Villiers, has now set about making the same transformation underground

"The trick is to change the culture — to change the situation where employees are simply passive receptacles of instructions," says Mr de Villiers "The mines have a militaristic and racially divided structure, where orders are barked down the line We want to cut out levels of authority, give people broader control over production and remove the black-white interface"

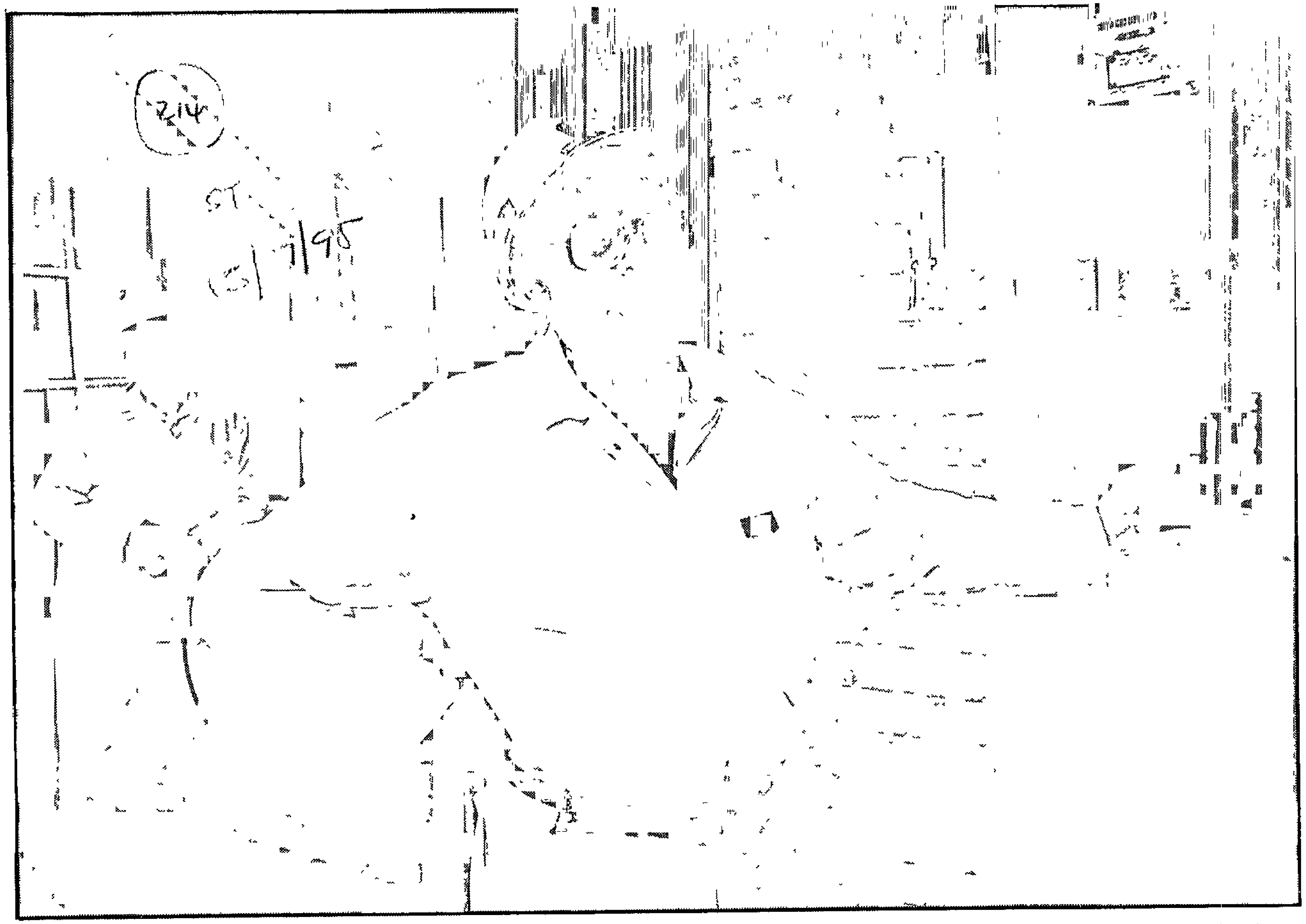
AN aspect of this, and one which the National Union of Mineworkers has fought hard for, is the introduction of "multi-skilling"

Underground work, which has hardly changed in decades, is made up of four main tasks drilling, blasting, sweeping up blasted rock and supporting the roof and walls Each worker has only one task, so, for example, after drilling the holes for blasting, the drill operator sits back, while the miner does little more than handle the dynamite and inspect the work site

"The system is archaic," says Kgalema Motlanthe, NUM general secretary "The only solution to the crisis of the gold mines is to increase productivity by training workers in a number of different skills and stabilising the workforce. We need to flatten the hierarchy and qualify black workers to blast "

Randgold has introduced teams of multi-skilled workers at its Durban Deep mine They are responsible for achieving team objectives and are remunerated accordingly This is coupled with an adult basic education programme to build literacy in English and Afrikaans and to qualify black workers for blasting

The company has also set up workplace forums to discuss production results and bottlenecks as a result "employees have begun to understand concepts like face advance and grade control", says Mr de Villiers



RINGING IN THE CHANGES IN THE MINING INDUSTRY . . . for 38 years Hennie Kruger was the banksman at Buffelsfontein mine where he rang the bell to hoist miners to the surface. Today he rings the bell for tourists who visit the Gold Reef City mine Picture RAYMOND PRESTON

Anglo, JCI and Gengold are also experimenting with multiple skills, and have also introduced other new productivity boosting arrangements

In an industry where little has changed, new approaches like those at Randgold are a significant departure from the past and go some way towards addressing Mr Motlanthe's appeal to "make employees feel part of the mine"

But old habits die hard, and in many instances, he says, "when we speak to management about training or about housing in order to stabilise the workforce, they regard our proposals with deep suspicion They regard us as a subversive organisation and it's very difficult to develop synergy"

Nevertheless, there is evidence that conditions for trust between management and labour are slowly being built A significant example of this is the agreement last week by the NUM to work every day of the year JCI's MD, Bill Nairn, estimates that close to 90 days of production are lost annually due to restrictions on Sunday work and work on public holidays

Mr Dale predicts that "continuous operations will allow us to produce 25 percent more gold"

But despite the beginnings of a new spirit of co-operation, the past still stands in the way of the future Most mineworkers are functionally illiterate and the only common language is Fanagalo — a language of instruction that does not include the vocabulary for "profit squeeze"

And, most serious of all, the changes can only prolong the lives of the mines — gold, which earns 30 percent of the country's foreign exchange, is a wasting resource

"Over the next five to 10 years we need to manage an orderly decline," says Clem Sunter, chairman of Anglo's gold division "Everyone has been looking for gold for the last 20 years — there are no new goldfields of magnitude — and that's what we would need for the industry to pick up"

For each job lost in the mining industry, economists estimate that six are lost in supply industries And every job supports an average of 10 dependants somewhere in the villages of Lesotho, Transkei and Mozambique

In the village of Ha-Mapeshoale in north-eastern Lesotho, a former mineworker, Charles Mapeshoale, grows mielies and pumpkins which brings him "just enough to put porridge on the table"

Mr Mapeshoale is a member of the village royal family and is therefore fortunate enough to have a small field in a poor area that has neither water nor a clinic With the exception of one or two fields, every speck of available land is covered by houses

In this village, says Mr Mapeshoale, all the men once worked on the mines But now, only two have gone to the mines The rest are unemployed "Most of them do not have fields, and families are suffering very badly Crime has increased, and at night people jump into my yard to steal the wool off my sheep "

His village, like any other in Lesotho, has never been anything but a labour camp for the mines The small territory is peppered with recruitment offices run by the Employment Bureau of Africa (Teba) where groups of blanket-cloaked men gather every day in the hope of "being called" But Teba's operations are shrinking plans are afoot to close all but two of the offices soon

ome o t.ie men, who have given up queueing at Teba, travel across the border themselves, only to be turned back at the mine gates

Tsiu Ntee, who lives at Ha-Molipa, is one of them "I started working at Merrivale in 1975 and left when the mine closed in 1982 I've been to try to get a contract through Teba almost every day since then, but haven't succeeded I've also been to Loraine and to Blyvooruitzicht to look for work," he says

In the late afternoon, Mr Ntee and his former workmates gather near a local shebeen While he can sometimes earn R100 a month from tractor driving, his friends report incomes of only R3 or R5 a week, doing odd jobs for neighbours

Some families say they have no cash income at all. Like Tumo Molefi, a man with four children, they survive on what other people give them Mr Molefi worked on the mines for 20 years before he lost his job during the mammoth 1987 mineworkers' strike

"Every day more people are coming back," he says "I see them walking up and down all day I've got no idea how they are surviving — perhaps they are stealing "

HIS eldest son has just completed matric. "He's looking for a chance .. anything he will take it. The young boy is desperate," he says Even though they see more men return home each week, Mr Molefi says his son's only hope lies with the mines

Many Basotho cannot conceive of a life without the mines For generations the country has exported its labour. If that is no longer possible, Mr Ntee and his friends say, "we will all die" A lanky schoolboy passing by says that yes, he too will someday go to the mines When the men explain that even with all their experience they cannot find work, the boy, whose name is Sefatso, replies "Not everyone is unlucky — I'm certain I'll be the lucky one "

But the lucky ones are less and less likely to be the Basotho The mining houses, so long a part of southern Africa's economy are looking to relocate their empires In Ivory Coast, Ghana, Gabon, Mali, Tanzania, Senegal, Burkina Faso and beyond, the search is on for gold and other precious minerals

Having come to the end of an era, the last of the great colonial empires will leave the colonised behind to conquer new worlds of wealth and fortune was strengthened and added to by the adoption without a vote of the Principles and Objectives for Nuclear Non-Proliferation and Disarmament on 9 May 1995 South Africa expects all States to honour both the letter and spirit of the Principles and Objectives which were negotiated and agreed to France in particular played an active role in these negotiations

The South African Government believes that the decision by the French Government is a step backwards in the endeavours of the international community to ban nuclear testing In addition to urging the Government of France to reconsider its decision, a call was also made on the nuclear-weapon states with moratoria to continue to "exercise utmost restraint"

(2) (a) The South African Government conveyed its response to the French Government through diplomatic channels in the form of an Aide Memoire

(b) and (c) The South African representative to the Conference on Disarmament in Geneva delivered a statement on 15 June 1995 expressing the South African Government's deep regret at the French decision and declaring solidarity with the countries opposing the proposed nuclear tests

South Africa also participated and formulated the text for a statement by the Movement of Non-Aligned Countries (NAM) in New York on 26 July 1995

Mines to be closed down (214)

*25 Mrs P DE LILLE asked the Minister of Mineral and Energy Affairs

(1) Whether any mines are to be closed down, if not, what is the position in this regard, if so, (a) how many and (b) how many workers will be affected thereby;

(2) whether he or his Department intends to cause an independent enquiry by leading economists to be conducted in respect of the future of the mining industry, if not, why not, if so, what are the relevant details,

(3) whether any consideration has been given to the participation of mineworkers in the restructuring of the mining industry, if not, why not, if so, what are the relevant details,

(4) what percentage is the mining industry contributing towards the gross domestic product?

N960E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) Because of the historic importance of the gold mining industry in the economic development of South Africa, I wish to make a distinction between gold mines and other mines for the purpose of my reply The goldfields discovered on the Witwatersrand in 1886, and six other large fields thereafter, at times produced over 70% of the world's supply of gold Our gold industry has seen many ups and downs the gold price rose just as exploitable ore levels deepened, the cyanide process came to the rescue when the oxidised ores ran out, super-grade ore bodies cushioned the static gold price of the 50s and 60s, rising inflation in the next two decades was counterbalanced by high gold prices

But this decade has brought a static gold price, high inflation, increased international competition, deeper and less rich ores Deeper mining led to massive cooling systems against egg-frying temperatures, seismic events above five on the Richter Scale, cramped conditions rendering mechanisation impossible, drill-resistant and razor sharp rock, scattered workings requiring weeks to properly inspect From being the lowest cost producers in the world our mines have become the most expensive Because of the declining competitiveness, South Africa's market share has been reduced from 44% in 1987 to only 25,3% now

Of the 30 major gold mines, almost none are operating today above the breakeven grade of the 1970s Alternatively—and even more alarming—none of today's

Hansard 16/8/95

mines would be operating profitably if the rand were to equal one for one with the dollar as it used to The rand price of gold would then be R386,25 an ounce instead of the R1 414,17 it was at eight o'clock this morning

The gold industry has already shed more than a third of its workforce—160 000 jobs lost from a peak of 534 000 in 1986 to 366 000 in 1993 Whereas the gold production of the world excluding Russia has risen from 800 tons in 1950 to almost 2 000 tons today, South Africa's production has decreased from almost 1 000 tons in 1970 to 579 tons in 1994 and falling—next year could see only 500 tons Margins have dropped to less than 10% The average ore grade in South African gold mines has fallen from 13 grams per ton in 1966 to just over five grams per ton today Our gold mining costs have risen from an average of R600 per ounce of gold in 1985 to over R1 030 last year, while the world's gold mining costs rose from almost R700 in 1985 to only R800 last year All this threatens to render the remaining ore bodies uneconomic, forcing us to possibly leave more gold entombed in the earth than we have mined to date

Another problem is the gold price which, being subject to the fluctuations of supply and demand on the world bullion markets, is beyond our control The shadow that hangs over this market is the estimated total of 127 500 tons of gold available for sale At its current rate of production, it would take South Africa more than 200 years to produce this amount of gold 53 000 tons (42%) are in jewellery, 37 000 tons (29%) in official reserves, 24 000 tons (19%) in private investment and 13 000 tons (10%) in industrial, dental and similar applications

As soon as the price goes up, the sellers apparently take the chance to sell As soon as the price goes down too far, the central bank provide a floor the price to prevent the nominal value of their reserves from dropping too much. That is why the gold price has been fluctuating within the $350-$450 range for years now and is likely to stay that way for the foreseeable future Gold demand rose from 1 500 tons in 1984 to 2 800 tons in 1994, but the gold price in both years was under $400 even if the gold price were to improve, our competitors would benefit from this even more than ourselves since their costs are lower than ours

As at 31 December 1994, there were 830 mines in South Africa Of these 45 were gold mines and of those 11 were regarded as marginal Marginal here means having a profit to revenue ratio of less than 6% Putting it another way, it means that the costs of the mine amount to 94% or more of the total income it earns This is the definition adopted by the *Marais Committee of Enquiry into the Position of Marginal-F Mines (1990)* based on information obtained from the Chamber of Mines

These marginal South African gold mines employ a total of 57 600 workers representing 14,7% of the total number of workers employed in the gold mining industry

The only definite answer to the question *whether any mines are to be closed down* is that, unlike love, no mine lasts forever All mines must die sooner or later The question is when? Whether specific mines are to be closed down in the short to medium term depends on a number of variables the attitude of labour, the development of new mining and refining techniques, whether new ways of reducing costs can be found, whether the gold price rises against expectations, whether we seek out new opportunities, become a major jewellery producer and actively seek new and expanded uses for gold, and whether management proves itself to be resourceful and innovative enough to galvanise an inherently dying industry thereby prolonging its viability

There are various suggested remedies increase productivity, continuous mining, not being unrealistic in our environmental, safety and labour policies, using bonus systems Each has merits or demerits to be considered

But the cure must surely also involve management The greatest threat to the industry is its steadily escalating unit working costs—from a few hundred rands per kilogram in the mid-seventies to around R33 000 now The tendency is to blame labour for the problem and to cut costs by retrenchments Agreed, it is undeniable—the figures show it—that workers have negotiated significant pay and conditions improvements without corresponding productivity gains

But it seems to me that management needs to change, to rid itself of possibly archaic practices, rigid structures and blinkered thinking Of course, any mine is a wasting asset But those in the know estimate that a 10% improvement in management procedures and labour productivity can lengthen a mine's life by up to 40% The resulting enhanced investor confidence unlocks exploration funds and releases new reserves Management must take the lead, encouraging productivity by their attitude towards, and treatment of, the workforce

Most of South Africa's mining houses are over a century old, settled in ways formed in a different era Industry should carefully examine management contracts whereby founding houses tie mines to their apron strings I know this is controversial But in the age of democracy, decentralisation, individual entrepreneurship and autonomy, the management contract systems seems quaint and anachronistic when weighed up against modern values

I do not say this unkindly, or even in a spirit of criticism The gold mining industry has a proud and illustrious career, but we have been spoilt at times with the sheer wealth of our natural resources It is only human to allow comfortable habits to encrust around us Or as the prophet puts it *For to stay is to freeze and crystallise and be bound in a mould* The public sector has also tended at times to take gold mining's fiscal contributions somewhat for granted

Times have changed People's lives and livelihoods are being shattered as they face a future without hope of a job, without income, without dignity, without the means to feed themselves or set their children upon the road to a better life History has shown that for the state to intervene other than by encouraging management and labour to give of their best tends to aggravate the problem rather than to solve it It is management that must develp innovative business solutions to standard mining problems through strategic thinking and planning—not that we can avoid the inevitable death of the gold mines, but we can stretch their demise further into the future

It *is* possible to extend the lives of moribund mines by merger or other ways of improving profits and securing jobs, it *is* possible to achieve greater recovery by remedial measures like improved grade control, it *is* possible to create a more constructive management/labour dispensation by flatening hierarchies, multiskilling workers and introducing effective productivity incentives in conjunction with the unions There are mine company executives who have achieved these results in practice

If this approach—self-directed mines, entrepreneurial management, a reciprocally supportive labour/management pact—is extended throughout the industry, it could stretch the viability of South African gold mining well into the new century

As far as the rest of the mining sector is concerned, the picture is a less dramatic one The state also has less information about the profitability or otherwise of these mines The gold mines all sell at the same price and market the gold through the Reserve Bank, so whether or not they disclose their costs or not doesn't make much difference Other mines operate in a competitive environment where mines are either traditionally reticent about their costs, or where to disclose their costs coupld provide information to their competitors against whom they often have to tender in international markets It is therefore not possible for the state to say with certainty as to which mines are marginal let alone which mines are to be closed down

(a) and (b) Fall away

(2) An enquiry by leading economists, who tend to frequently contradict each other, on the future of the gold mining industry would be unlikely to shed new light on the problems nor be able to provide industry

specific innovative, practical solutions The practical problems of that industry and the solutions to those problems are not of the kind that economists tend to deal with nor are the problems ones which economists could solve These problems constitute a buck which stops at management and labour It is they who are responsible for running the industry, they who set the pace at the mines, they who cultivate attitudes, they who are required to innovate, to shed the useless old and to embrace the effective new, they who face the challenge of setting a tone which will carry their employees along with them in moving into a different, more creative partnership between management and labour

The reply to Question 1 shows that the causes of the problems of the gold mining industry are fairly clear, as are the solutions or lack of them We have a situation where there is a relatively low and stagnant price, high costs which are rising and the need to go deeper and deeper into poorer and poorer grade ore beds in order to find the gold This is not difficult to understand The trade unions understand the situation The Chamber of Mines understand the situation There is no need for a sophisticated enquiry which will only add to the tax burden which the ordinary citizen already bears and end up teling us what we know already The medicine stands ready to be dispensed It is for the stakeholders to decide whether to take it

An official enquiry into the mining industry as a whole is also not regarded as being a result-producing way of addressing the problems of the industry Some of the reasons advanced in the case of the gold mining industry are also applicable to the mining industry in general But perhaps the most fundamental reason is that the rigours of the marketplace are such as to concentrate the minds of, and likely to have a far greater effect on, those responsible for directing the mining industry than any recommendations of a commission of enquiry

(3) The almost deafening theme which runs throug the Report of the *Leon Commission into Safety and Health in Mining* is the principle of tripartism in which mineworkers participate as equal partners with management and government in deciding how the industry is to deal with these two aspects The tripartite *Mine Regulating Advisory Committee* (MRAC) is at present involving mineworkers representatives on an equal basis with management and government in drafting the new *Safety and Health in Mines Bill* which is due to come before this House Additional tripartite forums recommended by the Leon Commission which have been approved by the Cabinet and are being implemented in practice are the *Mine Health and Safety Council* (MHSC), the *Safety in Mines Research Advisory Committee* (SIMRAC), the *Mining Qualifications Authority* (MQA), and the *Mining Occupational Health Advisory Committee* (MOHAC) Mineworkers are full and equal representatives on each of these bodies which are occupied with the restructuring of the mining industry

The establishment of Workers' Forums under the *Labour Relations Bill*, as well as the Bill's other worker-friendly provisions are fully applicable in the mining context

Negotiations are taking place right now, and in some areas agreements have been reached, between the *National Mineworkers Union* and the *Chamber of Mines* on a wide range of issues affecting the restructuring of the mining industry hostels and housing, adult basic training, measures to deal with the Aids epidemic, and the question of continuous mining, to name but a few

Finally, mineworkers are intimately involved in the process of developing a government minerals and mining policy On 24 April 1995, I called a meeting of stakeholders involved in the mining industry with a view to reaching agreement on the process to be followed in formulating a new national mining and minerals policy Present were the unions including the National Union of Mineworkers and the Mine Workers Union, the Chamber of Mines, the Parliamentary Portfolio Committee on Minerals and Mining, the Mineral and Energy Policy Centre and various employer and employee associations A sub-committee was appointed to hammer out the process or forum which we need for debate in order to further develop our mining and minerals policy For this we need a tripartite pact Judging by the spirit of this stakeholders meeting, the prospects of establishing a minerals policy acceptable to all look good I was struck by the sincere willingness on the part of the main stakeholders to place their own particular interests below those of the country as a whole

(4) In 1985, the mining industry contributed R16 671 million or 14,8% to the GDP In 1994 it contributed R33 168 million which is almost double the 1985 figure but represented at 8,7% almost half the percentage of the GDP it contributed in 1985 Such are the effects of the ravages of inflation and the growth in the other sectors contributing to the GDP These figures exclude the contribution from mineral beneficiated products

Ban imposed by health authority of Gauteng Province

*26 Dr W A ODENDAAL asked the Minister for Health

(1) Whether the ban imposed by the health authority of the Gauteng Province on the heart surgeon, Dr Fanus Serfontein, to perform any further heart and/or lung transplants in certain hospitals, was imposed after consultation with her or with her approval, if not, what is the position in this regard, if so, what are the relevant details,

(2) what is her Department's policy in respect of heart and lung transplants performed in (a) state hospitals and (b) private hospitals and clinics on persons who are not members of a medical aid and who are not able to pay for the operation themselves?

N961E

The MINISTER FOR HEALTH

(1) The ban imposed by the Health Authority of the Gauteng Province, was an internal decision taken by the Administration in their own right The Minister of Health was not consulted and it resulted as follows

On 19 April 1995 a meeting was held with the three medical faculties in the Gauteng Province to discuss the issue on heart transplants in the Province

Being a new service in the Province, it was agreed that a memorandum be prepared that will address the implications if heart transplants are to be performed in the Gauteng Province

It was also agreed that no heart transplants will be undertaken at any of the provincial hospitals until the memorandum with its recommendations were attended to If an emergency operation is required approval will have to be given by senior provincial health authorities

Irrespective of the decisions taken, a heart transplant was performed at H F Verwoerd Hospital It was then decided to enforce the decision agreed upon

(2) (a) In a press release by the Minister on 20 July 1995 it was clearly stated that all heart transplants to be performed in state hospitals will be done at Groote Schuur Hospital until the existing facility at Groote Schuur Hospital has reached its maximum capacity in face of a clearly identifiable need

(b) Patients who cannot afford heart transplants in the private sector, will have to go onto the national heart transplant waiting list The State will not take any responsibility for such patients at any stage of their treatment unless previously agreed upon by the State

Rioting in prisons

*27 Mr G C OOSTHUIZEN asked the Minister of Correctional Services

(1) Whether, with reference to his reply to Question No 1 on 1 August 1994; the judicial commission of inquiry into rioting in prisons has rendered its report, if not, when is the report expected, if so,

(2) whether the report has been tabled, if so, when?

N963E

The MINISTER OF CORRECTIONAL SERVICES

(1) Yes

(2) The Report into Unrest in Prisons was released to the Portfolio Committee on Correctional Services on 4 May 1995 for discussion and comments and also to the media on 5 May 1995

Appearance of certain person on criminal charges

*28 Mr B C BESTER asked the Minister of Justice †

(1) Whether a certain person, whose name has been furnished to his Department for the purpose of his reply, appeared or had to appear on various criminal charges in the Standerton Magistrate's Courts in May 1995, if so, with what charges was this person charged,

(2) whether this person had any legal representation, if so, who paid for that,

(3) whether the case has been disposed of, if not, why not, if so, what was the decision of the court?

N964E

The MINISTER OF JUSTICE

(1) I am informed that as far as could be ascertained from the relevant court registers for May 1995 and relying upon the information furnished by the hon member, it would appear that no such person appeared or had to appear in the Standerton Magistrate's Court during that month

(2) and (3) Falls away

Ownership of certain airline company

*29 Mrs A VAN WYK asked the Minister for Public Enterprises †

(1) Whether the South African Government is the rightful owner of a certain airline company, the name of which has been furnished to her Department for the purpose of her reply; if so,

(2) whether the Government intends privatising the company, if not, what is the Government's intention with the company,

(3) whether the government of the Province of North West has made any representations in regard to the transfer of this company to them, if so, what was the Government's reaction thereto?

N965E

The MINISTER FOR PUBLIC ENTERPRISES

(1) Yes The name of the company is Bop Air (Pty) Ltd, trading as Sun Air (Pty) Ltd

(2) The Government of national Unity is engaged in formulating a process of consultation on the reorganisation and restructuring of State assets No decision on whether to privatise or not to privatise the company, will be taken until the Government of National Unity has established the relevant basic principles in this regard

(3) Representations have been made by the Government of the Province of North West A decision on the representations will be taken in due course in the light of the process described in (2)

Japanese Ministry for International Trade and Industry: investments

*30 Mr D de V GRAAFF asked the Minister of Trade and Industry

Whether the Japanese Ministry for International Trade and Industry has recommended that Japanese investors should not invest in South Africa, if so, (a) what were the reasons given for such recommendations and (b) what steps does he or his Department intend taking in respect of these recommendations?

N966E

The MINISTER OF TRADE AND INDUSTRY

Neither the Ministry nor the Department of Trade and Industry are aware of a recommendation such as that referred to by the hon member Such a recommendation would be surprising as current Japanese policy is aimed at active involvement in South Africa's reconstruction and economic development This commitment is reflected in the granting of GSP import facilities to South Africa, the availability of some US$1,3 billion in overseas development aid, and an increase of some 70% in direct Japanese investment in South Africa between 1989 and 1993 (the latest year for which data is available from the South African

Production slide hits mine

Michael Urquhart

(214) BD 21/8/95

THE loss before capex at Eersteling Gold Mining increased to R966 000 for the June quarter, compared with R774 000 in the previous quarter, as the company experienced a sharp fall in gold produced

Eersteling said the sinking of the incline shaft on the Zandrivier reef was expected to be completed by November The proven and indicated ore reserves at Zandrivier were now sufficient for two years' production at a rate of 10 000 tons a month and a grade of 6,4g/t. Production at the rate of 5 000 tons was expected to begin in the next quarter, increasing to the targeted tonnage by May 1996.

The Girlie incline shaft had intersected the Girlie reef, and development on the reef had commenced Ore from this reef would start to be delivered at a rate of 4 000 tons a month in November Work had also started to intersect the parallel Pienaar reef

Ore milled for the June quarter fell to 11 525 tons from the previous quarter's 20 247 tons With a constant grade, this saw gold production fall to 33,5kg (59,6kg)

Despite the higher gold revenue of R45 045/kg (R43 305/kg), revenue from gold and silver was down to R1,5m (R2,6m)

Mining boom hinges on wage outcome

CT(BR) 25/8/95 (214)

BY DEREK TOMMEY

MINING EDITOR

Wage negotiations in the gold mining industry are attracting avid global attention as a successful outcome will greatly increase the attractiveness of gold shares and stimulate the economy

The mining houses and the Chamber of Mines receive phone calls every day from foreigners as far afield as the US, Europe, Hong Kong and Japan, inquiring about progress Interest on the local front is even more intense

Success in the negotiations could trigger a gold-mining boom that would boost profit and create thousands of new jobs

The unions appear to see the negotiations as being mainly about pay But the hard-pressed mining industry see them as being about ways to significantly increase mining efficiency

Production

For the past few years the gold mines have been squeezed increasingly between rising costs and a flat gold price

As a result, large quantities of gold-bearing ore have become unprofitable

This has resulted in gold production dropping sharply, retrenchments, reduced profit, mine closures and threats of further closures

The industry's aim is to end its predicament by getting the unions to agree to more efficient mining methods to be negotiated in on-mine agreements

The industry and the unions have moved fairly close on these matters and, in spite of mixed signals from the National Union of Mineworkers, some observers suggest a final agreement between the industry and the mining unions might be just a "push" away

What the industry wants is "full calendar operations", known as fullco

This means being allowed to operate 365 days of the year instead of the present 287 days

Inefficient

"But we do not intend just continuing to operate with the current inefficient methods for an additional 78 days of the year," said John Browningg, the head of gold operations at JCI

The aim is to improve mining efficiency on a 24-hour basis by working continuous shifts and blasting twice a day

Mining analysts said that if the industry got the concessions, bottom-line earnings of some mines could rise by about 25 percent

Gold mines battle to survive

(214)
WM(AM) 28/7 - 3/8/95

Karen Harverson

Fools' gold? The gold mining industry is fighting for survival as viable reserves become increasingly scarce

GOLD mines serviced by Anglo must be rightsized if they are to survive said chairman of Anglo American Corporation's Gold and Uranium division Clem Sunter at the announcement of the quar [illegible]

[illegible]

sustain the operation in the long term, such as viable ore reserves, a realistic chance of getting costs under control, or a likely sustained rally in the gold price

Sunter said the gold price was likely to remain in the R45 000/kg to R46 000/kg range for some time, which is why rightsizing must take place

The company's total gold production dropped from 56 599kg in the March quarter to 53 487kg in the June quarter this year Profits fell almost 37 percent, largely as a result of its Freegold operation which reported an 8,5 percent decline in production, a loss of more than 2 000 kilograms

Sunter said most mines had held steady in terms of production but Freegold Mine, a big marginal producer, was battling to sustain production levels

He said while Anglo wanted to keep the mine going, the reality was that it was running out of gold

The second phase of Freegold's Freddies no 4 shaft including the sinking of the sub-shaft was due to begin in August after the completion of the main shaft but will be delayed until conditions improve, said Sunter

Rationalisation is likely to occur in the second half of the year

He commented that the gold division had bottomed out but said, with minimal public holidays in the remaining year, matters should improve and he expected a wage settlement to be reached despite the current deadlock

Freegold, Vaal Reefs, Elandsrand and Ergo all reported a decline in gold produced, while Western Deeps' production rose by 1,6 percent

JCI Limited's gold division again suffered heavy losses in its fourth quarter ending June with a fall in gold production of 7,8 percent, or 869kg compared to the third quarter ending March

An improvement of 5,8 percent in the average gold price partially offset the effect of the reduced output but net profit after taxation fell 7,2 percent to R54,6-million compared to the previous quarter's R58,8-million

Speaking at the quarterly results this week, gold division chairman Bill Nairn commented that a drop in grade had been experienced at all of the group's three mines, Randfontein Estates, Western Areas, and HJ Joel He added that Western Areas grades had been good at 6,8g to 7g/t before a bad month in May dropped the yield to 6,6g/t "However, we expect grades to remain in the 6,7 to 7g/t range"

Despite an eight percent increase in milled throughput at HJ Joel, gold production was static, affected by lower grades which dropped the yield to 5,18g/t compared to the March quarter's 5,64g/t

Echoing Sunter's belief that the gold price was unlikely to increase substantially, Nairn said the company was considering joining United States and Australian producers in long-term hedging.

"We may become involved in an aggressive hedging (forward selling) policy as we expect the rand/dollar exchange rate to worsen to R3,80 per dollar, a price we're already easily attaining"

JCI's Chief executive John Brownrigg blamed the public holidays primarily for the decline in production, saying that in previous years' public holidays, the mines had achieved at least 50 percent production due to employees volunteering for extra shifts "However, this year, this was discontinued by employees and not only was production zero on the public holidays but it was as low as 35 percent on the days before and after the public holiday"

He said the workforce at Randfontein had decreased by some 2 000 people The rationalisation resulted from a scale down at the Cooke no 3 shaft Protracted negotiations since February over the retrenchments caused absenteeism to rise by 12 percent The retrenchment cost some R8-million.

The hills are alive with the sound of sledgehammers

By CHIARA CARTER

THERE is a secret mine in the mountains surrounding the Eastern Transvaal town of Barberton

Here, as in days gone by, a group of miners use picks and shovels to work a vein of gold which runs beneath the gentle, wooded slopes

They labour by candlelight in a honeycomb of rudimentary tunnels and shafts which they have carved in the hillside

Secrecy surrounds their illegal operation From the lush valley below there is no sign of the hive of activity above

Outsiders are kept at bay by the miners security system of scouts, who crouch behind trees and bushes keeping watch for unwelcome strangers

Dense foliage shields the diggers from passers-by but, higher up, the sound of sledgehammers and picks rings through the woods

The mine provides a living for about 100 men and one woman

Dressed in tattered overalls, gumboots and rubber gloves, they work in small groups following a vein of rose quartz threaded with a 4cm-wide band of soft, surface gold

First the miners dig an exploratory shaft from which they hack samples which are tested for gold

If they find signs that the rock holds treasure, they dig deeper, hewing shafts between five and 10m deep

They descend the sheer rock face of these steep pits by clinging to wooden beams crisscrossing the shafts

Driven by the dream of striking gold, the diggers work in shifts, day and night

Their only concession to safety is a few hard hats

The red-hued rocks they chop from underground are taken to the surface in buckets attached to ropes

Above ground the rocks are pulverised with sledgehammers and the fragments carefully examined for glittering signs of gold

The "majat" or useless stones, are piled to one side, the others crushed and then placed in water which is panned for precious gold dust

On weekends, the miners descend to the valley to process the gold with mercury, a hazardous substance which is supplied by a network of mercury salesmen The gold is smelted in furnaces hired for the purpose

It is then sold in nuggets at R28 a gram — slightly more than half the official gold price The buyers, black and white, come from near and far

Some of the miners were retrenched from formal mines Others had never mined before

The mine's old-timer explained "Our people have worked gold since before history My father was a miner who worked his own claim alongside the white men Mining is in my blood

"I came to these hills 10 years ago and began to dig I don't have an education but I know gold Soon I realised that I could make more money working for myself than digging for a boss Others joined me

"It is hard work and some months we make nothing But when we strike gold it makes it all worthwhile

"I would like to be able to employ a few other miners and become a mine manager"

Said another "Many of us have been working here since 1988 — our boom year The bad times are bad but we have good runs We earned R250 000 in our record month

"We work together in groups but each keeps the gold he finds We don't trust each other when it comes to selling Gold is a thing people kill for"

Said a buyer from Soweto "This mine is famous I come here regularly for gold which I sell at a profit in Johannesburg

"It is not the only secret operation There are other mines being worked higher in the mountains where gold is sold for as little as R16 a gram" But change is coming for these pioneers

They and other illegal miners operating in the area will come face-to-face with the mining houses, the National Union of Mineworkers and scientific organisations next month

The ANC's Mineral and Energy Research Unit is holding a workshop in Barberton on July 14 to discuss setting up a small mines project at the Barbrook mine outside the town

The project will showcase the ANC's small mines policy, turning back the clock to the days of the Colesberg Kopje and the opening of the reef

The unit's Nchaka Moloi says Barberton's illegal miners are working without the benefit of health and safety regulations

The state is losing revenue and the potential damage to the environment is vast

"It is a miracle someone has not died of mercury poisoning," he said

He said diamonds and other minerals were also being worked illegally and sold for nominal amounts to middlemen, with no revenue for the country

The new policy sought to encourage lone diggers and small mechanised mines It would not only legitimise illegal miners but also allow more people to become involved in small-scale mining

He said a land reform programme would have to look at restitution of land with mineral rights, but this did not mean a free-for-all with claims being pegged up and down the country Areas would be leased from their owners until the formulation of a new policy on mineral rights ownership

Diggers would have to get permits and conform to safety and labour laws

They would have to rehabilitate land which they mined and dangerous environmental activities such as mercury processing would be outlawed

He said small-scale mining was a way of redressing the imbalances of apartheid and would ensure optimal use of the country's mineral resources

"There are several small deposits which cannot be exploited profitably by big companies.

"We are not talking about the Witwatersrand deep deposits but shallow deposits such as those in the Eastern and Northern Transvaal

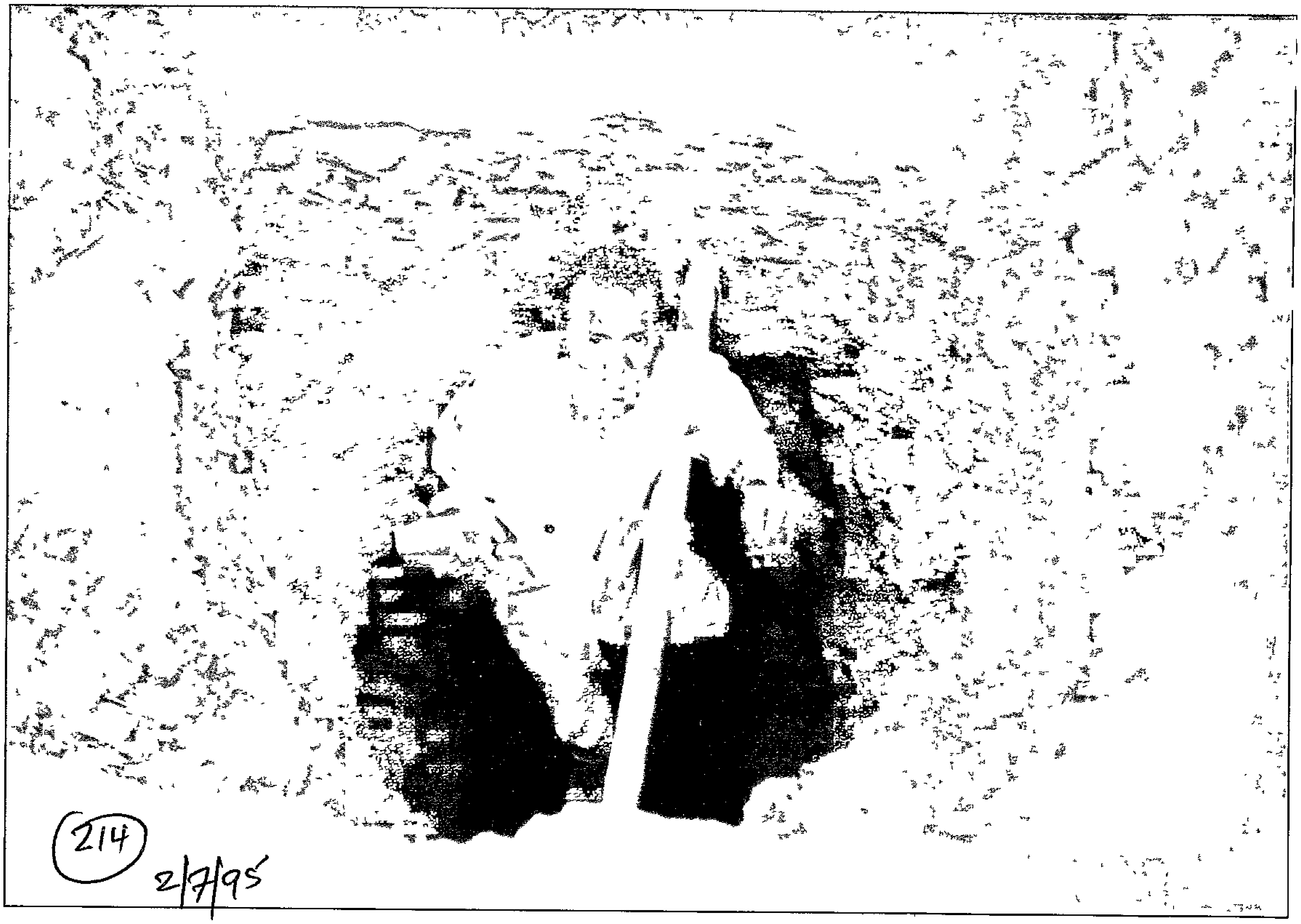
"These are old deposits and the gold is close to the surface and soft This free gold does not need advanced chemicals"

Mr Moloi said the large mining houses supported the new policy and small miners would ideally use the existing infrastructure of formal mines

The Barbrook project involved small miners selling their finds to the mine, which would do the processing and marketing

The project would kickstart local and regional economies, giving rise to small businesses

Diamonds, rose quartz, coal and several other minerals were also being targeted for small-scale mining



(214)
2/7/95

BACK TO BASICS . . carrying a candle for light and a hammer, a miner begins the descent into one of the shafts Picture: HERBERT MABUZA

(214)

The secret miners on a golden seam

ST 2/7/95

COMPANIES

Anglo warns of sharp drop in gold output

ST (BT) 2/7/95 (214)

SOUTH Africa's gold output is likely to drop by more than 70 tons, or 12% this year following a fall of 35 tons or 5,6% in 1994, according to Julian Ogilvie Thompson, chairman of Anglo American, the country's biggest gold producer

In his chairman's statement issued simultaneously in London and Johannesburg this week, he said the decline would cost South Africa R3,1-billion in lost export earnings compared with last year's fall of R1,6-billion in gold's contribution and was the main reason South Africa faced a jump in its current account deficit to at least R7-billion from R2,1-billion in 1994

Mr Ogilvie Thompson said the industry was threatened by the re-emergence of the cost squeeze that made South Africa the world's highest cost gold producer by the end of the 1980s

"The corrective action taken in the 1990-93 period has recently been undermined by a virtually static gold price, falling grades, rapidly rising costs and, above all, by a drop in tonnage milled — in other words, productivity"

Mr Ogilvie Thompson said the government's "ill-considered" calendar of public holidays alone reduced working shifts by 2% a year

The SA mining industry was the only one in the world not to permit Sunday working. "The industry is operating fully on only 275 days of the 365 days in a year No other major capital-intensive industry in the world works this way"

These views were echoed by Clem Sunter, chairman of Anglo's gold and uranium division, at a presentation to mining analysts in London this week

He said although the group had big untapped gold deposits, a sustained price of $450 an ounce was needed to make them viable

"All things being equal, our gold production will decline If the rate of decline is a slow one, we can have orderly closures and no forced redundancies If there is a precipitous decline, tens of thousands of jobs will be lost"

Les Boyd, chairman of Amic, Anglo's industrial group, said at the presentation that Anglo was building a huge industrial business that would more than offset the decline in gold mining activity

Earlier this week Minorco, Anglo's international arm, announced a $4-billion investment programme that should see substantial increases in copper, gold, nickel and zinc output by 2000

It aims to raise copper output to 491 000 tons from last year's 136 000 tons, placing it among the world's biggest producers

Production of gold is targeted to increase to 857 000 oz from 615 000 oz, nickel to 19 000 tons from 7 000 tons and zinc to 217 000 tons from 84 000 tons

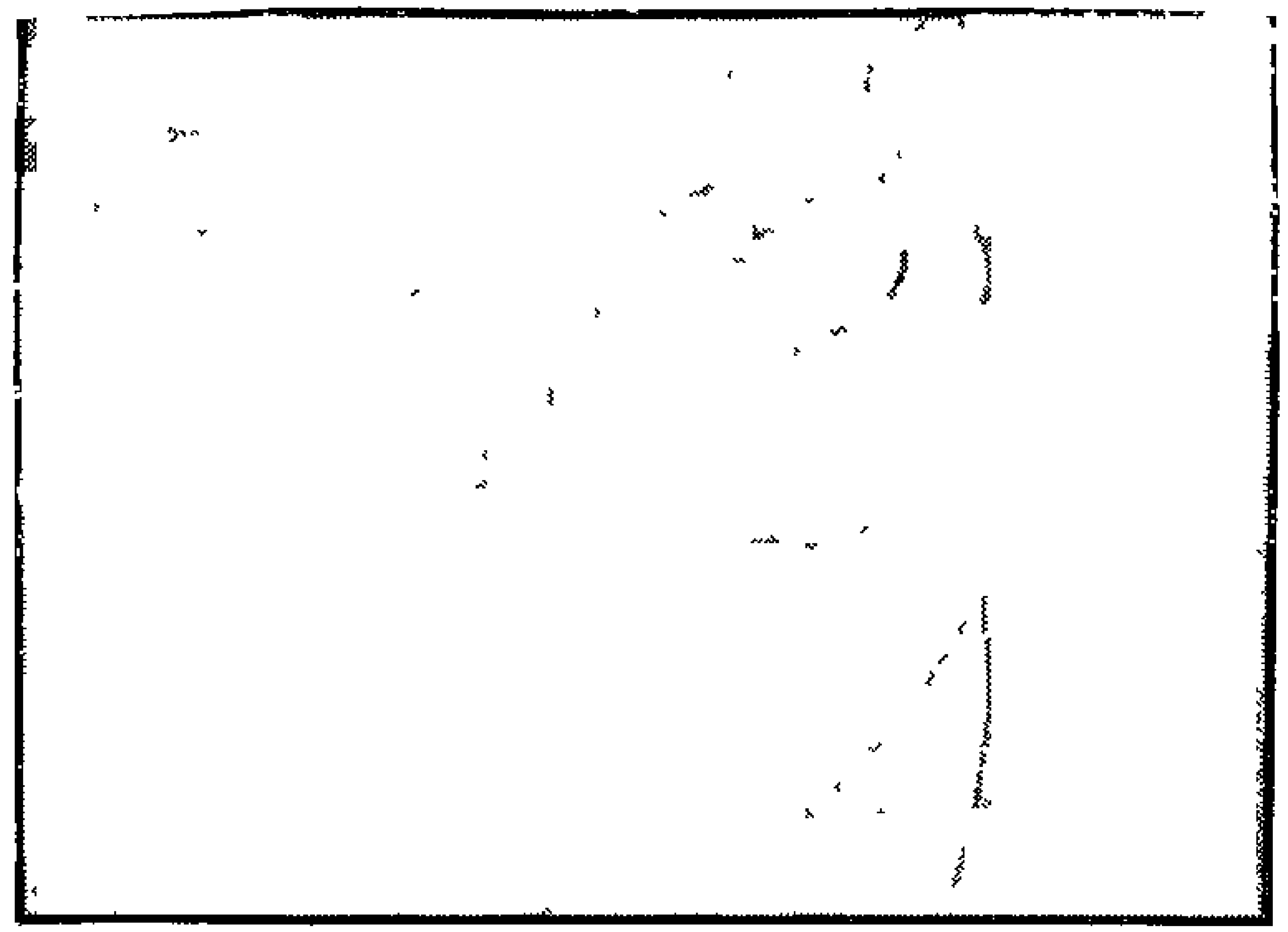
Financing all this was well within the company's capacity and would enable room for more acquisitions, said Peter Burnell, a Minorco director

He said in most of its present projects Minorco had joint venture partners It also expected to raise project finance to cover at least half the capital costs, leaving it to fund $1-billion of equity

Minorco's latest balance sheet showed it had cash and short-term investments totalling $1,6-billion

Projects in the pipeline include Salobo, copper-gold in Brazil expected to cost $1,5-billion, Collahausi, copper in Chile, $1,3-billion, Quellaveco, copper in Peru, $500-million, Loma de Hierro, ferronickel in Venezuela, $300-million, Lisheen, zinc in Ireland, $200-million; and Mantoverde, copper in Chile, $200-million

Hank Slack, president, said Minorco was watching the proposed privatisation process of CVRD of Brazil, through which the government hoped to raise about $5-billion from the sale of 51% of the operation — Financial Times



FEELING SQUEEZED Julian Ogilvie Thompson, Anglo's chairman

Community Processors & Distributors (Pty) Ltd	350 t Pilchard 3 000 t Anchovy
J Cottle en Vennote	350 t Pilchard 3 000 t Anchovy

Complete information regarding quota holders in the pelagic fishing industry as well as the applications of new applicants for pelagic quotas for 1995 may be obtained from the Secretary of the Quota Board

Nationalisation of the gold mining industry NUM in favour

(214)

*32 Mr A WATSON asked the Minister of Mineral and Energy Affairs †

Whether his attention has been drawn to a decision that was recently taken at a meeting of members of the National Union of Mineworkers in which these members expressed themselves in favour of the nationalisation of the gold mining industry, if so, what was the Government's response to this decision?

Hansard 3/5/95

N356E

The MINISTER OF MINERAL AND ENERGY AFFAIRS

Yes, my attention has been drawn to the statement made by the National Union of Mineworkers of the nationalisation of certain gold mines This statement seems to have been directed at specific mining houses which, according to the Union's perception, "were not conducting mining to the benefit of all South Africans and which continued to violate human and worker rights"

Problems in relationships between unions and employers should be addressed by negotiations between them Nationalisation is entirely inappropriate, being a concept that has been discredited

Let me name a few examples

One of the major reasons why the Russian Federation and the former republics of the Soviet Union find themselves in the difficulties they do today, is due to nationalisation Many of Russia's ex-satellites find themselves in similar difficulties for the same reason Almost without exception, states in Africa who followed the path of nationalisation, are returning to market orientated principles By contrast the successful countries of the Asian Rim apply market driven policies

In the 1980s, Peru vigorously applied nationalisation Even the banks were nationalised The results were disastrous Unemployment soared, inefficiency abounded and inflation went through the roof In the late 1980s, ie at the end of Peru's love affair with nationalisation, the country's per capita Gross Domestic Product dropped by 10% annually, from US$1 146 in 1988 to US$926 two years later During the same period, inflation ran wild, going up by 152% annually, from an already sky-high 1 722% in 1988 to 7 649% in 1990

Since President Fujimori and his centre-left coalition came to power in Peru in 1990, there has been a reversal of this policy Legislation to return the bank to the private sector was passed in December 1990 and there is to this day on ongoing programme of carefully planned and executed privatisation As a result, per capita GDP has grown by 11,7% annually, from US$935 in 1991 to US$1 263 in 1994 The effect of the new economic policies on inflation has been even more spectacular it was slashed fom 7 649% in the year President Fujimori took office to 20% last year—a reduction of over 7 000% in four years

Mexico is another country that has skipped down the primrose path of nationalisation with disastrous results But it, too, has seen the light and its divestment programme has reduced the state sector fom 1 155 concerns in 1982 to less than 300 in 1992—ie reduced by three quarters over 10 years .

And recently, even Tony Blair's Labour Party has scrapped the nationalisation clause out of its Programme of Principles Every single major European political party which ever embraced nationalisation has long since done the same The Dutch Social Democratic Labour Party abandoned nationalisation even before the Second World War and the German Social Democratic Party abandoned it in 1959

Furthermore, the priorities of the RDP would preclude the use of scarce financial resources to compensate for the nationalisation of mines, as would be required by the Constitution

The principle that mining operations should be conducted by private industry was reiterated, as recently as 28 March 1995, by Mr Cyril

Ramaphosa at the Sub-Saharan Oil and Minerals Conference, when he stated (and I quote) "Thus if one refers to the role of the private sector one is addressing the free market based mining industry It will be the private sector that will take the lead in facing challenges and finding solutions in our market based economy As a politician my area of influence is the institutional framework within which the mining industry operates and my task is to create the conditions conducive for the private sector to prosper in harmony with the goals identified by the political process" Unquote I agree with the sentiments expressed by Mr Ramaphosa which in effect reject the concept of nationalisation of our mining industry

Labour Market Commission and NEDLAC: connection

*33 Mr A WATSON asked the Minister of Labour †

Hansard 3/5/95

(a) What is the aim of the Labour Market Commission, (b) what is the (i) connection and (ii) division of work between this commission and NEDLAC (National Economic, Development and Labour Council) and (c) in what respect does this commission integrate with his Department?

N357E

The MINISTER OF LABOUR

(a) The Commission is charged with making proposals leading to the development of a new labour market policy This government has inherited a labour market characterised by massive unemployment, systematic discrimination, low productivity and adversarial labour relations This is largely a consequence of the labour market policies of apartheid, most notoriously the pass laws that sought to direct the movement of labour The Labour Market Commission is charged with the development of policy directed at overcoming this legacy and at meeting the employment-related objectives of the RDP This cannot be achieved by piecemeal, selective interventions in the labour market It will be achieved by a labour market policy that complements, and is complemented by, key macro-economic and industrial policies Accordingly, the Commission's Terms of Reference task it with

- formulating an appropriate role for public policy in the determination of wages and other incomes,
- examining the relationship between labour market and industrial relations policies and productivity performance,
- developing a framework for dealing with the negative social implications of economic restructuring,
- the development of a policy framework designed to overcome labour market discrimination and ensure equality of opportunity, and
- establishing appropriate conditions for access by non-South African nationals to the South African labour market

(b) (i) The Commission is charged with making policy proposals and recommendations to the Minister of Labour In the event that the Minister accepts certain of the recommendations of the Commission and wishes to include these into law or policy, they will be submitted for consideration by the social partners through the structures of NEDLAC Although the Commission is comprised of labour and business leaders, as well as prominent academics, it is not a negotiating or consensus-seeking instrument It advises the Minister

(ii) NEDLAC is negotiating body through whose structures the social partners seek consensus The Co-Chairpersons of the Commission have presented the Terms of Reference to the Labour Market Chamber of NEDLAC and have received valuable feedback NEDLAC will be periodically informed of the progress of the Commission However the Commission will not attempt to secure NEDLAC's agreement prior to the presentation of its report This will be the task of the government delegation to NEDLAC in the event that the Commission's recommendations are accepted by the Minister of Labour

Small miners to receive aid

(214)

Michael Urquhart

BD 6/7/95

NEW SA Gold Mining would use a combination of existing technology and specially developed electronic measuring devices to set up small scale miners on alluvial gold desposits in SA, director Rick Gardner said yesterday

The company would supply the mineral rights and lease out small scale ore processing machines to small operators Associated companies and banks would provide expertise on finance and mining.

Gardner said there were plenty of alluvial deposits in SA, but these had been ignored by the large mining houses as they were too small, however these could be exploited by a small miner with low overheads

The scheme would be launched with a pilot project consisting of three machines operating in the Gauteng area

Should this be successful the company would approach investors to expand to as many as 1 500 machines — the company was also looking at the rest of southern Africa and the system could be used to mine other minerals.

New system will open SA's mineral wealth to small-scale miners

(214) CT(BR) 6/7/95

By Ross Herbert
STAFF WRITER

The recently formed company, New South African Gold Mining, yesterday demonstrated its low-cost mining system which will be the heart of what amounts to a franchise system that will open up South Africa's mineral wealth to small-scale miners

In concentrating on capital-intensive deep-level mining, South Africa had ignored many near-surface deposits of alluvial gold and other minerals

"The whole investment structure of this country had been geared to the large mining houses. Any ore reserves under R50 million had been ignored," said Roy Bermeister, one of the founders and shareholders in the company

The company had designed several sizes of machines for extracting gold or other minerals from ore The smallest, less than 2m tall, can extract up to 90 percent of the gold from ore and handles three tons an hour

The company intended renting the machines to small miners, who would keep about 10 to 12 percent of the gold output from shallow, surface strip mines.

The company will find, acquire the rights to, and survey suitable mining sites

A mine management firm, which will also share in the gold output, will provide management, maintenance and geological services to the machine operators

Separate environmental companies will be formed or hired to bring the strip-mined sites back to their natural condition.

Under the scheme, gold will be extracted from ore at the mine site, then transported to a refining site

Electronic sensors in the machines will relay data on gold production and throughput back to a central computer, which will be used to divide shares among the miner, the company, transportation, management and environmental companies

Scale

Rick Gardner, one of the company's founders, said the company had lined up about £66 million in financing and planned to list on the London Stock Exchange in January next year

Small miners would have to put up between R150 000 and R500 000, depending on the scale of the operation planned

Bermeister said Zimbabwe has about 150 000 people mining small alluvial gold deposits These miners were largely outside the tax system and produced significant environmental damage By providing a system and expertise, he claimed, the company's approach would alleviate those problems and open up surface minerals to exploitation.

He said the company's approach could be profitable with deposits of 2,5g to 3,0g of gold per ton of ore.

He said the company was in final negotiations to start up operations on two tracts of land in the Eastern Transvaal, but intended setting up operations throughout southern Africa

"The system we saw demonstrated looks good," said George Parker, the managing director of RUC Mining, who was on hand for the demonstration.

Lower grade contributes to fall in gold production

(71)

BD 11/7/95 (214)

Michael Urquhart

GOLD production at Gold Fields of SA mines dropped by 2 529kg to 24 938kg in the June quarter from 27 467kg in the March quarter after a fall in grade and mill throughput

Gold operations executive director Alan Munro blamed the production drop on the number of public holidays during the quarter and labour problems at the group's principal mines

The grade fell across all operations with the exception of Doornfontein, to an average of 8,1g/t (8,7g/t) Munro said the fall could be attributed partly to an increase in tonnage from surface sources as the mines attempted to maintain mill throughput

Deelkraal results were affected by what Munro described as a slow and unsatisfactory return to work after the violence in the March quarter.

Despite the problems the mine managed to reduce its net loss from R7,3m in the previous quarter to a net loss of R2,5m

The mine continued to fund its capex commitments from retained earnings Gold operations GM Michael Fuller-Good said Deelkraal had run out of retained earnings during the quarter, and had R3m in borrowings by the end of the period

Fuller-Good said the mine was struggling to rebuild production on it's limited stope face

The most worrying factor at West Driefontein was the decline in grade, which fell to 9,0g/t (9,6g/t) Fuller-Good said the mine had come out of the purple patch it had been experiencing in the northeast region.

He said the mine would be working to build up tonnage from its current level of 660 000 to 720 000 tons

Fuller-Good said the big fall in grade at West Driefontein to 9,9g/t (10,7g/t) had been caused by the increased use of low grade material to supplement tonnage Underground yield was also lower than wanted

In an effort to increase grades the mine would concentrate on its higher grade Carbon Leader areas

The reclamation plant had managed to produce a steady profit, but Fuller-Good said the high grade material currently being treated was coming to an end and it would have to move to lower grade dams towards the end of the calendar year.

He said this would mean a fall in grade from its current level of 0,6g/t to about 0,1g/t

Doornfontein had a good quarter, with continuous mining allowing the mine to maintain ore milled, while grade increased to 3,3g/t (2,8g/t) The increase in grade was not likely to be sustainable, and it would probably be somewhere between 2,8g/t and 3,3g/t over the longer term

Kloof had problems with the re-equipping of the No 3 sub-vertical shaft, where costs had run ahead of insurance coverage and had to be included in working costs

Ore milled and grade were also down, leading to a fall in gold produced to 6 249kg (7 438kg)

Both the Leeudoorn and Libanon divisions had a very bad quarter, with Libanon's production being affected by a fire, while Leeudoorn had problems with difficult mining conditions

The coal and base metals division increased its taxed profit to R54m, with prices of copper, lead and zinc being maintained Higher coal prices gave a good boost to Gold Fields Coal, which increased earnings from operations to R6,8m (R3,5m)

Production problems at Tsumeb had led to difficulties in maintaining tonnage At current copper prices Tsumeb was expected to run for another six months

GOLDFIELDS June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Driefontein	**660**	**9,0**	**5 944**	**238,18**	**26 447**	**45 304**	—	—	—
March	690	9,6	6 597	223,3	23 363	43 487	—	—	—
West Driefontein	**640**	**9,9**	**6 317**	**264,41**	**26 787**	**45 316**	**205 635**	**71 688**	**35,1**
March	600	10,7	6 423	279,2	26 085	43 489	187 236	95 385	46,8
Kloof	**470**	**13,3**	**6 249**	**379,99**	**28 579**	**45 338**	—	—	—
March	530	14,0	7 438	347,9	24 792	43 489	—	—	—
Leeudoom	**313**	**5,3**	**1 653**	**270,3**	**51 187**	**45 264**	—	—	—
March	353	6,1	2 147	236,5	38 885	43 381	—	—	—
Libanon	**377**	**5,7**	**2 143**	**305,7**	**53 761**	**45 370**	**99 385**	**11 428**	—
March	406	6,0	2 452	259,1	42 933	43 799	122 808	55 223	39,9
Deelkraal	**300**	**5,3**	**1 588**	**249,4**	**47 104**	**45 359**	**(2 509)**	**(15 664)**	**(15,7)**
March	259	5,8	1 507	284,1	48 849	43 470	(7 317)	(18 539)	(18,5)
Doornfontein	**314**	**3,3**	**1 043**	**138,1**	**41 931**	**44 214**	**4 550**	**9 310**	**23,3**
March	320	2,8	900	138,1	49 152	43 597	(3 408)	(3 376)	[illegible]

unlike the 1980s, South Africa now to around R4,10 by the end of 1996

Gold Fields reports 9,8% drop in output

(214) CT 11/7/95 (BR)

BY DEREK TOMMEY
MINING EDITOR

Gold Fields' gold production declined 9,8 percent from 27,5 tons in the March quarter to 24,9 tons in the June quarter, and working profit slumped from R382,3 million to R306,7 million because of labour unrest and the large number of public holidays

Alan Munro, the head of gold operations at the Gold Fields group, said the labour situation was "nothing short of a go-slow strike" and could account for the 19,8 percent drop in group working profit for the June quarter

Munro said the group's gold production was running at about five tons a quarter less than last year

But an increase in net sundry revenue and a sharp R77,4 million drop in tax payments to R50,4 million enabled the group to report a slightly increased after-tax profit of R307,1 million against R299,3 million in the March quarter.

Capital expenditure rose to R230,3 million from R170,6 million in the March quarter.

Ore milled dropped from 3,15 million tons in March to 3,07 million tons in June However, one favourable development was an increase in the gold price from R43 467 to R45 319 a kilogram

Munro warned that if the labour situation continued there was a danger some workers could find themselves unemployed.

He cited Doornfontein, Deelkraal and the Leeudoorn and Libanon divisions of Kloof mine as mines which were vulnerable

He believed that the fundamentals of the gold market would lead to a rise in the gold price in the coming year

Michael Fuller-Good, the general manager of gold operations, said the decline in gold production at East Driefontein from 690 000 tons in the March quarter to 660 000 tons in June was acceptable in view of the holidays

Of more concern was the drop in the yield from 9,6 grams to 9,0 grams a ton as a result of values dropping in the VCR stopes

Everything was being done to build up tonnage He added that employee attitudes, particularly at West Driefontein, improved during the quarter

At West Driefontein, the tonnage milled increased but only by putting surface dumps through the mills which led to the yield declining from 10,7 to 9,9 grams a ton

Driefontein's working profit was R237,4 million (R253,4 million) but lower tax payments led to an increased taxed profit of R205,6 million (R187,2 million)

Kloof mine, which had been affected by the prolonged inaccessibility of the No 3 sub-vertical shaft, reported that its working profit dropped from R139,1 million in March to R107,7 million in June

Leeudoorn's had a loss of R9,8 million against a profit of R9,7 million in March

Libanon was hit by a fire which broke out on June 1 and had a loss of R18,0 million for the quarter against a profit of R2,1 million in March

Doornfontein reported a profit of R4,6 million after a loss of R3,4 million in March

This turnaround was attributed to the introduction of continuous mining in which the miners work 12 shifts on and three shifts off.

☐ See inside.

Millions stolen from gold mines

ST 16/7/95 (PT) (214)

By JEREMY WOODS

MORE than R600-million worth of gold concentrate has been stolen from South Africa's gold mines in the past three years, according to police investigators

The stolen concentrate is melted down and shipped abroad to refineries and other receivers in Europe.

"Despite constant security surveillance and internal security at the gold mines, large quantities of concentrate continue to be stolen, ending up at various points in different communities," says Captain Hank van Rensburg of the Germiston diamond and gold branch

The main security problem is the easy access many workers have to the large treatment plants, where the gold concentrate is formed

"The melt houses where gold is poured have high security, but security in the treatment plants has just not proved effective," says Captain van Rensburg

A network of organised syndicates ship the gold out of the country, often using falsely declared containers via the cargo department at Jan Smuts Airport.

"Local airport police try to check about 10% of the containers passing through Jan Smuts, but the volumes are so large it would be impossible to check every one There are thousands of them," says Captain van Rensburg

Much of the concentrate comes from the gold mines around Welkom, Klerksdorp and Carletonville.

Once the concentrate is safely off the mine property it is "burnt" with mercury and borax to eliminate impurities and produce gold

While the police recently smashed one syndicate, which resulted in six men being sent to jail for sentences up to 10 years, the R208-million worth of concentrate had already left the country It was not recovered, despite police visits to European refineries

However, in the past three years diamonds and gold worth R12-million has been confiscated from individuals trying to take them out of the country illegally

"So long as there are corrupt people prepared to turn a blind eye to workers taking the concentrate off the mines, and syndicates set up to ship it out of the country, we will continue to lose hundred of millions of rands worth of gold," says Captain van Rensburg

Higher price helps lift Gengold

BD 18/7/95 (214)

Michael Urquhart

A GOLD price of 4% higher helped Gengold lift taxed income 9,4% to R76,9m for the quarter ended June, the company said yesterday

Gengold MD Tom Dale said at the company's quarterly results presentation the outcome of wage negotiations would be crucial to the ability of the mines to improve productivity and international competitiveness

Public holidays and the lack of full calendar operations had cost the company dearly

Because of public holidays, Gengold had worked only 75% of all the shifts available in the quarter

Despite this, Gengold had managed to maintain its ore milled at 3-million tons, although a 2,7% fall in average grade to 4,5g/t meant gold production had fallen 2,5% to 13 646kg

The star performer in the Gengold stable was Beatrix, which managed to lift distributable income slightly to R19,5m (R18m)

This was despite a R4m increase in capex to R24,2m (R20,2m), caused by the No 3 shaft project

Unit working costs increased 3,2% to R23 059/kg, but Beatrix maintained its position as the SA mine with the lowest working costs

St Helena had a poor quarter, with attributable income falling to R2,3m (R10,7m) A combination of factors, including lower gold production, the termination of a tribute agreement with Freegold and a higher tax bill, had contributed to the lower profits

Capex had also been increased on the purchase of more Transvac machines

Losses continued at Buffelsfontein for the third consecutive quarter, with the mine reporting an attributable loss of R3,9m (R14m)

Dale said one of the main reasons for the decreased loss was that the previous quarter had contained substantial retrenchment costs

Buffels was walking a financial tightrope Gengold had already broken its unwritten rule that a mine would not be allowed to make losses for three months running.

He said if Buffels could not turn around, Gengold would have to sell it or close it down Reef development had been cut back, but results were still disappointing

Grootvlei's attributable income fell by R2,5m to a loss of R729 000 (profit of R1,8m), though Dale said the main reason for this was that R3m had been spent on the purchase of adjacent mineral rights from Consolidated Modderfontein

This area should contribute R10m-R15m over the next 8-10 years

He said the drop in attributable income at Kinross to R1,4m (R2,1m) was a reflection of the poor industrial relations climate at the mine It was also due to higher capital spending on the No 3 decline and the purchase of self-rescuers

Gold output fell at Winkelhaak to 2 002kg (2 111kg) due to a temporary decline in grade at the No 6 shaft Sundry revenue was also down due to a lower cash balance and a R1m insurance claim in the March quarter

Leslie's gold production dropped sharply to 599kg (631kg) as grade fell after a decline in yield in the northern block The mine also increased capex on the repair of Bracken slimes dams

Stilfontein's attributable income fell as a result in an increase in working costs and a fall in capital recoupments

Dale said the increased working costs were inevitable as the mine became older and equipment started to fail

At Unisel, grade fell to 5,9g/t (6,3g/t) in line with a decrease in stope values on the Basal reef on the south side of the lease area This saw gold production cut to 951kg (1 100kg)

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	**571**	**6,3**	**3 585**	**144,78**	**23 059**	**45 195**	**43 734**	**19 524**	**39**
March	564	6,3	3 576	143,72	22 667	43 646	38 102	18 022	36
Buffelstein	**960**	**2,4**	**2 273**	**108,99**	**46 031**	**45 238**	**(1 166)**	**(3 854)**	**(35)**
March	919	2,4	2 223	120,65	49 876	43 719	(11 009)	(14 013)	(127,4)
Grootvlei	**115**	**5,4**	**616**	**214,53**	**40 050**	**45 484**	**3 881**	**(729)**	**(6,4)**
March	115	5,2	600	213,58	40 937	43 345	3 635	1 845	16,1
Kenross	**377**	**5,3**	**1 996**	**236,63**	**44 694**	**45 379**	**9 668**	**1 368**	**7,6**
March	385	5,3	2 025	222,13	42 232	43 382	9 397	2 068	11,5
Leslie	**98**	**6,1**	**599**	**248,64**	**40 679**	**45 281**	**3 285**	**1 673**	**10,5**
March	100	6,3	631	239,45	37 948	43 139	2 923	2 282	14,3
Oryx	**—**	**—**	**3**	**—**	**—**	**42 269**	**—**	**—**	**—**
March	—	—	4	—	—	42 269	—	—	—
St Helena	**196**	**7,1**	**1 389**	**266,60**	**37 620**	**45 169**	**4 940**	**2 310**	**24**
Martch	210	7,1	1 499	240,21	33 652	43 186	12 335	10 732	111,5
Stilfontein	**254**	**0,9**	**235**	**41,35**	**44 698**	**45 133**	**821**	**1 320**	**10,1**
March	255	0,9	235	37,64	40 843	44 060	104	2 599	19,9
Unisel	**160**	**5,9**	**951**	**226,79**	**38 147**	**44 890**	**4 918**	**3 807**	**13,6**
Marc...	175	6,3	1 100	207,17	32 958	43 712	8 548	6 213	22,2
Winkelhark	**330**	**6,1**	**2 002**	**274,42**	**45 235**	**45 176**	**6 777**	**3 864**	**31,7**
March	332	6,4	2 111	271,04	42 626	43 579	6 082	3 027	24,9

Merger of four gold mines mooted

Gencor mines face radical restructuring

BD 18/7/95 (214)

Michael Urquhart

GENCOR chairman Brian Gilbertson yesterday announced a radical restructuring of the group's gold interests to revitalise the flagging division

In SA the major structural development is a proposed merger of the group's four Evander mines, while similar proposals for the group's Free State mines are also under consideration

However, the main thrust of the proposals is a major break with traditional mining house policy on management contracts Gilbertson said a priority would be to reduce head office reporting levels and give mine managers more responsibility and autonomy Mine management would assume more responsibility for the operational restructuring needed to ensure the international competitiveness of the SA gold mining industry.

Speaking at Gengold's announcement of its quarterly results, Gilbertson said that despite the country's declining output and deteriorating cost-competitiveness compared with international producers, 40% of the world's ore reserves were found in the Witwatersrand basin "If these reserves could be developed safely and economically, the life of the SA industry could be substantially extended"

Gengold's attributable profit fell nearly 11% in the June quarter to R29,3m as a 2,5% fall in gold production, combined with an increase in working costs, offset a higher gold price.

He said there might be some investment restructuring of the mines. This could include merging the Evander mines and surrounding mineral rights, and also merging the group's Free State gold mines.

The size of Gengold's head office would be reduced in line with its reduced role in running the mines There are about 130 Gengold employees, but Gilbertson could not say how many would be retrenched Those affected would, where possible, be offered employment on the mines.

The reduction in head office input could eventually lead to cancellation of the system of management contracts at Gengold. Typically a mine is tied to a management contract with a mining house and pays the head office fees in return for the supply of technical and financial services

Gilbertson also announced the structuring of Gencor's gold interests into an international and a Wits basin division

Gengold chairman Gary Maude would take over as international gold division head and take a place on the Billiton board He would remain on the Gencor board as director responsible for gold. It would be Maude's task to grow the international gold division "from its small start to a world class operation".

Gengold finance director Tom Dale would take over Maude's position as Gengold head and would implement the SA restructuring. Dale would also be responsible for managing the development of Oryx

Gilbertson hoped the unions would perceive the changes as being in members' interests Gengold would consult further with the unions on implementing the changes. He also called on government to remove legislative restrictions on ring-fencing and full-calendar operations

● See Page 12

Anglo mines hit by Freegold losses

(214)

Michael Urquhart

BD 21/7/95

ATTRIBUTABLE profit for the Anglo American gold mines fell 37% to R87,3m in the June quarter, as Freegold was knocked by adverse cost and gold price movements and slumped from a March quarter profit of R68,4m to a June loss of R1,2m

Anglo gold division chairman Clem Sunter said Freegold was a big marginal producer and adverse cost or unit revenue movements could wipe out its profits Freegold's loss had led the mine to put the sinking of Freddies No 4 shaft on hold until the financial situation improved

Anglo also announced a programme of "right-sizing" on its gold mines This would entail cutting out the mining of unprofitable areas and a reduction in mine management numbers.

Sunter said with low world inflation and high interest rates, the gold price was still locked in a tight range SA gold mines had to become used to operating with a gold price of between R45 000/kg and R46 000/kg This had influenced the group's decision to right-size its mines

Gold division MD Nap Mayer said right-sizing referred to all overheads Anglo was looking seriously at head office as well as mine staffing Other overheads being considered included payments to organisations such as the World Gold Council and the Chamber of Mines.

Mayer renewed the call for continuous operations, saying that these would allow Freegold to absorb labour likely to be lost at marginal shafts into better shafts like Freddies No 1 He said poor productivity and the June quarter's many public holidays had been the main factors behind the fall in the group's June quarter gold production to 53 487kg from March's 56 599kg.

Freegold's production fell 8,5% or more than two tons to 22 142kg and a lack of feed had caused the mine to close down its metallurgical scheme, which had made a profit of R6,2m for the quarter.

Vaal Reefs produced better results despite the accident at its No 2 shaft and faction fighting at No 9 shaft. It increased attributable earnings 67,7% to R41,6m as it held unit costs and benefited from a higher gold price Regional GM Dick Fischer said all shafts at Vaal Reefs were now profitable on full costs The mine would halt unprofitable mining on some shafts

Western Deep Levels, was also looking at restructuring, with the aim of reducing the four mine management sections to two, West Rand regional GM Ken Dicks said The mine would be focusing on the south region, and intended to cut expenditure at its east and west regions

● Picture Page 3
● See Page 8

B2 AECI'S BIOTECH RESEARCH HAS GIVEN RISE TO TWO NEW CHEMICAL PROJECTS
B3 FORGET THE RHETORIC — TELKOM'S MONOPOLISTIC DAYS ARE SURELY NUMBERED
B5 THE LAST US TELEVISION MANUFACTURER HAS FINALLY SOLD OUT TO FOREIGNERS

BUSINESS MAIL

THE BUSINESS SECTION OF THE MAIL & GUARDIAN, INCLUDING ALL THE TOP JOBS ON OFFER THIS WEEK

Gold mining in crisis

WM (BM) 21-27/7/95 (214)

Karen Harverson
reports on the challenge facing the gold mines

Trouble at the rockface: A third of South Africa's gold mines may close in the next five years PHOTO: DAVID GOLDBLATT

SOUTH AFRICA'S gold mines, plagued by low productivity, labour unrest and diminishing cost competitiveness, faced their worst year in 1994 with production dropping below 600 tons for the first time since 1958

This year, production seems unlikely to improve, with a fall of nine percent recorded in the first quarter of the year

Production in the second quarter may prove even worse if the recently released June quarterly results of Gold Fields of South Africa (GFSA) and Gencor are anything to go by both companies recorded losses

GFSA's gold production dropped 9,2 percent in the June quarter, compared to the first quarter of this year, while Gencor reported a 2,5 percent drop in total gold production for the June quarter

In contrast, Anglovaal minerals division's (Avmin) quarterly results, released this week, show a one percent rise in gold production, owing to a good performance from Eastern Transvaal Consolidated Mines' Loraine Gold Mine, which boasted a profit for the first time since the first quarter of last year However, Avmin's main gold producer, Hartebeestfontein, disappointed, with production falling 143 kilograms

The decline in gold production this quarter has been attributed to the increased number of public holidays — six this quarter compared to three in the first quarter — lowered productivity linked to labour unrest, and deteriorating cost competitiveness as mining depths increase

Mintek president Dr Aiden Edwards predicts that within five years as many as a third of South Africa's gold mines will close "The only way to remain profitable is to work the high-grade deposits only, which will shorten the life of a mine"

Gencor, the fourth largest gold producer in the world, is looking at other African countries and abroad for future growth in gold mining, even though the Witwatersrand Basin still holds more than 40 percent of the world's reserves of gold

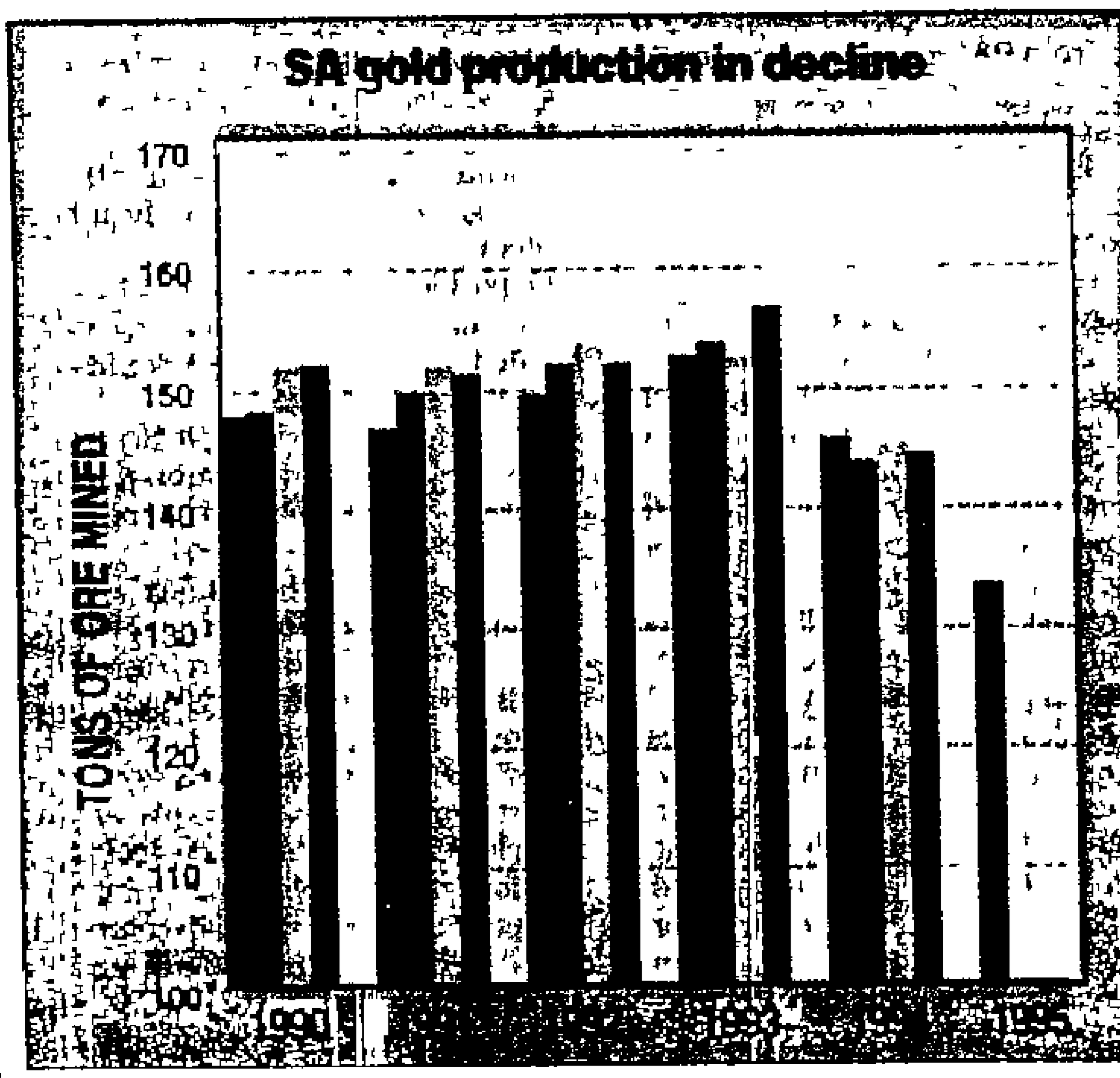
This week, Gencor chairman Brian Gilbertson said its gold division, Gengold, had failed to match the progress and growth seen in the group's other businesses "Our production, mirroring that of other South African producers, is in decline, from 85 tons in 1990 to 68 tons this year to a forecast 65 tons in 2000"

He said the company, through its Billiton acquisition, was broadening its horizons to include different types of gold deposits elsewhere in the world, mainly smaller, shallower and easier to mine deposits in Turkey, South America, Ghana and Indonesia.

On the local front, in a bid to increase the competitiveness of its 10 gold mines, Gencor has decided to free them to operate more independently than they have under the traditional mining-house hierarchy

Mine managers will now be responsible for restructuring operations The

■ To PAGE B2



Local gold production dropped sharply for the first quarter of this year

Gold mining in bad shape

(214) WM(BM) 21-27/7/95

■ From PAGE B1

restructuring will include continuous work, extended shifts at the mine face, multi-skilling, and productivity-based pay, to increase competitiveness.

Avmin is developing its copper operations with grass roots exploration projects in Zambia and Namibia Locally, the company is investigating setting up a R400-million greenfields underground coal project in the Eastern Transvaal coalfields Avmin is also involved in a nickel, copper, cobalt and platinum exploration project near Slaaihoek in the Eastern Transvaal

Anglo American already operates two gold mines outside the country, Navachab in Namibia and Sadiola Hill in Mali Sadiola, due to come into production in 1997, is expected to become an important contributor to Anglo's earnings in the medium term. The company is also prospecting for gold in Botwana, Senegal, Côte d'Ivoire, Niger, Ghana, Burkino Faso, Tanzania and Kenya.

JCI is pursuing gold exploration in Ghana, Tanzania and Swaziland. It recently entered into a joint venture with Ashanti Goldfields for the redevelopment of the Kalana gold mine in Mali

"We anticipate a minor fall in the output of group gold mines which will be compensated for by increasing production outside of South Africa," says corporate affairs manager Marc Gonsalves.

He adds that the recently opened South Deep complex at Western Areas Gold Mine, which has the largest mineable gold ore reserves in the world, will substantially boost production It is expected to be on stream by 2000, with a lifespan of more than 40 years

JCI's gold division falls prey to labour, low output

214

BD 26/7/95

Michael Urquhart

GOLD production at the mines in JCI's gold division fell 7,8% or 869kg to 10 327kg as public holidays and poor results from Randfontein cost the industry substantial production time in the June quarter, division chairman Bill Nairn said yesterday

The lower gold production was the result of a fall in ore milled to 2,6-million tons (2,4-million tons) and a fall in grade to 4,22g/ton (4,34g/ton)

The biggest fall in gold production came from Randfontein Estates, where the retrenchment of 1 440 workers from the Cooke 3 section caused labour unrest. This had led to morale problems and an increase in absenteeism at Cooke 3

The retrenchments were for the scaling down of the Cooke 3 section from 210 000 tons a month to 160 000 tons a month The entire structure of the mine had been thinned out and the workforce was reduced by 2 000

Gold division MD John Brownrigg said with the retrenchment programme completed the mine was starting to see a recovery in morale and a lowering of absenteeism levels

Working costs for the quarter, which were higher at R228,2m (R224,7m), included a R4,3m provision for retrenchment costs The total cost of retrenchments was likely to be R8m.

With lower production from the higher grade Cooke 3 section, total grade at Randfontein fell to 3,3g/ton (3,43g/ton), which also contributed to lower gold production

Despite a fall in profit from gold, profits from uranium, higher sundry revenue and a much reduced tax bill of R3,3m (R16,6m) boosted net profit to R35,9m However, higher capex of R20,5m (R14,5m) caused by an R8m contribution to the environmental trust fund meant attributable profit was down at R15,4m (R17,6m)

At HJ Joel, an increase in ore milled to 175 000 tons (162 000 tons) was offset by a fall in grade to 5,18g/ton (5,64g/ton)

Brownrigg said the fall in grade was the result of limited face availability, which meant there was limited flexibility in grade control

Costs had remained high as the mine built up its workforce in anticipation of an increase in tonnage He said unit costs should decrease as a result of the build-up in production

Development during the quarter had decreased from the previous quarter, as a result of less areas available for development

Brownrigg said JCI had underestimated the problems associated with changing from trackless to conventional mining, and had difficulties with water and staff turnover

During the quarter, ore reserves were increased slightly to 735 300 tons (707 500 tons) The plan was to increase reserves to 1-million tons by the end of the year, and to increase ore milled to 100 000 tons a month by June next year

Talks were taking place at mine management level between Joel and adjacent Beatrix on areas of mutual interest. There was the possibility of Beatrix doing some development on the Joel property to speed the build-up of Joel's ore reserves

Western Areas, which recently completed its merger with South Deeps, also experienced a fall in gold production, to 3 874kg (4 156kg).

This fall in production saw net profit slip to R23,9m Higher capex related to spending on South Deeps meant Western Areas increased its attributable loss to R41,6m (R18m)

JCI June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	1 681	3,30	5 547	135,72	41 131	45 648	35 888	15 400	25,2
March	1 788	3,43	6 126	125,68	36 682	43 106	32 020	17 567	28,7
Western Areas	589	6,58	3 874	266,70	40 549	45 737	23 894	-41 561	(54,0)
March	627	6,63	4 156	242,56	36 594	43 385	32 011	-18 049	(23,6)
HJ Joel	175	5,18	906	266,77	51 529	45 630	-5 165	-13 730	(7,0)
March	162	5,64	914	273,50	48 476	42 616	-5 165	-17 340	(8,8)

COMPANIES

Gengold restructures to meet 'changing needs'

(214) BD 26/7/95

Michael Urquhart

THE restructuring of Gengold was not about cutting back on head office costs, but rather aimed at transforming management styles to meet the changing needs of the SA gold mining industry, Gengold MD Tom Dale said yesterday.

The main thrust was to speed up decision making at the sharp end of the business.

Given the scale of the Gengold operation, with a turnover of R3bn, head office fees and management contracts were not major concerns What was needed was a radical rethink of the way gold mines were run

Dale said the industry was facing a number of headaches relating to productivity, including issues such as slow face advance and a range of industrial relations problems

Although there were 24 shifts in a month and the face advance on a blast was 90cm, the average face advance for the industry was only 8m a month.

Continuous mining would give the mines a breathing space in which to restructure, but this strategy alone would not eliminate basic inefficiencies on the mines

For example, although miners worked a shift of eight hours and 40 minutes, long travel times to the working rock face meant they were only producing for between four and six hours

Although there were large potential productivity gains in the industry, they could not be achieved without the co-operation with labour Industrial relations activities were taking up ever-increasing amounts of management time, and this trend was likely to continue

The structure of the industry had evolved since 1970 when there had been a steady upward movement in the gold price, first with the dollar price boom in the 1970s and then with the collapse of the rand in the 1980s

Dale said the virtually unbroken upward movement in the gold price for two decades — leading to large margins combined with tax rates approaching 80% — had created a generation of management views which did not see costs as a priority Also, new projects had required a great deal of specialist expertise

Since 1987 the scenario had changed, with the gold price flat in rand terms and high domestic inflation putting the squeeze on margins Gold mines were also getting old, and there were few new projects under consideration

These factors meant expenditure on costly technical resources could not add value to SA mining operations in the current macro-economic environment

Part of the aim of the restructuring was to reduce the number of reporting levels in Gengold Previously Gengold had had 11 reporting levels from the rock drill operator to the CEO, and there were three levels between the mine manager and CEO

Dale said previously the mine manager reported to the consulting engineer for his region, who then reported to the chief consulting engineer who in turn reported to the CEO

In the new structure — effective from July 17 — the mine manager would report directly to the core management team of Gengold, and to the board of directors of the mine

The core management team would consist of Dale as MD, safety and operations director Kobus Olivier, technical director Peter Robinson, finance director Brian Abott and human resources director Tom Kok

Dale said the mines would also be encouraged to flatten their management structures To help implement this 500 workers would receive blasting certificates by 2000 under a Gengold training programme.

A greater number of qualified people at the rock face would lower the supervisory ratio from one foreman for every 40 to 50 miners to one foreman to 10 or 15 workers

Dale said this should have a positive effect on safety and help lift productivity A blasting certificate was also the first statutory qualification for a supervisory position and the initial step up the ladder on a mine It would give Gengold a larger pool of people for promotion to mine management structures

JCI blames public holidays for depleted earnings

(214) CT (DM) 26/7/95

BY DEREK TOMMEY
MINING EDITOR

Additional public holidays and low morale at JCI's largest gold mine depleted the group's earnings by 7,2 percent in the quarter ended June

According to JCI gold mines interim results released yesterday, after-tax profit, including net interest received, sundry revenue and profit from uranium, dropped to R54,6 million, compared to the R58,9 million reported in the previous quarter

Gold production decreased by 7,8 percent to 10 327kg (11 196kg), reflecting the 5,1 percent fall in milled throughput at 2,445 million tons and the lower average yield of 4,22 grams a ton (4,34 grams a ton)

Gold revenue was down 2,4 percent at R471,7 million (R483,3 million) with a 5,8 percent increase in the average gold price partially offsetting the poor production

Gold profit dropped 56 percent to R39,8 million (R62,2 million) as working costs increased R10,8 million to R431,9 million

JCI said reduced production was mainly due to the three additional public holidays in the quarter and the day of mourning following the Vaal Reefs' disaster

"Due to zero production on public holidays and the poor turnout on the days adjacent to public holidays, the mines are now losing an additional 16-18 days of production per annum," it said

John Brownrigg, the head of the gold division, expressed serious concern about the number of public holidays at a media and analysts' briefing

He said there was an urgent need to introduce continuous mining and to change many of the operational practices hindering productivity

Brownrigg said the mines were vigorously enforcing disciplinary procedures While Randfontein had retrenched 1 400 people, its total labour force had dropped by 2 000 as a result of many workers "dismissing themselves"

Bill Nairn, the managing director, said the retrenchment was necessitated by the planned downscaling of operations at Cooke 3 from 210 000 tons to 160 000 tons a month and the need to re-examine the total structure of the mine, including service departments

Sampling on the South Reef in the Doornkop section had given 17,25g over 100cm, which was better than expected

But much more development was needed before Randfontein could commit itself to sinking a R450 million shaft to exploit the area

Working profit from gold was R25,1 million (R39,4 million) while taxed profit after including other income, was R35,9 million (R32,0 million)

Western Areas' costs rose 3,3 percent or R5,0 million to R157,1 million. Mill throughout the quarter was down 6,1 percent but the grade was virtually unchanged Profit from gold was R20,1 million (R28,2 million) while taxed profit was R23,9 million (R32 million)

Joel increased its milled throughput by 8 percent to 175 000 tons However, yield dropped and the mine reported a loss for the quarter of R5,17 million — the same as the loss in the March quarter

The loss after capital expenditure was R13,7 million (R17,3 million) — *Additional reporting by Sapa*

CONCERNED *John Brownrigg, the head of JCI's gold division, left, and Bill Nairn, the managing director of JCI, suggest the introduction of continuous mining to improve productivity*

PHOTO JOHN WOODROOF

Gold dividend payout exceeds earnings

(214) Star 27/7/95

■ BY ANDY DUFFY

THREE major mining houses paid out R105-m more than their operations earned

Three major gold mining houses together paid out R105- million more to shareholders in year-end dividends than their mining operations actually earned

Figures for the June quarter – in which the industry has warned it is in a crisis and faces mass retrenchments – show JCI, Gold Fields of SA and Anglovaal all chose to pay out more to investors than their mines' bottom line earnings

JCI shareholders received year-end payouts on Western Areas and Randfontein Estates nearly R80-million above the mines' distributable earnings

Gold Fields of SA paid nearly R17-million more to Driefontein's shareholders than the operation's income

Anglovaal paid nearly R140-million in dividends for its mines, R9-million above their earnings, with Hartebeestfontein shareholders receiving R7,6-million more than the mine earned after capital expenditure Anglo American's Elandsrand, Western Deeps and Vaal Reefs drew a total R14,5-million from reserves after their earnings failed to cover their dividends for the six months to June

Ergo just covered its R62-million payout for the year to March, but Freegold pulled R500 000 from reserves to cover its R308,4-million dividend for the same period

Gengold, by contrast, paid dividends on seven mines that were covered by their available earnings

Analysts said the strategy could have been prompted by the industry's belief that their 1995 perfomances will recover

But sources said such apparent generosity to shareholders could inflame the sector, which is currently grappling with wage disputes and the threat of heavy job losses

JCI said the Western Area dividend – R76,5-million, against R19-million income after capital expenditure – stemmed from its decision to safeguard payouts after the operation's merger with South Deeps in January

Randfontein Estates was reducing cash reserves built up since 1992, as its finances had strengthened

"We felt shareholders deserved to get something out," a spokesman said "To hit them harder just wasn't on "

The mine might reduce the reserves, now R100-million, further later this year

Anglo American, which has warned it may have to axe about 10 000 employees at Freegold, was unable to comment

Edey Rogers analyst Duncan Ingram said technically, dividends should never outstrip earnings

But many mining houses were keen to maintain their dividend profiles to retain investor interest

"If you don't pay dividends, you can't expect people to put money into the industry," he said

Mines tap reserves to pay dividends

(214) CT(BR) 27/7/95

By Andy Duffy

Staff Writer

Three major gold mining houses together paid out R105 million more, in year-end dividends to shareholders, than their mining operations actually earned

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The mine might reduce the reserves further, now at R100 million, later in the year.

Anglo American, which has warned it may have to axe 10 000 employees at Freegold, was unable to comment.

Duncan Ingram, an analyst at Edey Rogers, said that technically, dividends should never outstrip earnings

Many mining houses were keen to maintain their dividend profiles to retain investor interest, he said.

Dragging SA mining into the 20th century

CT (MR) 28/7/95 (214)

By Andy Duffy

Staff Writer

Mining employers and workers' unions agree on the principle the industry is in a crisis and something drastic has to be done

For the Chamber of Mines, something drastic means scrapping a law that dates back to 1888, taking the industry to a seven-day working week to put it on a par with competitors and other South African industries.

At the moment, Sunday blasting is only allowed on mines with special permission from the minister of mineral and energy affairs — a favour granted so far only to a handful of marginal mines

As a starting point to this year's wage negotiations, the employers had been looking to make a joint appeal with the National Union of Mineworkers to repeal that law

The union decision not to support the industry's appeal put a halt to that

It is not that the union really has anything against continuous operations It is just not convinced that this remedy will work on its own

"We're willing to talk about it in the context of restructuring," said Judith Weymont, the media officer for the union

"But as an item on its own it is shortsighted It's like saying, 'Okay — the industry's got a problem so work harder' In the long term it won't change anything"

It is a view that has much sympathy on the JSE Few brokers and analysts are convinced continuous operations alone will save the day

Few analysts are convinced continuous operations alone will save the day

"If we could have it tomorrow, it would make no difference," said Dean Cunningham, an analyst at Fergusson Bros.

"There's a general lack of work ethic and going to a seven-day working week is not going to fix that

"We have to address the underlying problem with the workforce and the management," said Cunningham

There is little dispute that production disruption, linked in part to an increase in public holidays to 12 in the year, is battering the industry

In quick succession, Gold Fields of South Africa, Anglo American, Gengold and JCI have firmly pinned the blame for their disappointing June performances on stayaways

Output last year fell to its lowest level since 1958, while costs rose 16 percent

The chamber expects output to fall further this year, while costs could jump by 20 percent

In the first three months of this year, 15 chamber member mines failed to generate sufficient profit to cover capital expenditure, vital to their future

The latest round of quarterly results has shown the situation worsening

Existing working practices mean that up to 90 days of the year are inactive, depriving the industry of 18 to 25 percent of its capacity, said the chamber

And on an international basis, South African producers pay an average 25 percent more per kilogram produced compared to rivals in the United States, Australia and Brazil

For employers, conventional cost-cutting is no longer enough

SOUTH DEEP/WESTERN AREAS

(214) FM 3/2/95

Reducing the capital risk

SA's newest gold mine is about to take shape Announcing details of a merger between Western Areas and South Deep Exploration (Soudex), mining house JCI says it will cost R2,7bn to bring Soudex to full production in eight years

The new mine has reserves estimated at 60m oz, suggesting a life at planned extraction rates of about 60 years When the operation is in full swing, JCI estimates the merged mine will produce 440 000 t/month at a recovered grade of about 6,8 g/t at a total working cost of R206/t in July 1994 money Interestingly, the industry average for December last year is R284 So Western Areas will clearly have a marked advantage Converted into costs per oz — because grade is on the side of the new mine — this works out to R942 compared with the industry average for the last quarter of 1994 of R1 031

JCI gold division chairman Bill Nairn is at pains to point out that the merger is being effected for various reasons, including flexibility and managerial efficiencies But a major factor is the benefit bestowed by applying Western Areas' tax shield against the capital cost of the new development This has the effect of slashing the cost Shareholders will be required to fund about R1,1bn, a reduction of just over R1,6bn or 60% Not all of that will come from tax savings, though It will be supplemented by revenue generated from early stoping and reef development at Soudex

Despite the strain this will impose on the mine, profit for 1995 is expected to be about R90m — of which R36m will be paid to Western Areas shareholders as the interim dividend

A rights issue is scheduled for later this year to raise between R500m-R600m It's estimated this will carry the project through to 1999, when a further broadening of the equity base will be necessary — probably about another R500m.

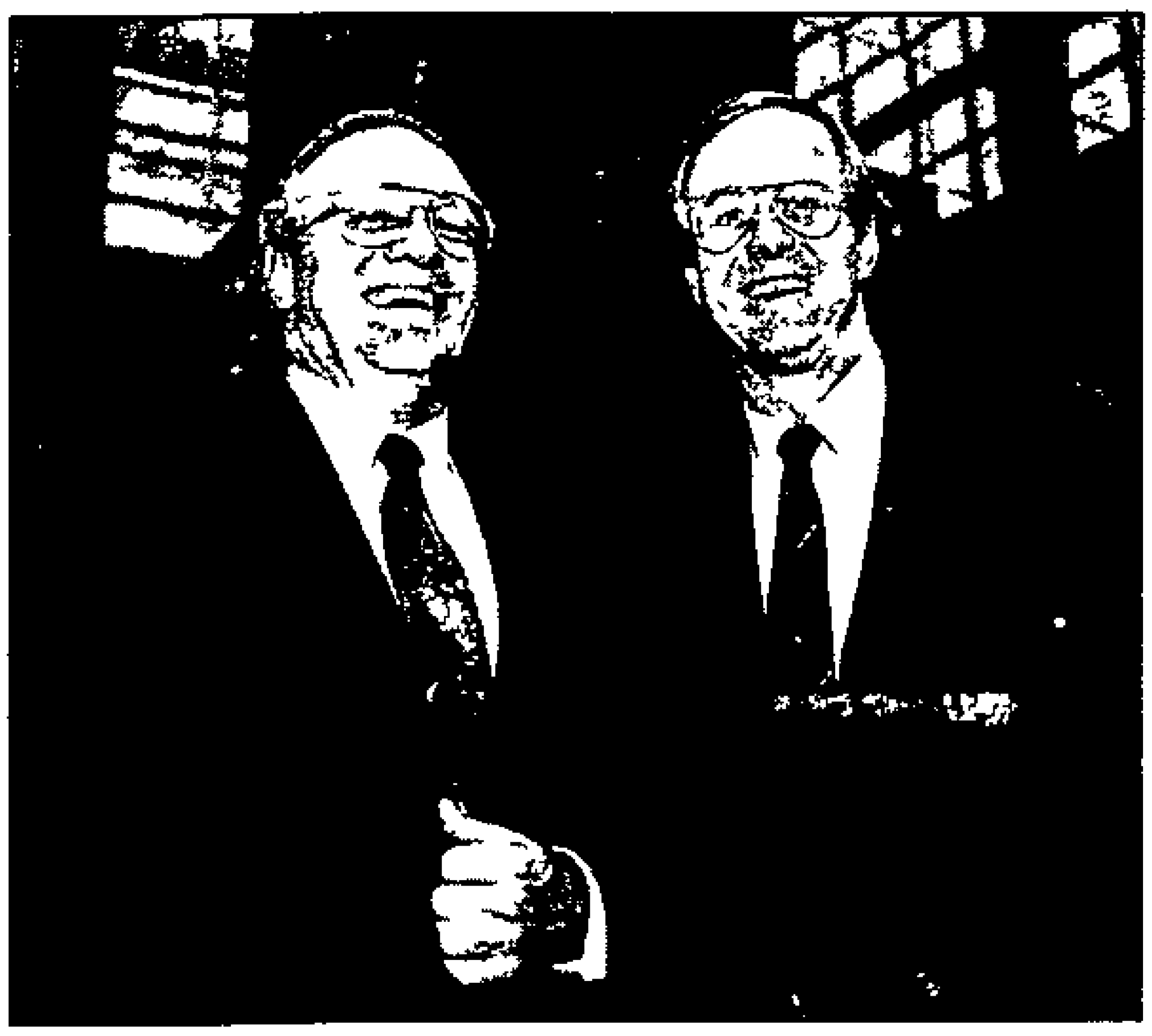
The key to the success of the Soudex project lies in a number of technical factors, the main one being JCI's ability to prove the reserve with an unusually high degree of confidence because of the underground access available through Western Areas

Ed Hern Rudolph mining analyst Grahame Graham-Parker says JCI has successfully reduced the capital risk by twinning the project with Western Areas' South shaft. "By the time the Soudex shaft complex is completed, the mine will have a well-developed, well-delineated ore reserve This justifies a much lower discount rate than that which would apply to an operation reliant on virgin, uncharted territory What's more, this is a world-class reserve, with adequate head grades and a lot of consistency"

The name given to Soudex is curiously out of place The ore bodies dip gradually between 2 500 m and 3 500 m, this is not unduly deep by SA gold mining standards At some mines such as Western Deep Levels, for example, mining takes place at around 4 000 m So Soudex's greatest depth shouldn't impose too much in the way of technical difficulties

Despite the inability of trackless mining techniques — on which JCI has placed great reliance and from which it has withdrawn in some areas — the group is persisting with its application in mining the Upper Elsburg reef at Soudex

Newly appointed JCI gold division MD John Brownrigg, until recently GM at Western Areas, says the failure of trackless mining was due to its inappropriate application He intends turning to it in applying a drift and pillar, cut and fill system



JCI's Nairn and Brownrigg *financial and technical benefits in the merger*

on the Elsburgs, because definitive pilot trials have shown its advantages However, the Ventersdorp Contact Reef will be mined by traditional stoping methods

JCI will rely heavily at Soudex on backfill to stabilise mining areas and improve the rock mechanics profile of the mine A large facility has been installed underground to crush waste rock Subsequently mixed with classified tailings and cement, the slurry is then pumped into mined-out areas where it consolidates into a solid support This also has the effect of concentrating ventilation in the working areas and reducing air temperatures, vital to ensure better productivity

The project is a timely replacement for steadily reducing reserves at older mines, many of which must now be considered comparatively short-life operations And it comes just as JCI takes on a new character, within a few years intended to be the first black-controlled mining house *David Gleason*

BERGERS

Back from the brink

Bergers chairman Howard Mauerberger may be financially broken but he remains an optimist about the business that once was his As the fortunes of his companies deteriorated over the past two years, he had to find more fingers and thumbs to plug increasing numbers of holes in the haemorrhageing dyke The banks haltered the business — and him As matters worsened, staff morale weakened and creditors began a relentless squeeze that almost throttled it

Three weeks ago, after the company was taken to the brink of liquidation, these pressures abated when the Cape Supreme Court sanctioned a scheme of arrangement that granted a payment of 30c in the rand to all creditors at the end of January Also in full and final settlement of their claims, the scheme offered creditors two new Bertrad shares for each remaining 70c of their claims

At the time it was rumoured that a number of buyers for the new shares were stalking the group. An offer price of 4c a share was mooted. It was also said that a mystery man had placed R15,5m at the group's disposal for working capital

Last week, it was announced that German entrepreneur Claus Daun, 51, had bought control of Bergers at 4c a share This is the fourth JSE-listed company in which Daun has made substantial investments He is currently chairman and principal shareholder of retailer Morkels, as well as director and major shareholder of furniture group Profurn and the tanner and leather manufacturer Silveroak.

Market talk held that Daun pipped Pepkor to the post because Pepkor chairman Christo Wiese attached too many conditions to the 4c a share that Pepkor was offering Wiese denies that Pepkor was even in the race He says that Pepkor had been called on by another organisation to join them in a bid for Bergers His answer was that they should approach him when terms had been finalised — and they never were

After the issue to creditors of new

ST(BT) 5/2/95

West Wits's cheap gold

214

WEST Wits, according to its chairman Norman Lowenthal, is the country's lowest-cost gold producer, at R61,72/ton, despite yielding the lowest grade, at 1,6g/ton.

West Wits, part of the Consolidated Mining Corporation stable, is adjacent to Randfontein Estates and First Wesgold (formerly West Rand Cons) It was mined by Randfontein until 1960, then reopened by Joe Berardo's JMFC during the 1980s When JMFC went belly-up in 1989, Mr Lowenthal (a stockbroker) and his lawyer-partner Gerald Rubenstein put together a rescue package and recapitalised the JMFC group as Cons Mining Since then, a low profile has been adopted while the mine set about exploiting the large untouched reserves

Current expansions, costing R60-million, will lift the monthly tonnage by 25% to 200 000 tons with the bulk from the opencast operations

John Donald, CMC's general manager gold operations, says the ore body is unusual on the Witwatersrand in that it comprises a series of reefs over about 12m Only the two richest — the West and the Leader — have been mined out The reefs outcrop and are mined from surface and from underground to give the best mix of cost and grade

The opencast reserve is quantified at 23-million tons to a depth of 100m at an average grade of 2,1g/ton Underground, the tonnage is the same but at double the grade This is a long-life mine, opencast can go on for at least 16 years and underground for 47

Before plant expansion, 120 000 opencast tons are being processed through the carbon-in-pulp plant and 20 000 to 40 000 tons go to the heap-leach Another 40 000 tons from underground are also treated in the CIP plant

Mr Donald says the first heap-leach pad, was installed at a cost of R1,2-million to treat cheaply the lower grade reefs which of necessity must be removed during mining There is no monthly tonnage target and if there is no stockpile, the gravel-sized material is retreated for the cost of pumping cyanide solution round again Once the principle was entrenched, a second heap-leach system was installed on a patch of old tar road for R43 000 If the heaps yield even 10kg of gold a month it almost all goes to the bottom line and the gravel is sold for roadbuilding

The CIP plant currently yields 290kg of gold a month to give a mine-total of 300kg Its capacity for treating ore, is to be lifted to 200 000 tons a month this year and the forecast payback period is 24 months after completion

The possibility of reopening the East, No 8 and No 9 shafts is under consideration and in-pit crushing might be introduced at the opencast sites

There are 91,8-million West Wits shares in issue of which 72% are directly and indirectly controlled by Cons Mining

Means of raising R60-million are being examined, Mr Lowenthal says consultants E L Bateman deem the expansion project the best they have seen and he expresses reluctance to dilute shareholders' interests through a rights issue

West Wits has fallen steadily from 370c to 210c in a year, giving an historic yield of 9,52% In the nine months to December it has made almost R17-million of profit before capital expenditure of less than R1,7-million I think it looks cheap

JOHN DONALD . CMC's gold operations manager

NEWS FOCUS

Gold mines facing new cost squeeze

214 BD 7/2/95

MICHAEL URQUHART

WITH the gold mining industry looking at another cost squeeze similar to that experienced from 1990 to 1993, productivity is vitally important to maintain the competitiveness of the industry and save a number of marginal mines.

This was brought sharply into focus by Anglo American gold division chairman Clem Sunter at the presentation of the group's gold quarterly results

He said if cost increases this year were similar to last year's, the group could shed 15 000 jobs.

Contributing to the cost squeeze was the new calendar of public holidays, which increased the number of statutory holidays in the mining indsutry from five to 12

Sunter called on government to abolish restrictions on blasting on Sundays to help offset the effect of he increased number of public holidays and to enable the industry to make more productive use of the expensive capital equipment required for the gold mines

Blasting on Sunday is allowed only as a special dispensation from the Mineral and Energy Affairs Minister, who has granted it in a few cases to marginal mines on the brink of closure.

One such mine is Anglovaal's Loraine, which had been incurring losses on such a large scale that the mine was within three months of closing in February 1993

Special permission was acquired from the Minister to allow Sunday blasting, and the mine changed from an 11-shift fortnight to a cycle of continuous work with the effected workers having three shifts off after working 12

Anglovaal divisional manager (mines) Tim Spindler said the shift to continuous operations had not only prevented mine closure, but had allowed the creation of an additional 600 jobs on a mine which had previously been facing closure with the loss of 6 000 jobs

Gold output had increased 25%, which Spindler said illustrated the positive effect continuous operations could have

He said following the experience at Loraine, Anglovaal believed that legal constraints on Sunday work should be lifted Each mine could then, in agreement with employees, focus on a cycle of work more suited to the mine itself.

But Spindler said Sunday blasting may not be applicable at all mines, and a decision to work on Sundays should involve all stakeholders

Spindler said there remained a number of areas where gold mines could still increase productivity, but these would have to be on a macroscale, such as restructuring operations

He said he would also like to see remuneration packages based more on incentives than a basic package, and that incentives should focus on cost-effective gold production.

Previous incentive schemes had often focused on items not directly linked to productivity, such as tonnage broken

The change to Sunday blasting at Loraine had also been accompanied by the introduction of a profit-sharing scheme

Gengold is one group which has responded to the challenges of increasing productivity by introducing innovative work methods Deputy chairman Tom Dale said the maturity of the mining industry in SA meant there were long travelling times to the working face and grades were lower. New work practices were needed to keep these mines viable, he said

Dale said productivity-based compensation systems would allow the industry to create more jobs But he stressed that all changes had to take place in consultation with labour and government.

Two new work practices which had been introduced were double-shift stoping at Leslie and the "turboshift" at Winkelhaak St Helena had also started operating its industrial vacuum cleaners around the clock for seven days a week.

Normal operations allowed blasting once a day on the evening shift At Leslie blasting had been increased to twice a day, once on the day shift and once on the night shift

This was achieved by doing various tasks of the stoping operation simultaneously In normal operations, cleaning was followed by drilling and then blasting.

With the double-stoping system, cleaning was only partially completed when drilling started Once cleaning was completed and while drilling continued, material for the next shift was brought up

This allowed the whole operation to be completed in one shift, increasing the number of production shifts a month from an average of 23 to 42

This would allow double the production from the same amount of available face. It also reduced the amount of labour necessary by doing away with a separate cleaning shift, and allowed better utilisation of expensive equipment

The new method also led to better utilisation of ventilation, as work was concentrated in fewer areas

With the turboshift implemented at Winkelhaak, a cleaning and support crew would enter the production area about 6am, followed by a drilling crew six hours later. The drilling crew would overlap the cleaning crew by about two hours, eliminating the communication problems that existed between a night shift and a day shift. One shift boss would be responsible for both shifts in a specific working area.

Gengold said this method had improved team work and safety standards

It had also allowed a quicker response to production problems, and the statutory re-entry of three hours after blasting would not compromise a night shift if blasting was delayed

Turboshifts had been introduced to lower the pay limit at Winkels and increase the payable ore reserve base This increased the mine's ability to fund future capital projects and extended the life of the mine

Discontent over mine share swap

MICHAEL URQUHART

THERE were rumbles of discontent yesterday about the ratio at which the share swap in the Western Areas/South Deep merger would take place.

JCI had announced it planned to merge the adjacent gold mines to take advantage of synergies JCI gold division chairman Bill Nairn described the merged mine as "the greatest growth opportunity in the SA gold industry" (214)

JCI said at its presentation of the merger yesterday that the swap ratio, at 92 Western Areas shares for every 100 South Deep shares held, was decided on after a valuation of the mines, which was confirmed by independent consultants Prof Danie Krige and Standard Merchant Bank.

A major factor in determining the swap ratio was the discount applied to South Deep's value The discount was applied as the mine still had to be developed and there was an element of risk associated with a new mine.

BD 7/2/95

Nairn said as there had been extensive underground exploration work on the mine via Western Areas, this degree of risk had been minimised This had led JCI to apply a discount somewhere between what they would apply to a "virgin" mine and one which would be applied to a developed mine He did not specify what discount factor was used

Nairn said JCI had reduced the value of Western Areas' ore reserve as it was extremely sensitive to the gold price, while South Deep already had 14 years of proven high grade reserves.

He said South Deep had eliminated the risks associated with the mining methods that would be applied, and exploration had allowed them to define the ore body with a great degree of confidence.

To Page 2

Share swap

From Page 1

Steve Arthur of UAL, a major shareholder of Western Areas, questioned the ratio. He said the risk in most new projects was often substantially more than management said, and led to shareholders getting their fingers burnt. He pointed to the example of JCI's HJ Joel, where an attempt to use trackless mining resulted in serious financial difficulties.

G O'Flaherty analyst Mark Madeyski was also unhappy with the ratio He thought JCI should have been more generous to Western Areas shareholders, especially as JCI and parent Anglo American owned 75% of South Deep and only about 25% of Western Areas.

He said South Deep would not be producing a return for shareholders until early next century It would benefit from early entry into the mining area from Western Areas, which was bringing expertise and infrastructure to the merged mine

One analyst said he would have been happy with the merger ratio if some system had been in place to ensure South Deep shareholders carried the risk of South Deep until it came into full production

BUSINESS

Mine merger will open rich reserves

Argt 11/2/95 (214)

COLIN DOUGLAS
Business Staff

GOLD mining's greatest growth opportunity is in store for shareholders if they approve the merger of the Western Areas and South Deep mines, says Johannesburg Consolidated Investments MD John Brownrigg

Promoting the merger at a presentation in Cape Town this week Mr Brownrigg said JCI's confidence in the venture arose from a 10-year feasibility investigation and R200 million worth of underground exploration JCI is the major shareholder in both companies

The enlarged Western Areas would have one of the largest recoverable reserves in the world and a lifespan of more than 60 years Mr Brownrigg said

By operating as a single entity, the mine would avoid duplication of management and infrastructure, giving rise to economies of scale

The larger mining area and the grade distribution pattern would make the operation more capable of withstanding the vagaries of the gold market giving management greater flexibility to mine on a selective basis

JCI has proposed that Western Areas acquire South Deep's entire mining operation as a going concern in exchange for 36 million Western Areas ordinary shares — a merger ratio of 92 Western Areas shares for every 100 South Deep shares held

Capital expenditure of around R2 7 billion would be required to bring South Deep into full production, JCI has estimated, but the funding requirement should be reduced to R1 1 billion thanks largely to the benefit of the merged operation being taxed as a single entity

Initial capital requirements of R500 to R600 million would be met partly by a Western Areas rights offer soon after the merger

Following heavy losses by Western Areas over the past six years the mine paid only R6 8 million tax on profits of R196 million last year after restructuring its operations

Shareholders will be asked to approve the merger, and the winding up of the remaining South Deep shell company, at general meetings to be held on February 21

■ Stockbrokers Davis Borkum Hare have given the merger a clean bill of health, saying the merger ratios are a fair reflection of the value of the respective mining operations

'A major benefit to the South Deep shareholder is the use of the tax shield supplied by Western Areas while Western Areas will benefit in terms of additional life, mining flexibility and utilisation of spare shaft and plant capacities, said DBH analyst Dave Giese in a briefing to clients

Randgold scraps ERPM, Harmony contracts

JOHANNESBURG — Randgold said yesterday it had agreed to cancel its management contracts with East Rand Proprietary Mines and Harmony with effect from February 1 in exchange for an issue of new shares in those companies (214)

The contract in respect of Durban Roodepoort Deep would be cancelled after the proposed merger between DRD and Rand Leases. A similar arrangement was still being negotiated with the group's other listed mine, Blyvooruitzicht.

The cancellations were requested by the mines and were in line with the intention of easing the burden of head office management fees on the mines while at the same time increasing their operational independence, Randgold chairman Peter Flack said CT 14/2/95

They would save ERPM R4,5m and Harmony R13,1m in their next financial years, and DRD R3,1m following the Rand Leases merger. The estimated annual savings would rise to between R7m for DRD and R24m for Harmony by the year 2000 — Sapa

Call for flexibility in work arrangements

(214)

BD 15/2/95

ERICA JANKOWITZ

FLEXIBILITY in work arrangements and major technological advances were required to see a revitalisation of SA's gold mining industry, Gold Fields chairman and CEO Robin Plumbridge said recently.

At the Outlook 95 conference in Canberra, Australia, Plumbridge said it was essential that SA regained its position as a leading gold-producing nation. Last year, gold production fell as a result of industrial action and general disruptions allied to the election. He expected SA's gold mining industry to have picked up and regained its reputation as a world class producer by 2000.

In the long term, the industry should strive for "the ultimate prize of mining without the use of explosives, thereby eliminating re-entry requirements due to blasting fumes, reducing the fracturing of both hanging wall and footwall and hopefully significantly reducing the numbers of people required in the mining process".

To ensure optimal gold production, a fundamental restructuring of work arrangements was imperative including rescheduling shifts away from the current 11-shift fortnight format. The prohibition on Sunday mining should be removed as other related industries were not similarly inhibited, he said.

"Flexibility will be required in the thinking of senior management, employees and their trade unions, and government ministers and those public servants who have a regulatory role to play."

Currently the average stope face could be blasted only twice a week, which meant productivity improvement was difficult. SA mining would strive to utilise all resources for at least 95% of available time within the near future.

"The number of shifts which employees will be required to work each week will not be affected. Indeed many employees will be able to enhance the quality of their leisure time by suitable rostering of shifts," Plumbridge said.

He dismissed union reluctance to review work arrangements citing health reasons. Instead, many migrant workers would benefit from new work arrangements as they would be able to schedule longer breaks from work during which home trips would be possible.

On Labour Minister Tito Mboweni's proposal to reduce the working week to 40 hours, Plumbridge warned this should not be legislated unilaterally, but should be subject to the usual union-employer bargaining process.

Nationalise Gold Fields, demands NUM

(214) (222)

RENEE GRAWITZKY

GOLD Fields should be nationalised without any compensation because it was not mining for the benefit of all South Africans, National Union of Mineworkers (NUM) president James Motlatsi said at a news conference yesterday BD 9/3/95

Claiming that the death of six mineworkers at Deelkraal gold mine in Carletonville on Tuesday could have been avoided, he accused Gold Fields management of being "super-racists" and of ignoring claims that workers in the hostels were armed

Hostel searches on Tuesday night and yesterday resulted in the seizure of weapons such as knobkerries, pipes and one AK-47 Fighting broke out on Sunday and tension increased yesterday when a worker was stabbed in a hostel

A Deelkraal spokesman said the mine, which had not been operating for two days, was losing R1m a day Management would not allow the workforce to go underground until peace was restored

Last night the NUM and the United Mining Workers' Union of SA were served with a notice of the company's intention to apply for Supreme Court interdict today

The interdict was to restrain members from "interfering with, obstructing, intimidating, threatening in any manner and assaulting" mine employees

Management met the two unions separately yesterday but was unable to find a solution, the NUM said

The NUM proposed establishing an interim community police structure which would include representation of all parties Management rejected the proposal on the basis that the parties first had to agree and sign a declaration of peace The proposal could be considered in the long term

● Picture Page 3

SA mines world's most expensive

BD 9/3/95

(214)

MICHAEL URQUHART

SA GOLD producers had the dubious honour of taking the top 10 spots among the world's highest-cost producers in the Mining Journal's Gold Service February international quarterly report.

SA mines had held nine of the top 10 spots in the November report, but with SA costs an ounce rising rapidly, US producer Amax Gold was nudged out of ninth spot.

A new entry to the top 10 was Gengold's Buffelsfontein. It was pushed into the number 10 spot at $347/oz after a disastrous December quarter in which a substantial part of the mine's reserves were eliminated and the life of the mine was shortened from five years to two

Randgold's mines, which feature regularly in the top 10, had a mixed quarter Durban Deep, the struggling producer which was pulled back from the brink of closure and is still battling to return to profitability, nudged Anglo American's Afrikander Lease out of the position of the world's highest-cost gold producer.

Blyvooruitzicht, which retrenched 3 000 workers as part of its rationalisation programme, also moved up in the ratings. But the other two listed Randgold mines, ERPM and Harmony, both moved down, with Harmony dropping out of the top 10

The only SA mine among the 10 lowest-cost producers, Gold Fields of SA's Driefontein, slipped two positions to number eight.

Chamber of Mines economist Roger Baxter said the dominance of SA in the ranks of the world's high-cost gold producers highlighted the vulnerability of SA's marginal mines

He said the average SA cash cost of gold production, which excluded capital expenditure, was 25% higher in dollar terms than that of the US, Canada and Australia

Baxter said with a set gold price, producers could compete only on the basis of cost of production. As the mature SA mining industry went deeper in search of new gold reserves, so the costs of the industry would escalate.

Baxter said seven of the Chamber's member mines were marginal producers, according to the Chamber's definition These producers employed 33 900 people and last year produced 38,4 tons of gold

With the cost an ounce of gold produced last year increasing an average of 16%, these mines were becoming increasingly uncompetitive. Baxter said of the seven marginal mines, six had made a working loss last year.

He said moves to improve productivity and labour, such as Sunday blasting, would be required to halt the rapid escalation of SA costs

CT(BR) 15/3/95 (214)

New gold mine for JSE listing

BY JOHN SPIRA
GAUTENG BUSINESS EDITOR

A new gold mining exploration company, Amalia Gold Mining and Exploration, is scheduled for listing on the JSE in mid-April

Amalia, which already boasts a 90-metre shaft, plans an underground mine in with production of up to 13 000 tons a month (by year four) at an average yield grade of 5,5 grams/ton of ore milled

The ore body is located in the North West Province in an area known to geologists as the Kraaipan Schist Belt, which extends from Christiana in the south for some 220km northward to the Botswana border

Because of the shallow depths of the ore body, Amalia projects its working costs before capital expenditure to be as low as $153 an ounce If achieved, it will be the lowest cost mine in South Africa

The issue price of the shares is 100c each and the projected annual dividend is 10c

The geological characteristics of the gold belt are similar to the Eastern Transvaal where ET Cons has been mining gold profitably for decades

The difference is that the Eastern Transvaal ore tends to be of a refractory nature and therefore difficult to extract Further more, the topsoil is acidic, which makes surface gold anomalies relatively easy to identify

The ore of the Kraaipan Schist Belt is not refractory, while the topsoil is alkaline, making gold amenable to natural surface leaching

Sponsoring broker to the issue is Anderson, Wilson & Partners

Durban Deep losses grow

(214) AD 17/3/95

MICHAEL URQUHART

DURBAN Roodepoort Deep, the gold mine managed by Randgold & Exploration, increased its loss after taxation for the year to December to R34,3m compared to a loss of R12,5m for the previous year

The major contributor to the increased loss was a retrenchment cost of R19,7m, which was incurred when the mine reduced its workforce following a major downscaling of underground options.

The retrenchment costs were partially offset by a sale of gold in process, which raised R13,2m for the Roodepoort mine.

Results were further hammered by an abnormal item of R3,3m in respect of bond-raising and registration fees on a R36m facility obtained The working loss also increased, from R15,8m in 1993 to R25,4m in 1994.

Ore milled fell sharply to 604 000 tons (1-million tons), which Durban Deep said was in line with planned production rates

It said a capital development programme had been initiated to bring targeted reserves to account Production from underground would be built up to 40 000 tons a month by August 1995.

A circular on the planned merger with neighbouring Rand Leases would be sent to shareholders during April 1995.

ANGLO AMERICAN GOLD MINES

(214) FM 17/3/95

The cost spectre returns

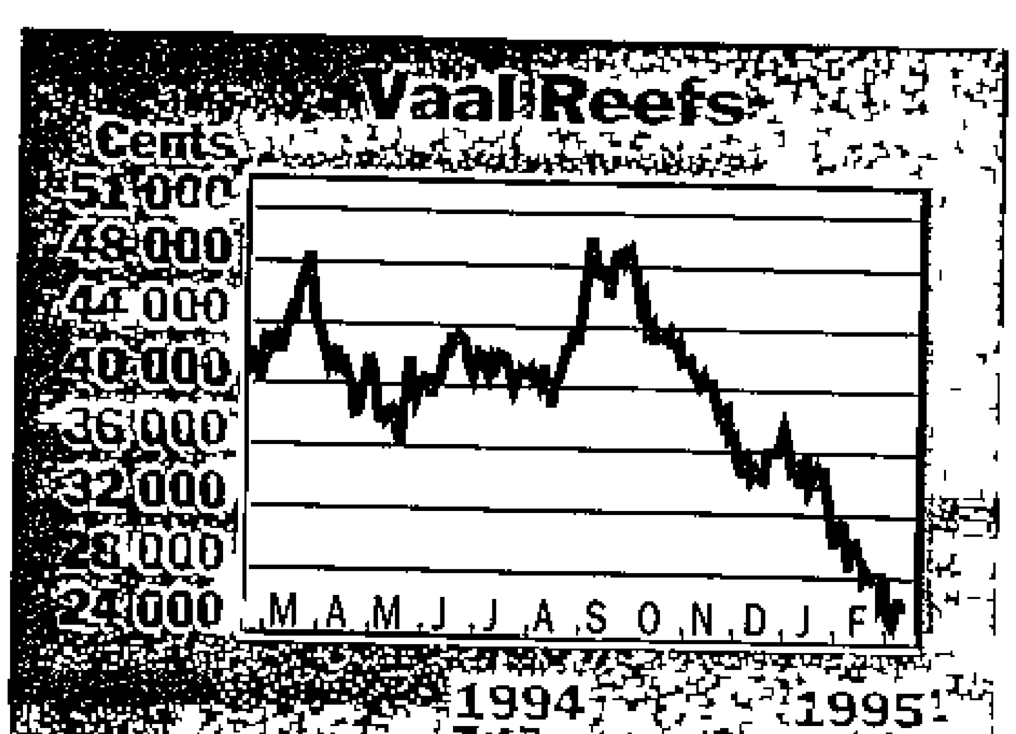
VAAL REEFS

Control: *Anglo American Group 48%*
Chairman: *C L Sunter MD N Mayer*
Capital structure: *19,1m ords Market capitalisation R5,0bn*
Share market: *Price 25 975c Yields 4 8% on dividend, 4,8% on earnings, p e ratio, 20,8, cover, 1 12-month high, 49 800c, low, 24 600c Trading volume last quarter, 920 000 shares*

Year to December 31	'91	'92	'93	'94
Tons milled (000)	11 335	11 911	11 951	11 528
Yield (g/t)	6,5	6,3	6,4	6,1
Cost (R per kg gold)	24 370	24 418	26 056	30 800
Gold produced (kg)	73 908	75 427	76 110	70 687
Earnings (c)	1 031	1 110	1 371	1 247
Dividends (c)	1 035	1 110	1 370	1 245

If they do anything, latest reports for North-West and Gauteng province gold mines administered by Anglo American underline the fragility of this industry In particular, they illustrate mines' susceptibility to the mood swings of an increasingly unpredictable labour force Curiously, militancy is growing just as the industry may be preparing for fundamental restructuring Whether the belligerence of organised labour will help or hinder is another matter

Another factor is that recent legislation trebled paid public holidays in the industry, to 12 This will exacerbate already seriously low productivity It is not simply the



addition of an extra holiday at stray times mines are not like that They take time to wind down, even longer to wind up

Given that capital utilisation (as measured by installed shaft capacity) is already low, removing Sunday work limitations and introducing continuous working becomes vital, as gold division chairman Clem Sunter bangs on about without remission Some mines are renegotiating Sunday blasting and mining, usually on development rather than stoping, and the shortening of re-entry periods after blasting

At **Vaal Reefs,** which includes Southvaal, Afrikander Lease and Eastvaal, tonnage milled fell noticeably, largely because of

Sunter *continuous working becoming vital*

last April's general election and pervasive labour instability Yield fell notably in the North Lease area to a complex average of 6,13 grams a ton (g/t) The 28% fall in tax payments came largely from the abolition of lease payments

Gold revenue was up 16% in rand terms but costs rose 18% and capex 17% so there was a net decline in EPS from 1371c in 1993 to 1 247c It is not a happy picture

Southvaal's mill throughput fell 8% but an increase in yield of 5% helped by costs held well at 8% and the 16% revenue increase emphasised this company's ability to get out of trouble A feature was the focus on reducing stope widths with a consequent increase in yields

The issues facing **Western Deep Levels** are no less gloomy Labour relations, rel-

WESTERN DEEP LEVELS

Control: *Anglo American Group 48%*
Chairman: *CL Sunter MD N Mayer*
Capital structure: *27,7m ords Market capitalisation R6,4bn*
Share market: *Price 12 200c Yields 4,1% on dividend, 4,1% on earnings, p e ratio, 24,3, cover, 1 12-month high, 23 000c, low, 11 800c Trading volume last quarter, 1,1m shares*

Year to December 31	'91	'92	'93	'94
Tons milled (000)	6623	6459	6599	6356
Yield (g/t)	6,2	5,9	6,6	6,1
Cost (per kg gold)	23 349	25 961	26 207	31 096
Gold produced (kg)	41 110	38 354	43 406	38 743
Earnings (c)	390	312	561	502
Dividends (c)	390	310	560	500

atively normal in the first six months — the election interruptions aside — deteriorated sharply in the second half Many of the problems are a reflection of those found across the industry the management of the single-accommodation hostels for one, waiting times for shaft cages another

A feature is how backfilling appears to be helping with the mine's notorious seismic problems Backfilling is now extended to all panels being mined on the Carbon Leader reef and 14% of those on the Ventersdorp Contact reef While frequency of seismicity (rock bursts) has declined only slightly, they are much less severe

The mine's yield dropped 9% last year and distributable earnings were down 11% despite an increase in revenue per kilogram of 15% EPS of 502c compares with 1993's 561c Not surprisingly, dividends fell 11% to 500c a share (1993 560c)

Prospects for 1995 appear rather better Unusual difficulties in the last quarter of 1993 relating to hoisting should be at an end Coupled with an increase in yield, Western Deeps should be better protected against an uncertain labour environment

As imposition of full mining tax saw

ELANDSRAND

Control: *Anglo American Group 70%*
Chairman: *C L Sunter MD N Mayer*
Capital structure: *97m ords Market capitalisation R1,8bn*
Share market: *Price 1 850c Yields 3,5% on dividend, 3,4% on earnings, p e ratio, 29,4, cover, 1,0 12-month high, 3 500c, low, 1 850c Trading volume last quarter, 1,6m shares*

Year to December 31	'91	'92	'93	'94
Tons milled (000)	2 276	2 153	2 252	2 139
Yield (g/t)	6,5	8,7	8,2	7,4
Cost (R per kg gold)	23 690	22 082	22 725	29 086
Gold produced (kg)	14 890	18 682	18 428	15 870
Earnings (c)	35	60	102	63
Dividends (c)	35	60	100	65

payments rocket to R46m (1993 R18m), **Elandsrand** turned in an equally depressing result EPS fell 38% to 63c from 1993's 102c The dividend fell in line — 35% down to 65c

The mine is being pinched at both ends yield fell an average 9% to 7,42 g/t while unit costs surged 28% to R29,086/kg produced Revenue, up 17% to R43 270/kg, was hardly enough to offset these rises Planned mill tonnage of 200 000 t/month probably won't be achieved until mid-1996 because of a shortage of face in the deeper levels

This invites a general comment that most mines have curtailed capex programmes for a long period Now they are financially

P.T.O.

healthier there is an urgent need to resume development capital programmes but this whole effort is being dampened by continued falls in productivity

For the time being, investors are probably best advised to adopt a sit-and-see attitude to all SA gold producers *David Gleason*

ARIES PACKAGING

Strong record

FM 17/3/95

Activities: *Screenprinting and manufacture of packaging paper cores, tubes and fibre drums*
Control: *Directors 59%*
Chairman: *G E Kohler MD D Neckel*
Capital structure: *11m ords Market capitalisation R34m*
Share market: *Price 310c Yields 2,9% on dividend, 10,0% on earnings, p e ratio, 10,0, cover, 3,5 12-month high, 310c, low, 220c Trading volume last quarter, 409 000 shares*

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	1,5	1,9	0,9	1,5
LT debt (Rm)	1,9	2,1	1,4	0,8
Debt equity ratio	0,46	0,48	0,19	n/a
Shareholders' interest	0,54	0,52	0,62	0,65
Int & leasing cover	5,3	5,5	11,5	45,0
Return on cap (%)	19,1	19,9	30,4	29,6
Turnover (Rm)	26,0	28,1	33,1	36,2
Pre-int profit (Rm)	2,6	3,2	4,5	5,6
Pre-int margin (%)	9,9	11,3	13,7	15,4
Earnings (c)	10,5	13,0	19,7	31,1
Dividends (c)	3,5	4,0	6,0	9,0
Tangible NAV (c)	67	76	89	111

After a first half fraught with trading and manufacturing uncertainties, Aries turned in an unexpectedly strong second-half performance on the back of the improving economy and increasing packaging usage

Turnover advanced by 9%, about in line with inflation, so there was no gain in market share However, the company's customer base expanded along with volume growth especially in the corrugated containers division MD Dieter Neckel says turnover value was constrained because, in the face of stiffer competition, selling prices were held constant for most of the year

The cores and tubes division sacrificed sales volumes to aim for a more profitable niche market This strategy worked but the fibre drum division the only producer of this type of packaging in southern Africa, fell short of its volume growth objectives

The 24% increase in operating income is a better indicator of the group's progress It shows working capital was well managed and productivity improvements continue to be gleaned from the production and distribution process

Cash generated by operations rose 16% And though working capital increased — principally because of forward buying ahead of paper price increases — funds on call at the year-end were a high R2,2m Net interest paid fell two-thirds and pre-tax profit rose 32%

The share rose from 70c in 1992 to 130c a year later and from 220c in March 1994 to 310c now It has appreciated 4,4 times in the past three years, EPS trebled over the same period Yet the share is valued on a low historical p e of 10 in a sector with an average p e of 18

The total tax bill including the transitional levy and STC, was only 37% of taxable earnings This year it will be closer to 41% Neckel says trading is ahead of budget in all respects He believes earnings growth should at least match last year's 32%

That would take 1995 EPS to roughly 41c, placing the share on a low prospective p e of 7,6 Even a 10 p e would value the share at 410c without any rerating There are only 11m shares in issue but Aries is well traded in a relatively liquid market

The share offers sound value and should be bought *Gerald Hirshon*

DEFINITIONS

Total shareholders' funds: The total of ordinary, minority and irredeemable preference shares plus all capital convertible into equity, less intangibles and adjusted for the market and/or directors' valuation of investments
Capital employed: Total shareholders' funds plus deferred tax and long-term debt, plus all current liabilities — equal to total assets
Gross cash flow: Profit after tax and redeemable preference dividends, but before minorities, plus depreciation and deferred tax

ISSUES

COMPANY AND TERMS:	Last day to register	NIL PAID LETTERS Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	FULLY PAID LETTERS OF ALLOTMENT Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	PRICES OF LETTERS Take up price	Price Mar 6	Price Mar 13 (cents)
BOE — Proposed rights offer 30 BOE prefs for every 100 ords held at 3000c per pref share	13 4 95														
BOE CORP — Proposed rights offer 30 BOE Corp prefs for every 100 ords held at 135c per pref share	13 4 95														

RESULTS AND DIVIDENDS

		Pre-tax profit Rm 1993	1994	% change	Earned cents per share 1993	1994	Paid 1993	1994	Sector	Dividends Amount cents	Register by	Payable about
AECI	P	347 0	304,0	-12	133	186	58	68	Chemicals	†48 00	17 3 95	18 4 95
Amic	P	647 0	1284 0	+98	●737	●1108	375	450	Ind Hold	†318 00	24 3 95	—
Aukland Invest	I	❑	♣2 1	—	❑	♣2	—	—	Dev Capital	—	—	—
Bowler Metcalf	P	6,6	8,0	+21	16	19	6	6 5	Paper & Pack	†4,00	31 3 95	—
BTR Dunlop	P	89,3	111,1	+24	343	380	175	185	Ind Hold	†122,00	31 3 95	28 4 95
Cadswep	P	70,7	83,7	+18	●196	●231	80	93	Food	†73 00	24 3 95	—
Cullinan	I	(8,0)	(21 4)	—	(61)	(154)	#	#	Ind Hold	—	—	—
De Beers	P	2591,0	2452,0	-5	▼754	▼769	▼286,8	▼299,6	Diamonds	▼†207,61	24 3 95	24 5 95
FIT	P	67,0	87 5	+31	32	40	22	26	Invest Trusts	†18,00	24 3 95	26 4.95
Glodina	P	3,1	5,5	+75	0 1	27	#	4	Clothing	†4,00	24 3 95	—
Harvest Securities	P	2,2	3,7	+68	●21	●24	20	♦23	Invest Trusts	♦†13,00	24 3 95	3 4 95
Hyprop	P	20,6	25 5	+24	▲51	▲59	▲58,59	▲66	Prop Loan Stock	▲†34,00	24 3 95	26 4 95
JD Group	I	♠52 1	104 1	+100	■♠45	■66	♠18	20	Furniture	*20 00	31 3 95	3 5 95
Klipton	I	1,6	1,0	-34	9	6	—	—	Ind Hold	—	—	—
Kopp	I	0,92	2 7	+195	5	16	—	—	Electronics	—	—	—
Kudu Granite	I	❑	1,7	—	❑	2	❑	#	Other Metals	—	—	—
Liberty Hold	P	§395,7	§462,0	+17	●863	●995	450	560	Insurance	—	—	—
Liberty Investors	P	§102,9	§120 6	+17	●50	●58	26	32 4	Insurance	—	—	—
Liberty Life	P	§638,8	§761,8	+19	●278	●323	164	204	Insurance	—	—	—
Liblife Strategic Inv	P	♠145 9	154,8	+6	♠64	74	♠24 5	27 5	Ind Hold	†14 50	24 3 95	7 4 95
Macadams	P	1,9	2 9	+55	11	16	#	2	Food	‡2,00	7 4 95	28 4 95
Masonite	P	10 3	14,6	+42	128	142	35	38	Buildings	†26,00	17 3 95	7 4 95
Mutual & Federal	I	91,7	58,8	-36	●158	●123	36	42	Insurance	*42 00	31 3 95	21 4 95
NEI Africa	P	(11 7)	17,1	—	●(187)	●113	#	#	Engineering	—	—	—
NEI Holdings	P	§(6,2)	§6 1	—	●(94)	●56	#	#	Engineering	—	—	—
Sasfin	I	1,3	1,9	+45	●11	●14	—	—	Banks	—	—	—
Telemetrix	D	—	—	—	—	—	5,19	6,96	Electronics	‡6,96	6 4 95	3 7 95
WB Holdings	P	(2,8)	4 9	—	(30)	51	#	8	Food	†8,00	7 4 95	27 4 95

P = Preliminary † = Final ● = Weighted earnings per share I = Interim ❑ = Not comparable ♣ = 5 months # = Dividend passed ▼ = Per linked unit ▲ = Per combined unit ♦ = Award of options, minimum of 13c cash per share ♠ = Pro forma ■ = Fully diluted § = Net attributable profit after tax D = Dividend * = Interim dividend ‡ = Annual

Little sheen seen for SA gold mines

(214) ARG 6/4/95

JOHANNESBURG — South Africa's gold mining industry, the world's top gold producer, would show sharply lower earnings for the second consecutive quarter when mines report this month, analysts said

"We're expecting pretty poor results across the board," Simon Village of Simpson McKie Inc told Reuters

Public holidays and ongoing labour disruptions hit gold production in the three months to end-March, while a lower gold price received — the result of a lacklustre gold price and unfavourable exchange rate — compounded mine woes

"And it's not going to get any better soon," cautioned Duncan Ingram of Edey, Rogers & Co Inc

Gold mining provides jobs to thousands in South Africa and bullion is the country's largest earner of foreign exchange

Gold Fields of South Africa Ltd starts the results reporting period for the three months to end-March on Monday, followed by the remaining five major mining houses

Nic Goodwin of E W Balderson Inc said total earnings could fall by up to R100 million after capital expenditure and including small independent mines, to about R450 million from the preceding December quarter.

Mr Goodwin estimated the average gold price received for the entire industry, including the proceeds of small amounts of gold hedging, at about R1 360 an ounce from R1 370 previously

Analysts said an expected fall in gold output would be tempered by the use of some mine stockpiles, but at least five tons, if not more, would be sliced off the preceding period's 140 tons

Costs continued to rise, Mr Goodwin said, and the average profit margin would fall to about R260 an ounce from R336

Analysts said capital expenditure was likely to be cut from the December quarter, which was higher than normal because some mines with financial year-ends manouvered spending for tax reasons — Reuter

GFSA results disappoint

(214) ARG 11/4/95

Business Staff

GOLD Fields of South Africa blamed violent unrest and public holidays for a 30 percent fall in profits in the group's gold mining operation

Group profit after tax dropped more than R90 million to R299,3 million in the March quarter

Releasing GFSA's quarterly results yesterday, executive director Alan Munro said Deelkraal had been badly affected when six employees were killed during March and operations ceased for seven days

At West Driefontein similar coercive behaviour, including violence, occurred and "unco-operative employee attitudes" prevailed at other mines

Tonnage milled dropped and as a result gold revenue declined from R1 331 million to R1 195 million in the March quarter

Contingency plans were being formulated for the cessation of underground operations at the group's Doornfontein mine The mine could be closed because of high costs and a decision might have to be taken in the coming quarter

A similar question mark hangs over the future of violence-hit Deelkraal

"The results for the year to date leave the company's balance sheet in a state which requires urgent attention," GFSA said

Mr Munro described the gold division's results as "disastrous" All of the group's coal and base metal companies had satisfactory March quarter figures

■ A Namibian company has won a lucrative contract with the Cape Town City Council because it can transport South African coal more cheaply than its South African rivals

MacPhail Namibia Coal (Pty) Ltd would deliver about 10 000 tons of coal a month for the city's Athlone power station beginning at the end of April, a senior company source said

The contract is estimated to be worth R20 million

Unrest, public holidays cut GF profit

(214) Star 11/4/95

■ BY DEREK TOMMEY
MINING EDITOR

GOLDFIELDS' gold operations executive director Alan Munro describes results as disastrous

Labour unrest together with the observance of new public holidays at Gold Fields' four gold mines cut the group's working profit in the March quarter by R133,1-million or 26% to R382,3-million.

Alan Munro, executive director gold operations, describes these results as "disastrous". He also has two other items of bad news.

High costs could lead to the closure of the Doornfontein mine this quarter, he reports, and unless Deelkraal's profits improved other means would have to be found to finance the No 1 Tertiary Shaft which is needed to ensure that mining operations continue at the turn of the century.

All of the group's coal and base metal companies had satisfactory March quarter figures.

Munro said most mines went into the Christmas break without the momentum which they had usually built up at that time of the year.

The effect of this on production was compounded by the mines observing the new public holidays on March 21 and New Year's day.

In addition, the attitude of employees on most of the operations was less than satisfactory and in some instances was totally unacceptable, and result in one case in seven days in which no underground production was carried out.

Munro said each mine management was working hard trying to address the factors which aggravate the situation but they are finding it difficult.

One major problem is that there have been coercive approaches by some miners towards their fellows and these have resulted in violence and deaths.

"Recovering from this situation is difficult and we are working very hard on it."

However, each mine management was determined to get the situation back to normal in the interest of the company, the employees and the country as a whole.

Some employees had expectations that were not feasible.

Discussions were taking place with the unions about the observance of future public holidays. No agreement had yet been reached.

Munro said Gold Fields was not looking for a palliative but for a long-term solution to the holiday problem.

Gold Field's tonnage milled dropped by about 5% to 3,2-million tons in the March quarter and gold production fell 2,7 tons to 27467 kg.

Revenue from gold dropped R113,5-million to R1,2-billion.

The group was also affected by a drop in the average price received for gold from R43 971 to R43 467 a kg. The average yield declined from 9,1 grams to 8,7 grams a ton. "When you are struggling to keep your mills filled a drop in yield was inevitable," said Munro.

However, the the group's hard times were not borne entirely by its shareholders. The Government also took a tumble. Its tax receipts fell R50-million or 28% to R127,8-million.

Group after-tax profit was R92,5-million lower at R299,3-million. But capital expenditure was well maintained at R170,6-million — down from R190,2-million in the December quarter. The high level of capital expenditure showed the group's confidence in the RDP, said Munro.

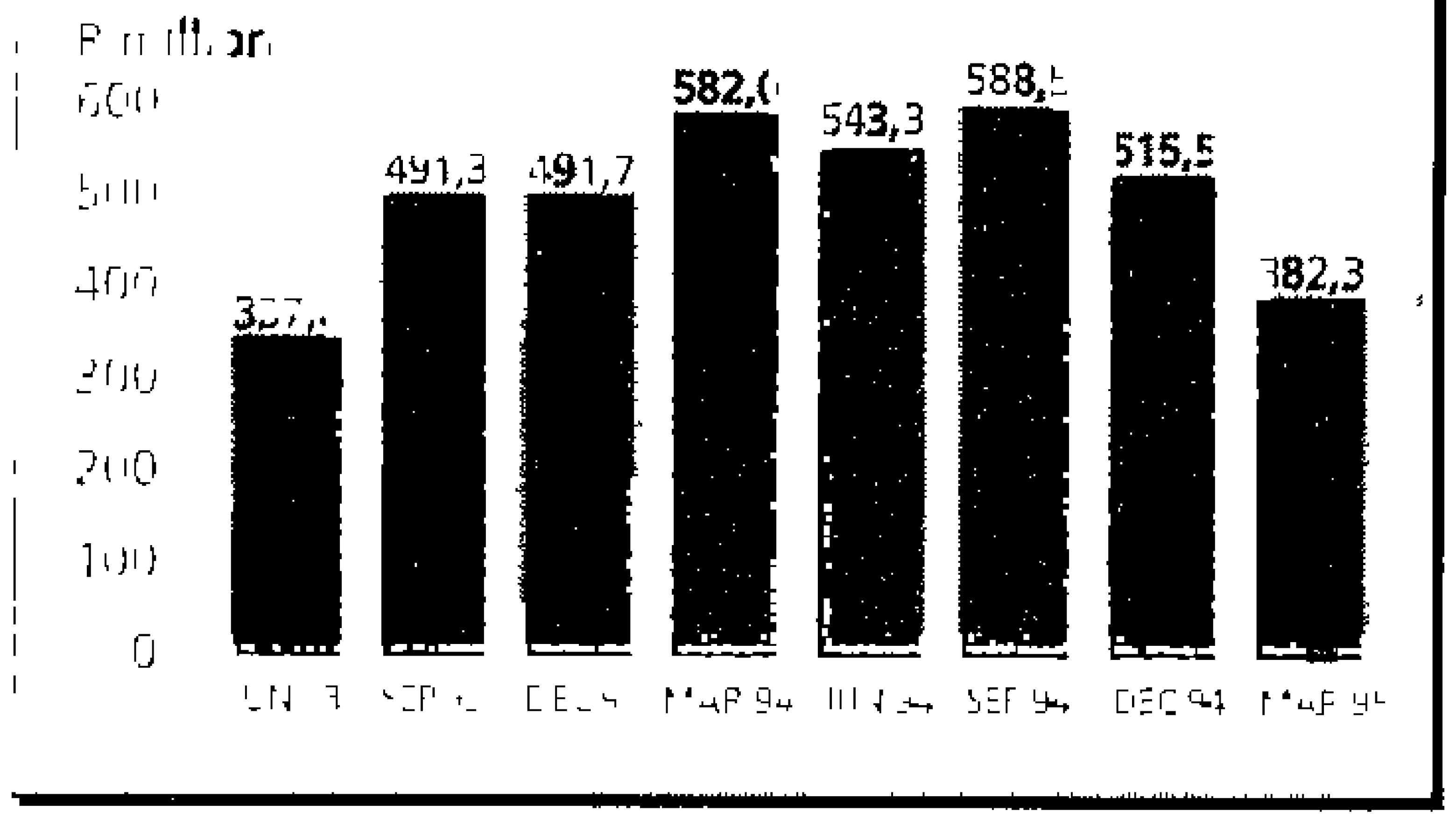
Deelkraal was the mine hardest hit by the labour unrest in the March quarter, reports Munro. An outbreak of violence led to six deaths and prevented underground operations for seven days. Ore milled dropped by 23% to 259 000 tons while gold production fell 402,4 kg to 1 507,8 kg.

Unit working costs soared from R39 768 a kg to R48 849 a kg, resulting in a loss of R5 379 a kg against a profit of R4 211 a kg in December.

The mine swung from a working profit of R8-million in December, to a working loss of R8,1-million.

Capital expenditure was R11,2-million against R13-mil-

Working profit - GFSA gold mines



String of incidents squeeze an industry already in financial difficulty

Mining badly hurt by labour disturbances

Spar 12/4/95 (214) ~~(213)~~

■ BY JANINE SIMON and DEREK TOMMEY

Millions lost through weekend violence at Vaal Reefs' number nine shaft, and yesterday's announcement of a R90-million drop in Gold Fields profits, highlight how post-election labour problems are squeezing the industry

The industry was already being strangled by poor production levels, technical problems and outdated legislation, analysts say

About 90% of employees reported for duty at Vaal Reefs' number nine shaft last night, following a management ultimatum that workers who did not report at the start of the shift would be send home for a three-month 'cooling off' period

Anglo American Corporation spokesman Charmane Russell said 80% of employees had reported for day shift by 8am today

Fourteen employees died in the fighting, which forced the shaft to run at minimal capacity from Sunday to last night at a cost of up to R4,6-million, she added

Labour pressures like these are having a major impact on profit margins, says Rodney Yaldman, Simpson McKie's director of mining research

Quarterly reports would show that the disturbances, and the fact that gold mines were now forced to take 12 instead of four public holidays, may force marginal companies, or shafts, to close, he said

There has been a string of incidents at the country's 45 gold mines since January.

These have caused stoppages of up to a week in an industry which, according to an analysis by brokers Ed Hern Rudolph, runs at only 73% of capacity

What is touted as the industry's lifejacket, a switch to the continuous production methods used in gold mines around the world, is blocked by an 1888 piece of mining legislation preventing work on Sundays, says Ed Hern Rudolph mining analyst Barry Sergeant

Most labour disturbances appear to be caused by specific, unrelated incidents — a dispute about busing contracts at Vaal Reefs' number eight shaft, for example, and a dispute over a police search for dagga at Western Deep Levels' South Mine

James Duncan, spokesman for Vaal Reefs' owner Anglo-American, articulates the industry's growing frustration with disputes unrelated to working conditions "People have to make the transition to more mature conduct," he says

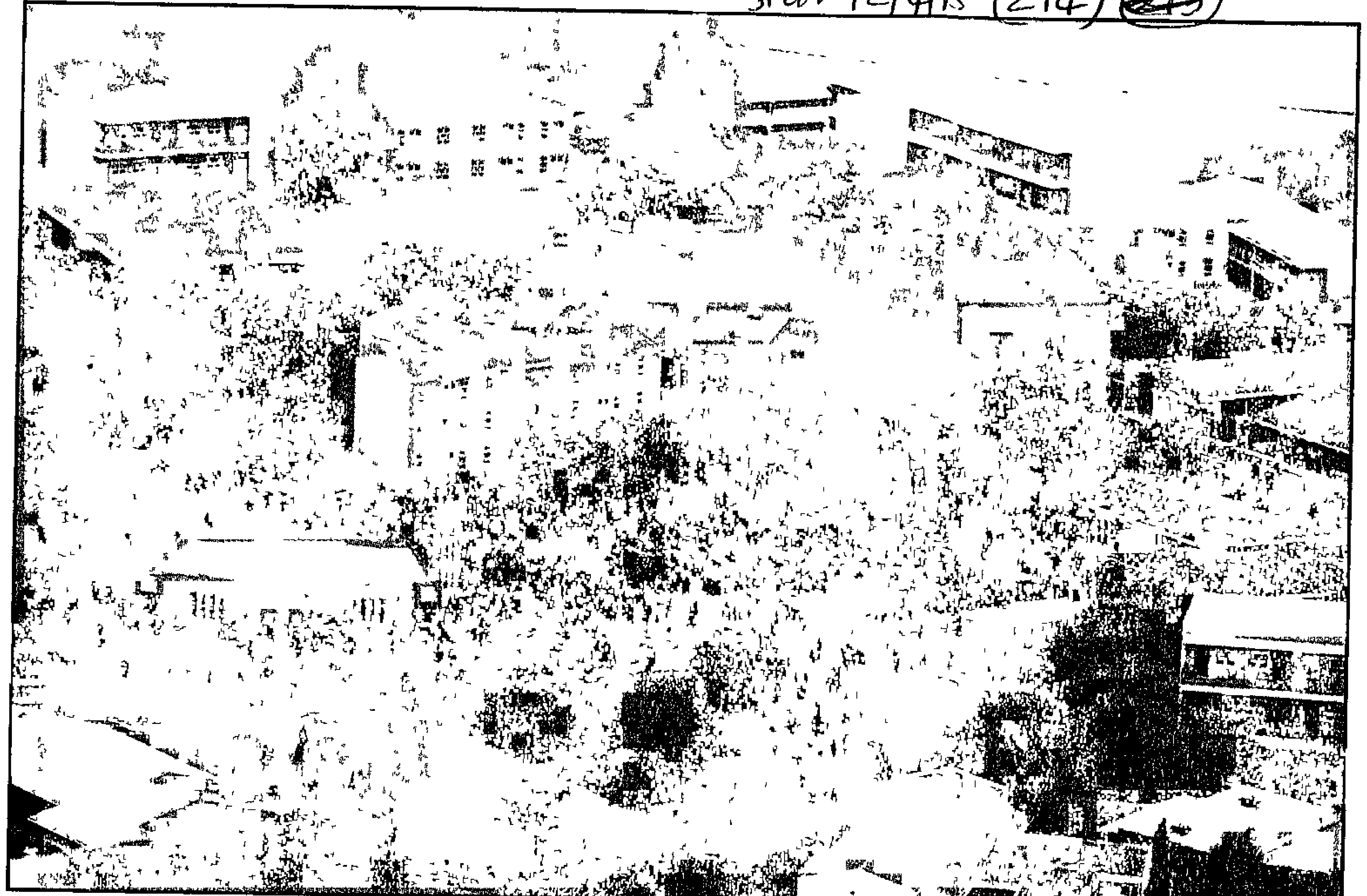
Recent disturbances include

- April 9 Vaal Reefs' No 9 shaft 14 dead.
- March 31 6 killed, 26 injured in fights between Xhosas and Shangaans at Germiston's Primrose gold mine
- March 18 1 killed, 1 injured when 50 Pondo men attack miners at Springvale mine in Stilfontein
- March 7 6 miners killed, violence forced Deelkraal, managed by Gold Fields, to close for a week, losses of R7-million
- March 10 1 killed, 9 injured in clashes at Anglovaal's Hartebeestfontein Gold Mine's No 5 shaft hostel Workers fail to go underground
- February 28 at Western Deep Levels' South Mine, 6 000 workers begin a three-day strike.
- January 28 10 people killed in clashes at Vaal Reefs' No 8 shaft

■ In another development Gauteng Premier Tokoyo Sexwale said yesterday that Government could not stand back and see miners fighting and maiming one another above ground when it was beginning to master safety

Speaking at the official opening of the Western Areas South Deep shaft complex, Sexwale said unions would have to look into the questions of mine violence, and of how best to unite people to give them a common dream and a spirit of national consciousness

It will be sunk to a depth of 2 700m in one drop — the deepest shaft in the southern hemisphere



Back on line . most mineworkers at Vaal Reefs Gold Mine's No 9 shaft reported for work yesterday. Several shifts were cancelled after fighting between Xhosa and Sotho miners claimed 14 lives. PICTURE PETER MOGAKI

Violence plays role in mine's closure

■ BY SUSAN MILLER

Primrose gold mine near Germiston was liquidated in the Rand Supreme Court yesterday, throwing more than 1 000 men out of work.

Earlier this month seven men were killed and 26 injured in fighting between Mozambican and Xhosa-speaking miners

The urgent application for liquidation was brought by the owner, Metorex (Pty) Limited

Among the reasons for the application for liquidation was the fact that about 600 Shangaan (Mozambican) workers have stopped work but refused to leave the mine, and liquidation would mean steps could be taken "to remove workers from company property"

Metorex MD Anthony Malone said in the application that the situation was urgent because there was a possibility of further deaths unless the workforce was removed He told the court the financial situation was dire and that huge daily losses were being incurred.

Among the reasons for the application was the violence and the fact that it cost the company between R150 000 and R200 000 a month to house and feed the Shangaan workers who will not work but refuse to leave

Gold mining under threat

STAR 13/4/98 (2/4)

■ BY CLAIRE GEBHARDT
ECONOMICS EDITOR

Mineworkers, a strong rand and a weaker gold price are threatening South Africa's mighty gold mining industry, economists said yesterday.

Gold Fields' disastrous quarterly gold results which catalogued falling production, plummeting profits and uncooperative employee attitudes, combined with a rand price of gold which had not kept rising sufficiently to keep pace with rising costs, was likely to spill over into widespread unemployment in the longer-term.

Yesterday, Anglo American Corporation said the tribal clashes at its Vaal Reefs Number 9 shaft could cost R4,6-million in a "worst-case-scenario" over two days, given that the shaft normally produced about 53kg of gold a day worth about R2,3-million rand at the present price

Gold Fields warned this week that underground operations could cease because of a deterioration in underground tonnage

Econometrix director Dr Azar Jammine said many of the industry's problems were the result of the unionisation of the South African workforce which had so much power that it was destroying jobs

"Labour has to recognise that if it carries on demanding massive wage increases it will price itself totally uncompetitively on international markets "

From a macro-economic point of view, the gold industry had declined in importance with gold exports now accounting for less than one quarter of total exports compared to about half in the early 1980s

"As a percentage of GDP, the share of mining had also decreased to 8,5% in 1994 from about 16% a couple of decades ago."

But the closure of mines, such as the Primrose gold mine, had a very negative ripple effect on employment given that each miner probably had about 10 dependents

Jammine said in order for the mines to stay profitable the rand price of gold had to rise by as much as mining costs which were rising at 10% or more

"The dollar's plunge has also had a negative impact given that the price of our exports is not rising because the rand has firmed against the dollar but the price of imports have risen very sharply because of the rand's collapse against the yen and the DM

"So inflationary pressures are there but we're not benefitting from exports " He warned union demands for higher wages were threatening to make mines unprofitable

The USA and Australia and Canada were all mining gold without big underground operations and mining more efficiently.

GOLD MINING

(214) FM 14/4/95

Danger: unemployment ahead

But job losses are only one of the structural problems facing the industry

In January, while presenting the quarterly gold mine results, Anglo executive director and gold division chairman Clem Sunter said about 15 000 jobs were at risk No-one paid much attention

They should have It now transpires that Sunter underestimated the cost threat seriously, though whether he did so deliberately — perhaps to avoid being labelled alarmist — is something he won't comment on The *FM* calculates that the recent trend in the cost curve — and its imminent approach to the revenue line — suggests the number of jobs at stake at Anglo-managed mines alone may be as many as 50 000 If an economic multiplier of 10 is applied, then as many as 550 000 people now dependent on mines may lose their means of support

A sharp reduction in the labour force is not the only structural change facing the industry Other issues include the fees which mining houses mulct from captive mines, the nature of the houses and their standing in relation to the mines and, finally, the organisation of the industry's massive labour force (the gold mines are SA's largest single private employers)

Sunter's view, echoed in part by others, is that, somehow, the work ethic has been lost, labour costs are spiralling out of control, and many shafts — and mines — are becoming dangerously marginal

Kalgoorlie is Australia's most important gold producing area The many mines there are shallow and mined open-cast

On average, Aussie miners earn about A$50 000 a year (about R135 000), they also produce about 20 kg of gold, now worth about R900 000 On this basis, salaries and wages on Australian mines account for a modest 15% of revenue

The average wage here is about R11 800, the mines are deep, many are old and mining is expensive However, miners at Anglo mines last year produced about 1,5 kg of gold each, with a value of R67 500 Wages, therefore, are 17,5% of revenue

Differences like this highlight the way SA has fallen behind 20 years ago, our mines were the world's lowest cost producers, now they are the most expensive

Of Anglo's 33 operating shafts, 10 last year produced 80% of gold division profits That means 23 shafts, employing 55 000, contributed as little as 20% of earnings Is there any point in keeping them open?

Sunter responds that two areas have an impact on closure decisions "We are conscious that in this new country we have social commitments and responsibilities We are well aware of the personal suffering retrenchments bring Second, closed shafts aren't easy to reopen If the gold price suddenly rises considerably and then stabilises for a sustained period, reopening shafts becomes a priority Meanwhile, flexibility and profits have been lost"

Sunter

The trouble with Sunter's response, sensible though it may be, is that it induces the casualness he seeks to avoid There is a pervasive belief that something (what?) will always rescue the industry from its worst moments, that jobs won't be lost Dreamy belief of this kind denies the unpalatable truth that employment in the industry peaked in 1986 at 534 000 The figure plunged to 366 000 in 1993 — a loss of 168 000 jobs in seven years A third of previous work opportunities in the mines was wiped out

Gold Fields executive director Alan Munro says at least part of the work problem is a Protestant ethic relating to strict observance of the Sabbath "This is entrenched in law," he observes "And it's the same law, more or less that President Kruger handed down in the last century It has been whittled away in some areas But we still aren't allowed to run mines on Sundays, though to be fair some metallurgical plants have operated continuously on exemptions for as long as 100 years"

Flack

Continuous mining is a Sunter hobbyhorse "Whoever heard," he asks aggrieved, "of a steel plant anywhere operating other than on continuous production? There isn't one But we are expected to close down huge mines and then reopen them at the drop of a hat The number of public holidays is excessive for us (it is now 12 compared with the previous seven) Even worse is that we can get nowhere in discussions to resolve the urgent matter of declining productivity, some of which could be arrested and turned around if we could run the mines continuously"

Anglo wants to move rapidly to much higher bonus payments Sunter wants miners eventually to receive up to half their earnings through bonuses He is supported in this by JCI MD Bill Nairn but not by Munro "We favour direct, accountable, bonuses," says Munro, 'but we are opposed to loading responsibility for ultimate profitability on to employees who can do little to influence bottom-line outcomes"

Randgold chairman Peter Flack entirely subscribes to the bonus approach "To a significant degree, we have already implemented this At Durban Deep, for example, with a much reduced work force, we've introduced major bonus schemes that enable every employee to see and realise the effect of his own efforts on his monthly take-home pay"

These sharp differences of approach and philosophy emphasise the industry is anything but a monolithic cartel When the National Union of Mineworkers (Num) sits across the negotiating table from industry representatives, its officials are well aware of these essential dichotomies The trouble this year is that negotiations will have a rather more serious undertone the underlying, perhaps unsaid, theme will be how to save jobs rather than how much more can be paid

Recent labour difficulties, spelt out in the *FM*'s earlier prediction that 1995's first quarter will produce abysmal results reflecting a decline in production of as much as 12 t-15 t of gold (confirmed by this week's report from GFSA), have not passed unnoticed among international investors They are a major reason for the poor rating of SA gold mines For example, mines administered by American Barrick are valued at about US$215/oz reserve in the ground SA mines are valued, by contrast, at about $50/oz and, in many cases, much less — down to $35 sometimes

Flack attributes this dreadful rating to the accurate perception that SA mines do not have what he calls "blue sky" and are confronted daily with apparently intractable labour problems Worries about political instability may also play a role

The role of the mining houses is incomprehensible to many foreign observers and investors International mining is not organised along rigid house lines (though Rio Tinto and BHP, the two largest, uncannily resemble SA's institutions)

What global investors find difficult to

come to terms with is the absolutely finite nature of SA's mines They operate within fixed lease areas When the ore reserve within this area is exhausted or becomes uneconomic, the mine's life is terminated Elsewhere, however, individual mines are allowed the luxury of blue skies, they may themselves seek out new reserves or new mining opportunities Here, these expansions are left largely to the houses

The foreign misconception ignores the historical events behind the formation of SA's mining giants poor communications, the need to marshal slim financial resources and the need to present foreign investors with convincing proof of the genuine nature of the opportunities on offer

As Cecil Rhodes quickly grasped, the amalgamation of owners of De Beers into a single entity would create a company of considerable clout The example he set was not lost on the Witwatersrand

When a project is in the process of initial exploration, all risk is absorbed by the house This also applies throughout the feasibility study and early shaft sinking

As the mine nears production, the house will typically list the company and offer some shares for purchase, accompanied probably by a rights issue to raise funds for completion Later in the life of the mine, the house will steadily reduce its holding, realising its original risk capital along with a profit element That money will then fund a new project and so the process (in theory) becomes self-regenerating

While this may be good for SA, it is a system which foreign investors find difficult to grasp So, clearly, did Flack when he and other investors seized control of the house from previous management

Within days, Flack started asking about Randgold's management contracts In doing so, he struck at the heart of the industry's control structure The houses reduce their exposure over the life of a mine but seek to buttress their earnings through iron-clad management agreements

"What we found," says Flack, "was that Randgold's services to its captive mines were rather poor When I asked mine managers what they really wanted, the answers were confined to rock mechanics support, environmental engineering, treasury, some legal assistance in the area of mineral and mining rights and good information services" It was sufficient to give Flack cause to retrench widely Randgold's head office now has only 14 employees

Randgold's management contracts have also disappeared They were valued by comparison with prices charged by commercial competitors The savings to the mines were the price for early termination These sums were adjusted for inflation and reduced to present value terms Randgold accepted payment in shares in the mines

Though Flack is widely applauded by investors, it is a course which has found few supporters in the industry

Munro asks why a system which he claims has been so successful should be changed 'Few critics seem to understand" says Munro, "that this is not simply a matter of providing services and taking fees It is also a matter of standing behind individual mines, particularly when they are faced with happenings which would have wrecked them if a house had not been ready to act and support"

Examples he gives are the sinkhole which swallowed the Driefontein metallurgical plant, the flood of dolomitic water which threatened to overwhelm East Drie when a tectonic dislocation breached an underground lake, and the more recent trauma with Kloof's No 3 sub-vertical shaft

Nairn is even more forthright about his intention to retain the skills of JCI's technical department "These were built up painstakingly over many years They are vital to our future development But I recognise it must be self-supporting That is why the department has become commercial in its approach and why it now has R100m of outside orders on its books"

Sunter points to the considerable variation in the structure of different houses Only 13% of Anglo's earnings last year came from gold and only 30% from other mining, mining finance contributed 25%, industry 18% and financial services 10%

By contrast, GFSA is heavily exposed to gold 75% of group income last year came from gold and other mining and mining finance another 7% JCI, now re-forming into three new companies, will be left with an entirely mining-related capital base

Anglovaal, on the other hand, concentrates largely on industry and commerce Gencor is involved exclusively in mining activities, though many do not involve gold Faced with this array of dissimilarity, it is difficult to decide what common course the houses may adopt

What is clear is that there is no unanimity of purpose or direction other than, Randgold excepted, a determination to persist with the existing structure to fulfil long-range strategies

Sunter is fond of describing how, in the early Fifties, Anglo gambled more than its then market cap on the simultaneous sinking of 10 deep-level shafts in the Free State Munro says that without GFSA standing behind it, the West Wits line would not have been developed along existing lines

These are powerful antecedents However, the problems of the late 20th Century speak of different issues, most notably the industry's survival as a viable producer of gold at cost levels which will compete in an ever tougher environment *David Gleason*

HOW SOME MINES ARE TAPPED

Head office fees

	Total fees Rm	Total Admin fees Rm	Total Technical fees Rm	Turnover Rm	Profit after tax Rm	Total dividends paid Rm	Total cost Rm	Total fees as a % of NPBT*
Beatrix	20,242	0,159	20,083	526,424	93,710	78,020	354,672	13,6
Blyvoor	5,316	0,166	5,150	244,460	-3,875	0,000	268,550	-139,1
Buffels	21,229	0,172	21,057	518,601	66,885	33,550	342,680	24,3
Deelkraal	5,017	0,248	4,769	350,922	63,913	19,908	329,498	6,9
Doornfontein	2,441	0,187	2,254	147,315	5,329	0,000	156,478	45,0
Drie Cons	18,846	0,458	18,388	2587,269	785,010	489,600	1458,489	1,3
Durban Deep	3,180	0,187	2,993	236,236	-12,472	0,000	190,589	-25,5
ET Cons	4,614	0,166	4,448	144,454	22,231	12,087	118,471	14,2
ERPM	6,191	0,188	6,003	336,315	-58,488	11,948	311,746	-10,6
Elandsrand	19,930	1,678	18,252	686,689	261,621	63,035	559,751	7,1
Ergo	12,117	1,230	10,887	537,784	75,623	51,718	484,550	12,7
Freegold	63,300	12,700	50,600	4542,500	684,200	470,023	3804,000	7,1
Grootvlei	7,596	0,115	7,481	145,110	18,317	9,151	136,355	30,8
Joel	4,276	0,428	3,848	139,278	3,222	0,000	172,494	132,7
Harmony	13,891	0,151	13,740	822,100	50,902	0,000	791,362	24,0
Harties	18,081	0,161	17,920	1269,493	217,079	179,200	913,609	42,7
Kinross	13,100	0,103	12,997	366,444	73,427	48,600	251,481	9,1
Kloof	54,795	0,490	54,305	2018,205	747,907	249,480	437,559	7,2
Leslie	3,546	0,081	3,465	82,801	11,580	7,200	65,349	16,3
Lindum		0,049		77,767	32,100	27,518	45,696	
Loraine	5,369	0,112	5,257	257,073	1,751	0,000	262,819	262,2
Oryx		0,035			-0,532		217,035	
Randfontein	33,422	0,085	33,337	1301,684	276,257	171,181	1002,309	7,4
St Helena	12,554	0,164	12,390	281,618	48,237	35,613	239,630	13,4
Stilfontein	2,871	0,107	2,764	67,656	22,992	23,513	70,206	14,3
Unisel	4,487	0,135	4,352	114,586	15,522	7,000	103,970	22,6
Vaal Reefs	38,698	8,898	29,800	3070,000	637,200	237,977	2354,100	5,3
Village	0,863	0,000	0,863	25,699	2,004	3,034	17,951	29,0
Western Areas	21,303	0,200	21,103	633,805	66,158	124,952	464,069	32,2
Western Deeps	36,295	3,995	32,300	1684,300	430,200	138,565	1415,900	6,9
Winkelhaak	14,033	0,127	13,906	312,303	35,598	24,360	254,913	20,1
Rust Plats	92,300	0,900	91,400	2956,400	292,800	206,800	2765,500	20,3
Impala	51,800	2,800	49,000	2183,700	157,900	87,100	1935,900	18,0

* Net profit before tax

COMPILED BY ED HERN RUDOLPH

Anglovaal takes a beating

CT(BR) 19/4/95 (214)

By Derek Tommey
Mining Editor

The Anglovaal group's gold mines have been hurt by the general malaise which affected much of the gold mining industry in the first three months of 1995, the company reported yesterday

Group profits from Anglovaal's four gold mines dropped by 20,6 percent from the previous quarter, down from R47 million to R37,3 million Contributory factors included lower gold prices received by three of the four mines, an increased number of public holidays and the delay in restarting production at Eastern Transvaal Consolidated

Working profit from gold mining at the group's flagship, Hartebeestfontein, dropped from R68,7 million to R48,9 million, following a lower tonnage milled, a drop in the yield and an increase in rand/kilogram costs But costs per tons milled were unchanged

Profit before tax, including non-mining income and stores adjustment, dropped from R72,2 million to R49,2 million Profit after tax was R34,1 million (R42,9 million)

The working loss at Loraine, a marginal mine, rose from R1,7 million in the December quarter to R2,7 million in the March quarter Hitting profits was a slight decline in the tons milled, a small drop in revenue an ounce and a rise in costs for each ton milled The yield was slightly higher Taxation took R711 000 and pushedthe loss after tax to R2,2 million (R804 000 in December)

Eastern Transvaal Consolidated's insurers helped to keep the mine profitable in the March quarter with payouts resulting from an explosion in November which irreparably damaged the mine's calcine precipitator With apayout of R7 million (December R7,6 million) the mine had a profit before prospecting expenditure and taxation of R4,1 million (R5,8 million) A tax refund of R1,5 million boosted the taxed profit to R4,5 million (4,1 million)

The precipitator has been replaced and the plant was recommissioned by mid-February

Village Main increased its working profit to R2,6 million from R1,8 million in December, following an increase in grade and a higher gold price However,there is a question mark over the future of the operation as a further R683 000 (R680 000) was appropriated for closure costs Taxed profit was R876 000 (R741 000)

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Maude described as unacceptable
Maude said that, mainly as a result of labour problems, South Africa's gold production this year could fall by 70 tons (currently worth about R3,15 billion)
Whether this happened would depend on whether the mining industry could overcome the present unsettled period or not
There were tremendously high expectations this year for wage increases in percentage terms
"I think the mining groups now realise that if we let the wage bill

the wage negotiations, but Maude emphasised that this was pure speculation.
"I think that a crunch is a possibility, not a probability.
"I sense that last year the mining houses felt that as we had just had an election resulting in high expectations, the industry had to be very careful and was reluctant to have a strike
"I think there is more desperation in the industry this year because of the terrible quarteries we have just had and there being

dropped by almost 90 percent from R17,6 million in the December quarter to R2,1 million, while Winkelhaak's profits dropped more than 70 percent from R10,4 million to R3 million

The group's other mines were able to maintain their earnings in spite of the holidays which disrupted production

Production at Kinross dropped from 445 000 tons to 385 000 tons But the greatest damage to earnings was the drop in the yield from 6,4 grams to 5,1 grams a ton, following a sharp drop in production at the No1 and No2 declines — the mine's higher grade areas

Working profit from gold dropped from R35,1 million to R2,5 million

At Winkelhaak, production dropped from 380 000 tons to 332 000 tons, while the grade dropped from 6,8 grams to 6,4 grams a ton Gold output fell from 2 582 kg to 2 111 kg

Working profit from gold fell from R24,8 million to R2,2 million

In contrast, Beatrix had a good quarter, says Gengold's chief executive, Gary Maude, and during the March quarter became the lowest cost producers in the industry

Production rose from 542 000 tons to 564 000 tons while the yield increased from 6,1 grams to 6,3 grams a ton Working profit rose from R64,9 million to R75 million However, higher tax trimmed distributable income from R19,4 million to R18 million

Buffelsfontein, which warned three months ago that it might have to close, is again making a profit, greatly benefi...

Grootvlei increased its distributable income from R1,7 million to R1,8 million Some good results from limited development on the Black Reef should sweeten this quarter's grade.

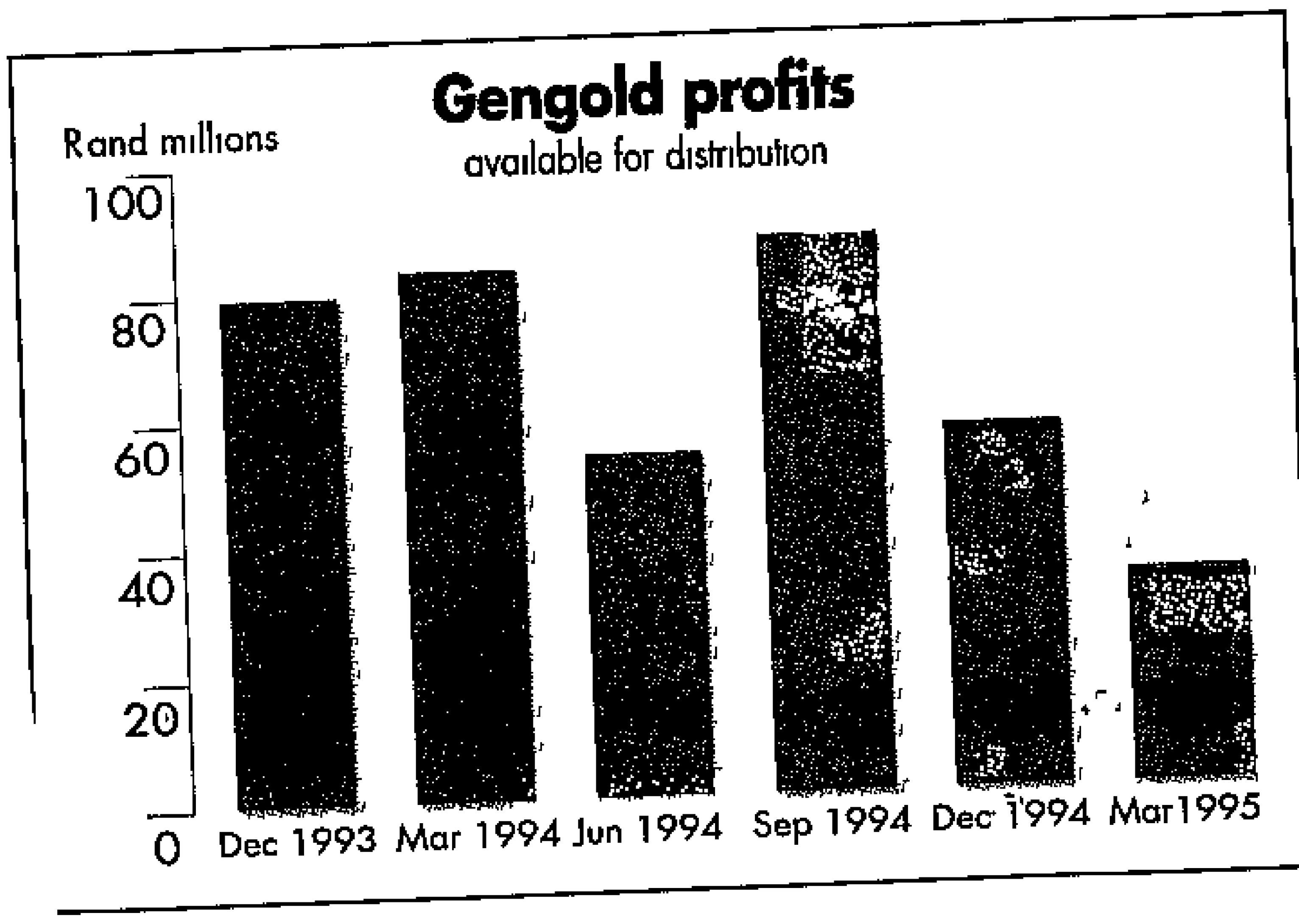
Stilfontein, which is working only surface dumps, had a distributable income of R2,6 million (R2,1 million). Maude said the company had a life of around 10 months However, a rise in the gold price to around \$466 in this period could lead to the restarting of underground mining on the Ventersdorp Contact Reef, where Stilfontein had large tonnages with grades just below the present pay limit

Bonus

St Helena had a distributable income of R10,7 million (R10,3 million) The mine is reopening No 4 shaft, which has large quantities of gold-bearing ore which grades slightly below the pay limit

In a bid to create employment, it has arranged with the unions to employ 400 workers previously retrenched from the mine on a low basic wage but high productivity bonus, linked to the profitability of No 4 shaft

Drilling at the problem mine Oryx has shown grades above the mine's pay limit But these will need to be confirmed by underground development, says Maude This is likely to be in the third quarter However, he does not envisage any production at the mine until next year



Primrose Gold Mine to continue operating

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CT 20/4/95

THE troubled Primrose Gold Mine in Germiston on the East Rand, which is under liquidation, is to continue mining on a reduced scale in terms of a compromise reached between creditors and other groups on Tuesday

Mineral and Energy Affairs Minister Mr Pik Botha yesterday said the compromise was agreed to at a meeting in Pretoria between the liquidator, Mozambique's ambassador to SA, the National Union of Mineworkers, former company management and the government

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Mixed results from mines

MICHAEL URQUHART

GENGOLD mines produced mixed performances, with the Evander mines particularly hard hit by labour unrest and the Free State mines managing to achieve good results.

Overall gold production declined by a ton to 14 tons, caused mainly by a 15% fall in grade to 4,6g/t

The star performer in the Gengold stable was St Helena, which lifted gold production to 1 499kg (1 350kg), despite a slight fall in tonnage milled The increase in gold production came about as a result of a higher grade of 7,1g/t (6,3g/t)

Gengold chairman Gary Maude said the higher grade was a result of the increased use of Transvac machines, an industrial vacuum cleaner which recovers gold which falls into cracks in the floor of the mine working area.

Maude said the success at St Helena had allowed it to create an additional 300 jobs, and a further 500 could be created with the co-operation of the union.

This would be achieved by mining areas which were currently not economically viable through paying workers in these areas a lower basic wage and relying more on profit sharing

In the Evander area, Kinross had a disastrous quarter, with labour problems leading to a fall in gold produced to 2 025kg (2 853kg) Ore milled and grade were down Maude said the mine had been scratching to make up the tonnage, and this had led to the fall in grade

The other major Evander mine, Winkelhaak, also saw gold fall sharply to 2 111kg (2 582kg) This had been caused mainly by a fall in tonnage, which dropped to 332 000 tons (380 000 tons), and by a slight fall in grade

At both mines the lower gold production had seen unit working costs shoot up, closing on unit revenue At Kinross costs were R42 232/kg (R29 785/kg), while at Winkelhaak costs were R42 626/kg (R34 430/kg)

Beatrix, Grootvlei, Unisel and St Helena were able to reduce their working costs.

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Leslie, also in the Evander area, managed to maintain gold produced at 631kg (651kg).

The reduction in working costs at Beatrix to R22 667/kg (R24 432/kg), has seen the mine take over as the lowest cost producer in the SA industry from Gold Fields's Driefontein

Buffelsfontein made a loss after tax of R11m (loss of R5,5m), but underground operations have returned to profitability in the last month of the quarter

The mine had throughput problems with its Multi-Gold project, which treats surface material Maude said the problems were probably related to rock size, and would take six to nine months to sort out Currently Multi-Gold was producing a profit of only R1,4m a month, when planned profit was R2,6m

Stilfontein continued rehabilitation of the mine property and treatment of surface material The dumps would give the operation another 10 months of life, Maude said A gold price of more than $460 would be needed before underground mining could begin again

Maude said that Unisel had a good quarter, as it had built up production in a new area

Gengold's struggling developing mine Oryx was being funded by about R12m a month by parent Gencor Borehole results were promising

GENGOLD March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	**564**	**6,3**	**3 576**	**143,72**	**22 667**	**43 646**	**38 210**	**18 622**	**36**
December	542	6,1	3 316	149,47	24 432	44 012	33 123	19 404	36
Buffelsfontein	**919**	**2,4**	**2 223**	**120,65**	**49 876**	**43 719**	**(11 009)**	**(14 013)**	**(127,4)**
December	553	4,3	2 394	201,29	46 498	44 008	(5 489)	(14 058)	(127,8)
Grootvlei	**115**	**5,2**	**600**	**213,58**	**40 937**	**43 345**	**3 635**	**1 845**	**16,1**
December	114	5,0	575	211,39	41 910	44 019	2 921	1 741	15,2
Kinross	**385**	**5,3**	**2 025**	**222,13**	**42 232**	**43 382**	**9 397**	**2 068**	**11,5**
December	445	6,4	2 853	190,96	29 785	43 751	30 275	17 569	97,6
Leslie	**100**	**6,3**	**631**	**239,45**	**37 948**	**43 139**	**2 923**	**2 282**	**14,3**
December	103	6,3	651	229,03	36 235	43 791	3 096	2 478	15,5
Oryx	—	—	**4**	—	—	**42 269**	—	—	—
December	56	2,5	140	—	—	42 539	—	—	—
St Helena	**210**	**7,1**	**1 499**	**240,21**	**33 652**	**43 186**	**12 335**	**10 732**	**111,5**
December	214	6,3	1 350	218,52	34 640	44 132	12 913	10 252	106,5
Stilfontein	**255**	**0,9**	**235**	**37,64**	**40 843**	**44 060**	**104**	**2 599**	**19,9**
December	266	0,9	244	35,23	38 406	43 705	787	2 090	16,0
Unisel	**175**	**6,3**	**1 100**	**207,17**	**32 958**	**43 712**	**8 548**	**6 213**	**22,2**
December	166	6,4	1 060	214,63	33 612	43 767	7 601	6 048	21,6
Winkelhaak	**332**	**6,4**	**2 111**	**271,04**	**42 626**	**43 579**	**6 082**	**3 027**	**24,9**
December	380	6,8	2 582	233,94	34 430	43 930	19 881	10 379	85,2

Sceptical response to new mine

WM (BM) 21-27/4/95 (214)

Jacques Magliolo reports on the listing of a new small gold mine

AMALIA Gold Mining and Exploration, listed last week on the Johannesburg Stock Exchange, will have its work cut out convincing the sceptics that it is a good investment

Nick Goodwin, gold analyst at EW Balderson notes "Despite all the good intentions of the directors to make a success of the venture, investors suffer from small gold mine syndrome."

This "wariness" by investors of buying shares in small gold mines is caused by the disastrous listings of Barmin, Ofsprey (delisted) and Gazgold (shares consolidated) in the last few years Amalia's share price listed at 100 cents last week, and climbed at first to 110 cents, but at the time of writing was trading at 90 cents a share

On the positive side some analysts suggest the company has some upward potential. Mathison & Hollidge head of research Robert Gillan says "The rand gold price is at an all time high and it is thus a good time to buy gold shares "

Amalia's plans depend on the Schweizer Reyneke-based gold mine achieving a low production cost.

According to Amalia's pre-listing prospectus, "Working costs in current money terms will be R96 per ton of ore milled at the full production rate of 8 000 tons a month "

Amalia's managing director, Ron Creasy, says "At a breakeven of $146 an ounce, we should not have problems obtaining our goals "

Bruce Williamson, gold analyst at JD Anderson, reckons. "By world standards this mine would have one of the lowest breakeven points What is strange is that, at this late stage in the history of gold exploration in South Africa, nobody else found this low-forecast cost-of-production mine "

Low-cost producers are rare here, he says, particularly with unstable labour, low productivity and low grades in the Amalia target area

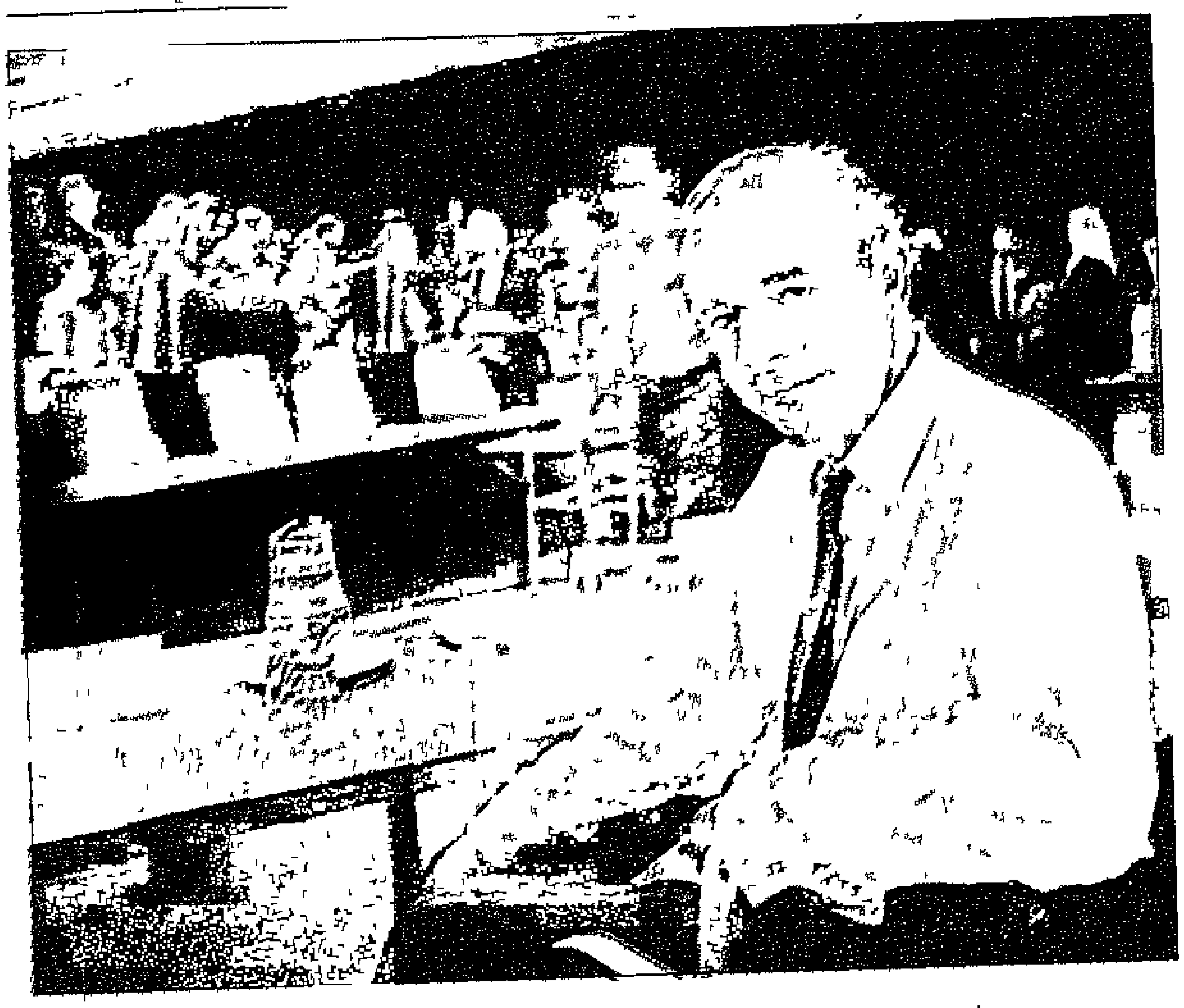
Amalia estimates a yield grade of about 5,5 g/t

The directors believe "that sufficient ore resources exist to support a production rate of 8 000 tons per month for at least 20 years of operations

The directors also believe the mine can achieve profitability by the end of this year, and that yields and working costs are not unrealistic The mine is different to others, they say, in that it is not an opencast mine or a deep mine requiring shafts

"As opposed to dump retreatment operations and down-dip extensions of existing mines, Amalia Gold Mining is a completely new operation," says Creasy

Goodwin sums up expert opinion this way "The target area for the mine has, I believe, sound reserves However, the problem is a marketing one, in that investors buy shares which they perceive will climb and not because the mine will find sound deposits "



STILL RELAXED
Strikes were not expected this year, gold division head Clem Sunter said at the presentation in Johannesburg of Anglo's quarterly results yesterday
PHOTO JOHN WOODROOF

Anglo confident of strike-free year

CT(BR)21/4/95 (214)

The group warns that a 10 percent increase in gold mining costs this year could lead to shaft closures and job losses

By Derek Tommey
Mining Editor

The Anglo American Corporation does not expect a gold miners' strike this year, said Clem Sunter, head of the group's gold division at a presentation on the group's quarterlies in Johannesburg yesterday

Sunter said that on the whole the group's relationships with the central officials of the mining unions was good

He believed that the group would get a great deal of support from the unions for its ideas for continuous production and for a productivity bonus But he warned that a 10 percent increase in costs this year could lead to the closure of several of the group's shafts, which would result in substantial job losses

Sunter said the available profit for the quarter dropped by R62,5 million or 30,2 percent to R144,5 million, mainly as a result of lost production arising from an increase in the number of public holidays and labour disturbances

Gold production dropped 8,7 percent from 61 979 kg in the December quarter to 56 599kg while the average gold price received dropped from R44 384 to R43 703 a kilogram

Working costs were fractionally higher at R2 108 million, but the average unit costs were 9,9 percent higher at R37 241 a kilogram (R33 889)

The drop in available profits was cushioned by cutting capital spending more than a third from R342,8 million to R220,1 million

Freegold's available profit dropped by 24 percent from R99,1 million to R75,3 million, while Vaal Reefs's profits fell by 53 percent from R53,2 million to R24,8 million

At Western Deeps, profit dropped almost 38 percent from R23,2 million to R14,5 million However, Elandsrand resisted the trend with profits falling just over 14 percent from R16,4 million to R14 million and Ergo increased its attributable profit from R15,1 million to R15,9 million

Nap Meyer, managing director of the gold division, called the quarter most unsatisfactory, but said the current quarter could be better if the gold price maintains or improves its present level and the labour force settles down to a more productive frame of mind

He said the group could not afford an abnormal increase in costs, given that about 16 percent of gold production, while providing 20 percent of the group's employment, did not contribute to profits

This non-profitable gold was being produced in old shafts with ore quantities just below the pay limit at current gold prices Major cost hikes forced the facilities to be closed, and it would be difficult to reopen them

Meyer said a 10 percent rise in costs would result in about 29 percent of Anglo's gold production becoming unprofitable and jeopardise the jobs of 38 percent of its workers In response, Anglo has proposed to the unions a bonus scheme linked to productivity and the gold price

The introduction of continuous mining could increase the number of shifts worked by the industry from 72 to 92 a month No other mining industry in the world closed for weekends, Meyer said

Marginal gold mines do not glitter yet

MICHAEL URQUHART

RESULTS for marginal gold mine operator Randgold's four listed mines were mixed for the March quarter, with overall profit after tax slipping to R1,4m from R2,8m in the December quarter

The main cause of the fall in profit was Harmony, where a combination of lower gold production, lower unit revenue and higher working costs squeezed working profit down to R1,1m (R15,5m)

This, was offset by better results from Blyvooruitzicht and Durban Deep, although, a sharp fall in grade saw ERPM slip into the red

BD 24/4/95

Randgold chairman Peter Flack said ERPM and Harmony had started the quarter very badly, but had ended on a stronger note The mines had not experienced the labour disruptions which had plagued the rest of the industry, but he was not exactly sure why

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He said Randgold was moving towards a two-tier supervisory and management board structure Unions would be given representation on the supervisory board

Exploration expenditure almost trebled to help after-tax profit for the half-year to March fall to R405 000, from R5,1m for the same period the previous year

● See Page 13

THE STAR / TUESDAY APRIL 25 1995

It's been 'never underground on a Sunday' since 1888, but there are powerful arguments for changing that, not to mention steadfast resistance, writes **Janine Simon**

Sunday mining 'industry lifebelt'

(214) Star 25/4/95

Leisure time . . . miners at Vaal Reefs No 9 accommodation.

PICTURE DEBBIE YAZBEK

On the face of it, South Africa's gold industry is sleeping on an almost magical solution to the woes, chronicled in current quarterly reports, of plummeting profits and outputs, industrial disturbances and potentially steamy wage negotiations

But to make it work, the country's largest single formal sector employee will re-invent the process of work on the gold mines, and break with a century-old system of not blasting on a Sunday, and the social practices this has spawned

According to one estimate, a report by Ed Hern Rudolph gold analyst Grahame Graham-Parker, underground capacity utilisation of gold mines is only 73%, the mines lie idle for almost one third of possible production time, and waste up to R24-billion in installed capital assets

The rising gold price now makes it viable to improve capacity utilisation, and make up the 1,7-million tons a month shortfall

Better productivity at the stope face was one way, but it is costly and slow Most cost-effective would be to scrap an 1888 law preventing blasting on Sundays, and switch to continuous production methods used by competitors in, for example, Ghana, Australia and the United States, says the report

Graham-Parker's figures of the spin-off benefits are based on the contentious proviso that labour accepts contract workers on the mines, but even if this is not achieved, it is common cause that the benefits of vastly improved productivity will be enormous

Archaic production systems are, according to Ed Hern Rudolph's mining house analyst Barry Sergeant, the single most important issue underlying the continual crisis in the unprotected, wholly export-based, gold in-[illegible] owners, desperate to improve [illegible]s, have put it high on this year's agenda, unions, whose workers don't want to work Sunday shifts, say they will need to see real benefits if they are to bring members round

Improving productivity, they say, is an old issue, only made urgent by the fact that the mines, which, by agreement, also close every second Saturday, now lose another eight blasting days to new public holidays

If there is middle ground it is that Sunday shifts might introduce a welcome element of flexibility into mine routines and benefit packages

Phrases like "cycle of shifts which meet mutual interests", "flexible shift rostering at mine level" are mentioned by the Chamber of Mines, National Union of Mineworkers' official Martin Nicol talks of change allowing 'flexibility needed to implement suggestions of the recently released Leon Report"

"We'd look at reducing hours (a world high of 96 hours per fortnight), a seven-day mine week, with a five day man week," he says Parties are expecting to negotiate, but it is not yet clear when they'll meet

Proposal awaited

Chamber of Mines Chief Labour Negotiator Adrian du Plessis says talks are "imminent" between recognised unions and the Chamber on the issue of labour and capital utilisation on the mines

NUM assistant general secretary Gwede Mantashe says the union is waiting for a Chamber proposal on productivity

"There's no agreement to talk Sunday work," he said, adding NUM's central committee decided in March the time was right to talk productivity as a whole, and its rewards in terms of benefits and job security

The first step to continuous production, lifting the legislation, is, probably, a technicality the Department of Mineral and Energy Affairs has no strong feelings about changing the pertinent clause of the 1992 Minerals Act

It's a matter for labour relations," says Acting Government Mining Engineer Dick Bakker "Sunday shifts already happen at Sasol and Iscor We would just need representation from main stakeholders"

Following that, says Du Plessis, the Chamber would have to negotiate itself out of a phalanx of existing agreements such as Saturdays off and set up structures for new ones

The Chamber attaches "the highest significance' to the discussions

"Unless we can find a way of improving resources we will be unable to operate successfully in the future in an increasingly competitive environment, where we are more frequently coming into competition with producers from developing countries," adds Du Plessis

But, counters Nicol, changing to continuous production was more complex than simply scrapping a law

'It is major social engineering, a significant and basic shift in work, and the effect on the rhythm of work established for over 100 years cannot be understated But if the industry were to approach us saying work on Sundays would allow us to improve housing, health and safety, for example, we have a basis for talking"

The traditionally conservative Mineworkers' Union is equally wary Its 9 000-odd members on gold mines are totally opposed to working on Sundays, said general secretary Peet Ungerer "The mine is insensitive to the needs of our workers We fought to achieve an 11-day fortnight, and will fight to retain it and prevent Sunday production"

But, as even he concedes, "it's early days yet'

JCI gold mines suffer 4% drop in production

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MICHAEL URQUHART

PUBLIC holidays and labour disruptions, lower than expected grades at Western Areas and an expected fall in grades at Randfontein Estates saw gold production at JCI gold mines fall by 4% to 11 196kg in the March quarter, compared to 11 662kg in the previous quarter.

Gold division MD John Brownrigg said the mines were highly geared to any small change in unit costs or tonnage, which was why the small drop in tonnage and the resultant rise in unit working costs had had such a significant effect on the bottom line

The fall in grade at JCI's biggest producer, Randfontein Estates, was combined with a fall in tonnage to 1,79-million tons (1,84-million tons), leading to a 6% fall in gold production to 6 126kg.

Gold division MD John Brownrigg said that of the JCI mines, Randfontein was worst hit by labour disruptions.

BD 26/4/95

He said the mine was running out of reserves, and was no longer a 600 000 tons-a-month mine It would have to be restructured to mine 380 000 tons a month from underground. Randfontein had been discussing this with the various stakeholders since February

Development continued on the Kimberley reef to confirm the existence of a payshoot, while 200 metres were developed on the South Reef. Brownrigg said Randfontein should have a full evaluation of the South Reef by the end of June, but he was very excited about the results so far

At Western Areas, which now included the results from South Deep after the two merged during the quarter, tons milled increased marginally thanks to extra tonnage from South Deep An unexpected fall in grade at the Western Areas section of the mine saw gold production slip by 3,1% to 4 156kg The lower gold production, combined with higher costs related mostly to shaft pillar extraction on the South Deeps section, meant unit working costs jumped by 12,4% to R36 594/kg

Western Areas reported a 30,7% fall in profit before tax to R32m (R46,2m), the biggest fall of all the JCI mines The merger with South Deeps saw capital expenditure sharply up, from R12m to R50m The lower net profit and higher capex meant an attributable profit of R34,2m in the December quarter was turned into a R18m attributable loss in the March quarter.

An improvement in tons milled, grade and gold price enabled HJ Joel to reduce its net loss to R5,2m (R6,8m). Tonnage was up by 6 000 tons, and Brownrigg said he expected tonnage to increase by 5 000 tons a month during 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 after tax R000s	Profit after capex R000s	EPS after capex cents
Randfontein	**1 788**	**3,43**	**6 126**	**125,68**	**36 682**	**43 106**	**32 020**	**17 567**	**28,7**
December	1 835	3,55	6 514	126,21	35 554	42 741	37 599	22 738	37,2
Western Areas	**627**	**6,63**	**4 156**	**242,56**	**36 594**	**43 385**	**32 011**	**(18 049)**	**(23,6)**
December	620	6,92	4 289	225,28	32 566	42 868	46 218	34 205	84,9
H J Joel	**162**	**5,64**	**914**	**273,50**	**48 476**	**42 616**	**(5 165)**	**(17 340)**	**(8,8)**
December	156	5,51	859	275,48	50 029	41 400	(6 808)	(27 875)	(14,2)

'Gold mining industry needs restructuring'

MICHAEL URQUHART

THE gold mining industry was under pressure and would have to be restructured totally, JCI gold division MD John Brownrigg said at the presentation of its gold division's results yesterday

Gold mining profit fell across the board during the March quarter. At JCI, profit before tax fell 23,6% to R58,9m (R77m in the previous quarter) Capital expenditure on shaft development at South Deep rose to R76,7m (R47,9m), chalking up an attributable loss of R17,8m (R29,1m profit) Capex at Western Areas — which merged with South Deep — rose R38m to R50m Brownrigg said Western Areas would go to the market — probably in the current quarter — to raise between R500m and R600m to fund South Deep's capex programme.

He ascribed the fall in the gold division's operating profit to the effect of public holidays, long weekends and sporadic work stoppages. Mines could not meet the expectations of the "liberated" work force and this had led to disruptions, he said Management's time was diverted from production to dispute resolution

However, the industry's problems could not merely be laid at labour's door All segments of the industry had to be reviewed JCI was reviewing the way in which its mines operated, examining face utilisation, continuous operations and work practices.

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BD 26/4/95

Ailing mines in merger talks

CT(BE) 27/4/95 (214)

By Derek Tommey

Mining Editor

If you merge two struggling mines will you get one healthy one? This has been the question raised in mining circles by the news that Randgold's Blyvooruitzicht and Gold Fields' Doornfontein are talking about getting together

Some analysts feel that the merger could be a good move for both mines if it is aimed at speeding up the development of the area which Blyvoor is tributing from Western Deep Levels and on which Blyvoor's future depends

Good values have been disclosed by development and ore from the area helped Blyvoor to report a small profit in March — its first for 18 months

However, it is taking Blyvoor some time to open up the area The mine forecast in its last annual report that it would mine 125 000 tons from the area in the 1994-95 financial year, building up to 560 000 tons after five years

It would seem that the more rapid development of the area would greatly improve Blyvoor's chances of survival This could be where Doornfontein comes in Its lease area adjoins that of Blyvoor and Western Deep Levels and its mine workings are reasonably close to the Blyvoor's tribute area from Western Deep Levels

If a merger could facilitate the working of the tribute area it would benefit both mines

The merger, which has apparently been proposed by Blyvoor, could appeal to Doornfontein's management Doornfontein has reported working losses from gold of around R5 million in each of the past two quarters

But the mine has a fair amount of marginal ore which could be worked if revenue from other operations enabled Doornfontein to lower its pay limit

Gold mine reopened with option to buy

BD 4/5/95

RENEE GRAWITZKY

PRIMROSE gold mine near Germiston reopened this week after the mine manager obtained permission from the liquidators to take over the operation of certain sections of the mine for a period of three months.

Mine manager John Cockroft said after this period he could either make an offer of compromise to purchase the mine or the mine would close if an alternative buyer was not found.

He reopened the mine with a significantly reduced workforce and intended to mine the most cost-effective areas

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NUM spokesman Archie Palane said the union was still reading the proposed conditions of employment. Cockroft said the workforce would be taken over on new conditions.

Miners left reeling as new mine launched

(214) Star 4/5/95

BY JUSTICE MALALA

Primrose Gold Mine near Germiston is dead — but the birth of the new JC Gold Mine in its place is proving painful.

As discarded pay slips and employment records fluttered in the wind yesterday, retrenched workers dismayed by the meagre payouts they are receiving from the liquidated mine hung around the mine compound.

Mine manager John Cockcroft said yesterday he had been granted permission by the liquidators to start the mine anew with his own finances and hire as many people as possible. A total of 750 have been hired.

Three of the six shafts at the mine were operational yesterday and Cockcroft said although management had not yet received the R746 000 bridging loan promised by the Government, he hoped to get it soon.

Primrose mine was liquidated last month after violence, which left seven people dead, led to a work stoppage that resulted in crippling financial losses.

National Union of Mineworkers branch chairman Morning Beje said retrenchments had been done strictly on the first in, last out principle.

He said, however, that 26 mineworkers still in the compound had problems with the arrangement, and negotiations with the mine management were ongoing.

"The major problem is that people are getting an average of R200 for working here for years and there is nothing that the new owners can do about it because it is a Primrose rather than a JC issue," Beje said.

Vasco Ziti, a Mozambican who returned to the mine on Monday after leave only to be told he no longer had a job said: "I have been on this mine for more than eight years and they have decided to pay me a mere R200."

Investor boost for Cape mine

(214)

ARG 6/5/95

JOHN VILJOEN
Business Staff

NORTHERN Cape manganese operation Union Mines is set to forge ahead, and only the unlikely collapse of the world manganese market can spoil its future, an upbeat Nic Lotterie has told shareholders

Union Mines shareholders yesterday approved a R1,36 million private share issue which will inject what Union Mines chairman Mr Lotterie called "some much needed capital" into the Northern Cape open-cast mining operation

The issue, of two million shares at a negotiated price of 68c a share, is being taken up by a private consortium led by well-known businessman and former Penrose director Albert Alletzhauser The share traded this week at 55c

The identities of the rest of the consortium are not known, but they are "prominent people and very, very large organisations", Mr Lotterie told a meeting called to vote on the issue

The consortium was confident of JSE-listed Union Mines' future and recent geological investigations had established the existence of five million more tons of ore in shallow deposits at the Postmasburg site

Union Mines has been the target of market speculation for some time, with the share bouncing between a low of 20c last February to 80c at the end of the year

Market analysts are still divided on the mine's prospects

David Sylvester, a Frankel Pollak Vinderine stockbroker, expressed a note of caution for unseasoned investors

"There is reason to be positive — the potential is there as it has been for years But the caution is that Union Mines haven't always got their budgeting spot-on

"It could cost more than they are allowing for to bring capacity up to profitable levels"

Union Mines was also not in a healthy financial state and the forecast 30c dividend seemed extremely unlikely at this stage, he commented

Syfrets fund manager Peter Major, whose Mining and Resources Fund unit trust holds a five percent share in Union Mines, said there were positive signs for the company

"It is a great product and the market is right for it Manganese is the only commodity that hasn't gone up and the price is due for a rise"

There were signs that the peak in the commodity cycle might not come in 1996 as had been expected by some analysts, but even as late as the year 2000, he said

"The world could be these guys' oyster for the next two to three years"

Mr Alletzhauser's involvement was a "big plus" for Union Mines, Mr Major said

"He's offering a lot of what Union Mines needed and didn't have in the way of energy, contacts and dedication"

The issue, which takes effect on Monday, is 10 percent of Union Mines' total share capitalisation — the maximum the JSE allows in a private issue

The funds will be used to boost production to meet demand in "very attractive" foreign markets as well as domestic needs — Highveld Steel is believed to be keen to take as much ore from the company as possible

"I can assure you that things are going to happen," Mr Lotterie told shareholders

Union Mines has spent R1,5 million — more than double the original anticipated cost — on a washing plant which enhances the grade of the ore and enables the company to adapt its composition to customers' needs

Mr Lotterie said the mine's running costs were R100 000 a month and more funds were needed to install a crushing plant also required in the production process

Union Mines planned to appoint a general manager for the mine and its processing plant, Mr Lotterie said

Anglo's Mali gold mine on the fast track

(214)

BY DEREK TOMMEY CT(BR)8/5/95

MINING EDITOR

Work is speeding ahead to bring the Sadiola Gold Mine in Mali, Africa's newest and among its more profitable mines, to production in record time

A cornerstone was recently laid at the mine by Alpha Oumar Konare, Malian President This came less than two-and-half years after Anglo American, which owns 38 percent of the mine and also manages it, started negotiations for a stake in the venture, the company announced at the weekend

If the mine reaches production towards the end of next year as planned, the Anglo American group will be able to claim a record for bringing a mine this size on stream in Africa

The opening of the mine will be of great importance to Mali — and also to Anglo American

It is an open-pit mine with reserves of 122 tons of gold, averaging 2,5 grams a ton

The payback period shows it should be a highly profitable venture

Production is expected to peak at around 350 000 ounces a year The first-phase development of the main oxide deposit is expected to give the mine a 13-year life

Sadiola will have the same production potential as the Kinross mine, in the Evander area, which makes Sadiola a world-class deposit

Operating costs should be significantly below R25 000 a kilogram or about $200/oz (The gold price is currently around R45 000/kg or $390/oz)

The mine is expected to cost $250 million to bring to production But analysts point out that with a projected working profit of around $66 million a year, the payback period is around four years which indicates it should be a highly profitable venture

Anglo American has three partners in Semos, the investment vehicle for the Sadiola project They are Iamgold of Canada (38 percent), the Malian government (18 percent) and the International Finance Corporation (6 percent)

Apart from providing Malians with employment, it will generate more revenue than is brought into the country by expatriate Malians

Gold mines extend lives

BY DEREK TOMMEY
MINING EDITOR

(214)

Two of South Africa's major gold mines, Beatrix and Kinross, are to spend more than R700-million on extending their operating lives into the early years of the next century

Free State mine Beatrix is spending R575-million sinking a new shaft and opening up an area of ground containing about 48 tons of gold averaging 5,8 gm a ton

At present, life of mine reserves at Beatrix that are accessible from the No 1 and No 2 Shafts amount to 24-million tons. The new shaft, to be called No 3 Shaft, will increase the mine's reserves to 49-million tons These reserves will support a mining rate of 2,8-million tons a year for an extended period and provide enhanced investment returns, and increase the life of the mine by about seven years to about 2015

STAR 12/95

Mines spend R700m to extend life

(214)

By Derek Tommey

CT(BR) 12/5/95

Two of South Africa's major gold mines, Beatrix and Kinross, are to spend more than R700 million on extending their operating lives into the next century

Free State mine Beatrix is spending R575 million sinking a new shaft and opening an area of ground containing some 48 tons of gold averaging 5,8 grams a ton

The new No 3 shaft will increase the mine's reserves to 49 million tons.

These reserves will support a mining rate of 2,8 million tons a year for an extended period, provide enhanced investment returns and increase the life of the mine by about seven years.

Beatrix says the new shaft is well placed to access adjacent reserves outside the current lease area Gold Fields of South Africa own mineral rights to the north of Beatrix and their incorporation in the mine at some future date would seem a possibility

However, analysts have been quick to point out that the shaft could be extremely valuable to the adjoining Joel mine as it could give it access to some of its deeper areas

Production costs at Beatrix average around R24 000 a kilogram making it one of the lowest cost producers in the industry.

Although mining in the No 3 Shaft area will take place at greater depths and the yield of gold is expected to be below current levels, the projected cost of production will still be one of the lowest in the industry at R27 600 a kilogram.

Kinross is to go ahead with a new R162 million decline project which will give access to an additional 9 million tons of ore at a projected yield of 6,6 grams a ton

This will enable it to continue to produce a ton of gold a mo[illegible] 2010 The project will be self-funded over a seven-year period

Wits Nigel to seek R25m for new gold mine development

(214)

MICHAEL URQUHART

WITWATERSRAND Nigel gold mine would seek an initial R25m to equip its No 11 shaft to develop the ore body on reef, the company confirmed on Friday.

This would provide detailed mining information and access for the development of a mining project within two years, should a decision be taken to go ahead.

Consolidated Mining chairman Norman Lowenthal said if the second phase went ahead, Wits Nigel would seek a further R175m to set up a mine. He said the shaft was in place, and the R25m would be used to prove up the ore body. If this indicated a viable mine, R175m would be necessary for development of the reef and establishment of a plant.

BD 15/5/95

The mine was negotiating for the funding Lowenthal would not disclose the funding source, saying only that it would probably be some form of equity financing

A feasibility study had shown a mineable resource of 18,38-million tons at an in situ grade of 7,41g/t, with a payable gold reserve of 48 tons

Analysts described the reef as sporadic, consisting of several payshoots and a very narrow mining width. One said success would require selective mining which targeted the higher grade payshoots, keeping the mining width to a maximum 80cm.

Lowenthal said the group's auditors had disclaimed their report on Wits Nigel because the company did not have an operating mine. After the publication of the feasibility study, the auditors had agreed not to disclaim their report.

He said Cons Mining, which also controls the Benoni and West Witwatersrand gold mines, was still considering unbundling

One analyst said with a market capitalisation of R28m, it would be difficult for the group to find capital through a rights issue He said the most likely scenario would be to raise the money overseas, probably in Canada

/JHB

SS

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Gold mines' capital productivity drops

214 BD 25/5/95

(272)

Michael Urquhart

THE productivity of capital in the SA gold mining industry had declined substantially over the past 20 years, a Chamber of Mines analysis shows

The chamber said in its latest newsletter that despite productivity drives and substantial increases in capital injections during that period, the industry's capital stock was 2,6 times greater than in 1975 although it was now producing 128 tons a year less

Increases in the level of fixed capital stock had averaged 5,5% a year over the period The study, by chamber economist William Houtman, showed that over the same period real growth in the sector's GDP averaged 0,5% For most of the years covered, the capital productivity had been declining, with the trend showing signs of a correction after 1991

Marginal mines suffer losses

(214) Star 26/5/95

■ BY JOHN SPIRA
BUSINESS EDITOR

South Africa's marginal gold mines suffered a loss of R47,63-million in the final quarter of 1994 — appreciably more than the September 1994 quarter's loss of R7,36-million

The parlous state of the marginals was brought into sharp focus by the Chamber of Mines' Productivity Monitor, which finds that chamber members realised an average R43 701/kg for their December quarter output — considerably lower than the average R45 892/kg secured for marginal production in the previous quarter

Working revenue produced consequently fell quarter-on-quarter — from R400,3-million to R347,9-million With the total working cost bill (R395,5-million) amounting to substantially more than their revenue tally, the group recorded a significant widening in quarterly working loss

First-quarter building plans surge by 34,5%

CT(BR) 26/5/95

MAGGIE ROWLEY
PROPERTY EDITOR

The real value of building plans approved during the first quarter of the year was up 34,5 percent at R2,8 billion over the corresponding period last year, improving prospects for the building and construction sectors.

Central Statistical Services said the value of building plans passed had shown a strong turnaround since the second half of last year and the upward trend was continuing to gain momentum with first quarter figures up 8,6 percent in real terms over the fourth quarter of last year.

Large increases in the value of building plans approved in the first quarter were seen in both the residential and non-residential sectors.

At constant 1990 prices, the value of plans for flats and townhouses rose 80,3 percent to R532,6 million while house plans approved showed 30,8 percent growth at R1,3 billion. On the non-residential front, the value of plans approved was up 744,8 percent in real terms at R753,2 million.

Approved plans for alterations and additions showed more modest growth, rising 4,6 percent to R660 million at constant 1990 prices.

The largest increases in flats and townhouse units approved was reported by Gauteng while Pretoria reported the largest increases in house plan approvals.

The increase in non-residential plan approvals was mostly due to planned industrial and warehouse development for Richards Bay.

While the value of plans had increased on a year on year basis, the value of buildings completed in the first three months of this year dropped by a seasonally adjusted 10,2 percent over the corresponding period last year.

The value of buildings completed was also down on the fourth quarter of last year.

Marginal mines lose R47,63m

CT(BR) 26/5/95 (214)

BY JOHN SPIRA
GAUTENG BUSINESS EDITOR

South Africa's marginal gold mines suffered a loss of R47,63 million in the final quarter of last year — appreciably more than the September 1994 quarter loss of R7,36 million.

The Chamber of Mines' Productivity Monitor found that marginal mines among its members realised an average R43 701/kg for their December quarter output.

This figure was considerably lower than the average R45 892/kg for marginal production in the previous quarter.

Working revenue produced by the marginals fell quarter-on-quarter from R400,3 million to R347,9 million.

The total working cost bill of these mines amounted to substantially more than their revenue.

The monitor showed that the marginals incurred ~~an average~~ unit loss of R5 180 for each of the 7 961kg produced.

"The mines' pronounced difficulty in preserving price-recovery productivity in support of unit profit levels was compounded by a marked dilution in their grade productivity.

"The latter, set at 3,67g of gold yield per ton milled for the September quarter, declined to 3,20g/t in the final quarter of 1994," the monitor said.

Gold mines' contribution less, says Liebenberg

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BD 29/5/95

Adrian Hadland

CAPE TOWN — The gold mining industry's contribution to the national fiscus had declined between 1990 and 1994 relative to the contribution of individuals, Finance Minister Chris Liebenberg said at the weekend

In a written response to a Parliamentary question by Freedom Front MP Petrus Groenewald, Liebenberg said gold mines had contributed R644m or 0,92% of SA's total tax revenue in the 1990/91 financial year

This had fallen in both monetary and percentage terms to R523m, or 0,69%, in the 1991/92 financial year, R421m or 0,52% in 1992/93 but rose slightly in 1993/94 to R622m or 0,66%

Individuals, by contrast, had contributed R24,1bn or 34,5% to total tax revenue in 1990/91. By 1993/94, this had risen to R37bn, more than 40% of total contributions to the fiscus

Liebenberg said the total tax revenue had been calculated according to the International Monetary Fund's manual on government finance statistics and excluded non-tax revenue and extraordinary receipts

Individuals' contribution to SA's total tax revenue, which amounted to R69,9bn in 1990/1991 and R94bn in 1993/94, included payments from the former TBVC states and self-governing territories, he said

MAIL & GUARDIAN
November 3 to 9 1995

Sunter sees a far from golden scenario for the local mines

MG(BM) 3-9/11/95 (214)

Gold mining no longer glitters all that brightly for the South African economy **Reg Rumney** reports

Working seven days a week will help gold mines survive in the medium term — but gold mining is in decline, says Amgold chairman Clem Sunter

Gold mining, once the mainstay and still a central pillar of the South African economy, is in what Sunter calls "managed decline"

Industrial unrest and public holidays were generally blamed for bad gold mining results in the second quarter of this year, but the results focused attention on the malaise in gold mining as well as the continuing importance of gold to South Africa's economic growth.

The various mining houses have reported their results for the third quarter Unlike the second quarter, which was uniformly disastrous, third quarter results proved a mixed bag, with Amgold, among other mining groups, showing some improvement.

Sunter warns against looking at one quarter's figures in isolation. He uses a characteristically graphic metaphor to describe the plight of South African gold mining.

"We were like a 747 flying at 30 000 feet, in the early '80s to the mid-80s, when the gold price was coming down from $600 to $400

"If you hit an air pocket in a quarter you reduced your margins slightly and OK, you made less profit, but you still made a very healthy profit. Now we're flying at 500 feet. You hit an air pocket and you immediately run into a loss situation. We did that at Freegold in the previous quarter And when you make a loss on revenue of R1-billion for a quarter its alarming

"And that is why we concentrated on trying to turn Freegold around."

Sunter pinpoints the problem despite extensive exploration over the last 15 years, using sophisticated techniques Amgold has found no new major gold field.

The new gold finds have been in the gaps between gold fields and near existing mines. And apart from one or two exceptions like Moab, for which Amgold is putting a shaft down adjacent to Vaal Reefs in the South East, those deposits tend to be lower grade and would require a gold price of say $450 to $500 in today's money — for some time.

"You would have to have a confidence that the gold price had moved to a new higher plateau."

"One should never say never in prospecting and there could still be a major gold field to be uncovered, but working on probabilities, one would say we're into the game of exploiting as efficiently as possible the remaining gold from existing mining areas and areas not viable at the current gold price."

"Given that all mines start with the sweeter grades and gradually work down to the lowest grade portions, we are in a state of managed decline."

Gold production has already almost halved from the 1 000 tons a year achieved in 1970 to around 550 tons of gold now

"I think it is inevitable that it will continue down from 550 tons. And that is difficult to manage because of the stepped function' of overheads."

Sunter explains that when gold production on a particular shaft falls below a certain level, unless a quantum of overheads is shut down, that reduced level of production does not cover the cost of shaft.

Clem Sunter: We're like a 747 flying at 500 feet

So if production falls, the rand per kilogram cost of the mine can actually rise because overheads are not being shed at the same time.

Many of Amgold's old shafts have fairly uniform grades. If they do not cut the mustard, they will have to be closed. There has been speculation that as many as 50 000 jobs might be in jeopardy at Anglo American mines

Sunter is cautious. Out of 33 shafts around a third are "endangered", although Sunter is at pains to point out that the situation can be changed.

One of the things that will change the picture is Full Calendar Operations (Fulco)

Sunter is on record as having said at the beginning of the year that gold mining must be one of the only industries in the world with 275 working days out of 365

His warning then, that costs would exceed revenue by the second quarter if something was not done, have been borne out.

"We've had a fairly flat price this year, costs have continued to escalate in rand/kg terms and the margin has been eliminated on many of the mines."

Will Fulco not merely shorten the life of the mine? Sunter emphasises it will do the opposite. Fulco will lower the pay load because of the increased economies

"The grade of the ore you can mine can actually drop and you can bring into play a greater proportion of the ore body than if you had stayed on the present 11-shift fortnight. By mining seven days a week you can actually increase the amount of gold you get out of a particular ore body."

Fulco has been virtually negotiated with the workers although the National Union of Mineworkers still has to give its imprimatur "They seem prepared to allow negotiations to proceed on a shaft-by-shaft basis, even though they won't give their agreement at the centre. All the mining groups are negotiating Fulco at shaft level"

Sunter cautions that Fulco is not a panacea Many old shafts are not appropriate for Fulco because only mining pillars and bits and pieces are left to mine. Fulco mainly benefits new shafts where mining can continue uninterruptedly on ore bodies, such as with Freddies No 1 shaft at Freegold.

Moving the appropriate shafts in Amgold's portfolio to Fulco will absorb labour from some of the other shafts which are in decline. In terms of slowing the rate of descent of South Africa s gold production Fulco is important, but unless a major new gold field is found, there will not be a major turnaround in South African gold production

Fulco itself could probably preempt a drop of 10 percent to 15 percent in gold mining production.

Given that fixed overheads constitute around 75 percent to 80 percent of mine costs (labour constitutes around 50 percent), the marginal costs of working an extra 90 shifts a year is fairly low, although there will be additional labour as a roster system will be in place.

Sunter conservatively estimates that the additional gold will cost 25 percent less to mine. He notes that Fulco is only one part of the solution to productivity improvement.

"To really transform prospects, we have to find either a higher dollar price of gold, that is $420, or change our management systems to produce a more participative approach."

At Elandsrand, he said, "Wheels of Change" initiative, with different components, such as multi-tasking in the stope teams, leaves a good part of the handling of tasks to the team's discretion, putting more of the decision-making in the hands of the people at the rock face. This has led to increases in productivity of 30 to 50 percent.

Vaal Reefs No 10 shaft, he adds, has also gone in for modern participative management systems. Bonus systems, which pass part of productivity improvements back financially to the employee, also help. Yet in the end, barring the discovery of a major gold field, gold mining will decline.

Sunter says Fulco might mean that the 30 to 35 percent contribution of gold to South Africa's foreign exchange earnings remains for a while longer, but the country must start diversifying now.

South Africa must move further away from dependence on a single foreign exchange earning commodity than it has already, and towards manufactured exports, which have higher margins and are more sustainable than the gold, which is finally, it seems, running out.

Four gold mines could be closed

(214)

By Russel Molefe Sowetan 7/11/95

FOUR marginal gold mines which lie within the Far East Rand Water Basin face closure because of flooding by contaminated underground water, *Sowetan* has been told

The survival of Drooggebult, Springs-Daggafontein, Consolidated Modderfontein and Grootvlei gold mines depend on pumping out excess water in the basin to keep gold ore reserves accessible for mining

Grootvlei is presently pumping about 10 million litres of contaminated water into the nearby Blesbok stream The stream also runs into the Vaal Dam, which supplies most of the Johannesburg areas

But Gencor spokesman Mr Andrew Davidson said the mine had permission to pump water into the stream However, studies conducted by the Department of Minerals and Energy Affairs showed that the contaminated underground water could have a negative impact on the survival of life in the Blesbok stream

The department acknowledged that failure to drain the area could lead to the closure of the mines – which translated to a loss of R422 million a year and 4 266 jobs

Minister of Minerals and Energy Affairs Mr Pik Botha, Water Affairs and Forestry Minister Professor Kader Asmal, and Environment and Tourism Minister Mr Dawie de Villiers later met to discuss the matter Their proposals that are expected to be made public soon

Co-operation in mining industry could lift growth

(214) CT (BR) 7/11/95

By Audrey D'Angelo

Cape Town — The gold mines could make a bigger contribution to the economy, lifting total growth in GDP to 3,6 percent from 3,3 percent, through greater co-operation between labour and management, Metropolitan Life investment analyst Gideon Nkadimeng says

He said in the Metropolitan Life Investment Monitor that the contribution of gold mining to the economy had dropped from 8,7 percent in 1987 to 4,7 percent last year

Gold output had dropped from 680 tons in 1984 to 580 tons last year and employment from 540 000 in 1988 to 360 000 in 1993 The industry had experienced a decline in productivity accompanied by rising production costs at a time when the rand gold price had dropped

This poor performance was peculiar to gold mining and not to the mining industry as a whole He said one of the reasons for the higher costs was that mining was carried on at a deeper level and the industry had in the past lacked the innovation to overcome this problem

"Much of what goes on in the mines today is unchanged from 40 or 60 years ago which is certainly not a success formula for long-term survival in any industry

"What has, until now, been perculiar to South Africa is the lack of commitment among participants in the industry

"At legislative and management levels the industry has focused its energies on maintaining a socio-economic divide instead of striving for improved production through education and training

"The man at the rockface has had little incentive to improve productivity because his remuneration or position has, broadly speaking, little to do with his output

"Labour was, as a result, there to get as much out of the system for as little as possible"

Because most mining companies were owned and managed by mining houses there was a steep management structure and a long chain of decision making

Improvements

"Mine management has in some ways been disempowered from being creative in establishing sound labour relations and motivating production improvements, especially since technical services are located at the mining house level"

But this had been a watershed year with all stakeholders in the industry realising the need for long-term growth to survive The challenge now was how to implement improvements and how all stakeholders could share in the benefits

The Chamber of Mines believed the way forward lay in continuous mining The NUM had focused on the need to restructure operations and focus on multiskill operations

Although the government could give direction, the survival of the industry could be secured only by labour and management

Nkadimeng believed this could happen given the common focus that now existed in the industry

Better water for no closure of mines deal

(214) Star 7/11/95

The Cabinet has taken a decision to allow the continued operation of Gencor's Grootvlei gold mine and other marginal mines, on condition that water quality threatening the internationally recognised Blesbokspruit wetland, be improved

The mines were faced with closure and the loss of an estimated 5 000 to 7 000 jobs had they not been allowed to pump contaminated water from operational mine shafts

But the Department of Water Affairs and Forestry (Dwaf) declared the water quality would impact negatively on the Blesbokspruit wetland and irrigators downstream

The catch-22 situation was resolved by the Cabinet decision, which stipulates that water quality and environmental impact assessments be undertaken immediately, as well as the design of a desalination plant to purify the water Grootvlei received a permit to pump the water by December

Grootvlei claimed the water quality would improve once pumping began, but the Dwaf said this was unlikely, and threatened to withdraw the pumping permit and have the mine closed down unless the desalination plant was erected

The Department of Mineral and Energy Affairs would help to build the desalination plant, as the mines might not be able to afford it, a statement said. – Staff Reporter

Move reflects shake-up in industry

Randgold gets Gengold stake in four mines

(214)

BD 8/11/95

Michael Urquhart

GENGOLD, Gencor's gold mining arm, has sold its stakes in four mines to Randgold in a stark indication of the shake-up facing the SA gold industry

The R150m deal — covering Buffelsfontein, Stilfontein, Grootvlei and Unisel — gives Randgold management control of the mines, and would have added nearly 50% to Randgold's September quarter gold production

The move heralds the first step in Gengold's plans to restructure its portfolio of mostly marginal mines, with the company planning to consolidate its remaining interests in Evander and the southern Free State

Gengold MD Tom Dale said the declining nature of the SA gold industry had rendered such rationalisation of mineral rights inevitable.

Under the deal, Randgold's Harmony mine will take 25% of Gengold's 40% holding in Unisel, while Randgold will buy Gengold's 8,6% stake in Buffelsfontein, its 14,8% stake in Grootvlei and its 10% Stilfontein stake Randgold would also buy the management contracts for the four mines, and certain mineral rights Gengold planned to sell its remaining stake in Unisel

The total cash price for the assets excluding the mineral rights would be R126m, while the initial purchase price for the mineral rights would be settled by a royalty when mining takes place The market value of the shares was R104m yesterday.

Dale said the sale would allow Gengold to focus on its mainstay operations, which include Beatrix, Winkelhaak, Kinross and the troubled Oryx The sale was also in line with Gencor chairman Brian Gilbertson's plans announced in July to shake up Gengold

Randgold, which has seen its declining fortunes reversed since a management overthrow last year, said Unisel and Grootvlei were the main attractions as they were next to Randgold's Harmony and ERPM mines Randgold recently struck a deal with Gold Fields to merge the Doornfontein mine with its Blyvooruitzicht operation

Commercial director Brett Kebble

Continued on Page 2

Randgold (214)

Continued from Page 1

BD 8/11/95

said the deal would be funded in part with Randgold's R100m cash reserves

The deal would have cut Gengold's gold production by 17 tons to 41,1 tons for the year to June. The four mines produced 4 106kg of gold in the September quarter, while Randgold produced 8 451kg.

Both groups were keen to see a consolidation of the mineral rights in the areas where they operated Dale said there could be substantial brownfields expansion in the southern Free State should there be productivity improvements, and he would like to co-operate with the holders of mineral rights in the area to encourage this process

Gengold had a substantial portfolio of mineral rights in the Klerksdorp area although it no longer operated mines there Dale said he would keep an "open mind" about these holdings.

Kebble said Randgold planned to cancel the four mines' management contracts, swapping equity in the mines in return. It had undertaken a similar exercise on the Randgold operations following last year's management takeover.

Gencor and Randgold plan R125m reshuffle

CT(PM) 8/11/95 (214)

By Derek Tommey

Johannesburg — Gencor and Randgold, two of the country's oldest mining houses, are planning to rationalise R125 million worth of mining assets, including four gold mines

Tom Dale, the managing director of Gengold (which runs Gencor's gold mines), says the deal will create a win-win situation.

The move marks a growing realisation by the industry that today's weak gold price is forcing a drastic restructuring of its operations

Dale said unless the gold price increased or there was a marked improvement in labour productivity, there would be no new gold mines in this country and the industry's continuation would depend on brownfields development

Rights

Randgold is proposing to acquire Gengold's interests in the Buffelsfontein, Grootvlei and Stilfontein gold mines while Harmony, which is controlled by Randgold, will acquire Unisel

Randgold will also acquire Gengold's management contract with the four mines, as well as its mineral rights in the vicinity of Grootvlei and its 23,7 percent participation interest in Vermeulenskraal Noord next to Unisel

The total cash price for these assets, excluding the mineral rights, will be R126 million The initial purchase price for the mineral rights will be settled by a royalty, as and when mining takes place

Randgold director Brett Kebble says the company will be able to finance its purchases with about R100 million which it has in cash

Gencor will benefit from the cash injection and the freedom to concentrate on developing its interests in the southern Free State and the Kinross area, which is more closely aligned with the Gencor philosophy of world-class mining businesses

By shedding some of its poorly performing mines, Gengold should show higher profits

Without the four mines, Gengold's average cost of gold this year would have been R31 957 a kilogram instead of R35 013 a kilogram Managed gold production would have been 41,1 tons (58,4 tons) and Gencor's share would have been 15,6 tons (18,6 tons)

Dale said the mines are being sold as going concerns complete with management teams

Peter Flack, the chairman of Randgold, said his group was aiming to enhance the life and profitability of its mines through the acquisition of additional reserves

Grootvlei and Unisel have obvious synergies with ERPM and Harmony

Another of Randgold's aims is to create substantial asset baskets which can each be served by a single management structure and cost base

"The acquisition of the Gencor, Gengold interests will enable us to extend this strategy to our operations on the Free State gold fields and the East Rand," he said

***STRATEGIST** Tom Dale, the managing director of Gengold, says weak gold prices are forcing operations to restructure* PHOTO JOHN WOODROOF

Gold output on the slide

BD 10/11/95 (214)

Michael Urquhart

DECLINING gold production would continue to pull down the total value of SA's mineral exports, which were expected to decline 2,1% in real terms this year despite an increase in non-gold exports

The SA Minerals Bureau said in its annual review that non-gold exports were likely to rise 21,2% in nominal terms and 9,7% in real terms.

An increase in working costs, which could lead to closure of some marginal production capacity, and production losses due to industrial action and public holidays were the main reasons for declining gold exports This had not been helped by the stagnant gold price The outlook for gold until the turn of the century was not particularly bullish, with prices expected to rise to $410/oz by 2000 Production was expected to drop sharply in 1995/96, stabilising at a lower level in 1997 before a gradual recovery.

Gold industry 'turned the corner' in past quarter

Michael Urquhart (2.14)

BD 15/11/95

THE gold-mining industry had turned the corner in the September quarter, with unit costs marginally lower compared with the previous quarter after having shrugged off the full effects of a 10,5% wage increase, Chamber of Mines economist Roger Baxter said yesterday

He said chamber statistics showed that overall figures for the nine months to end-September had fallen sharply over the same period last year, but the decline in the industry had been arrested in the last quarter

Although unit costs had increased 19,4% for the first nine months of the year compared with the same period last year, they had dipped slightly in the September quarter compared with the previous three months

This mild fall in costs was particularly encouraging, considering that the September quarter had felt the full effects of a 10,5% wage increase

Other indicators such as tons milled, grade and gold output had also shown an overall improvement from the June quarter

But despite some improvement in the September quarter, the situation in the industry remained precarious, he said. The increase in working costs, combined with only a 1,8% increase in unit revenue, had seen working profit slashed 37,4% to R7 144/kg.

This left the industry at a profit-to-revenue ratio of 15,5%. With marginal mines classified as having a profit-to-revenue ratio of less than 6%, 14 of the country's gold producers were classified as marginal.

Baxter said if production stabilised, it should see the rate of cost increases also steadying

Even though unit working costs had increased by two-and-a-half times the producer price index (PPI), this had mainly been a result of falling production and grade. Total working costs had increased by only 7,3%, in line with the PPI, he said

The main contributor to the lower gold production and thus the high unit cost increases had been falling grade, which had dropped 10,7% over the first nine months of the year, depressing gold production despite constant tonnage milled.

The main losers had been government and shareholders, with the state's share of revenue for the first nine months of the year at R463m representing less than half of the R1,3bn for the comparable period the previous year. Dividends paid to shareholders decreased 37,3%

Govt seeks recovery of R11m from Gazgold sale

BD 16/11/95 (214)

Michael Urquhart

THE mineral and energy affairs department is talking to several potential buyers for Gazankulu Gold Mining in a bid to recover the R11m the department has sunk into the company

The department's deputy director of state assistance Dave Richards said yesterday that the listed holding company, Gazankulu Gold Holdings (Gazgold), would be in the Supreme Court for final liquidation on Tuesday.

Once this had been completed, the department would try to sell Gazgold Mining — which is also in liquidation with the department as major creditor — as a going concern.

The department is keen to recover the R11m it had lent the company, R10m as a guarantee for a loan by Standard Bank and R1m for a rescue package that went off the rails

The mine is currently operating with 200 staff, working on half shifts

The department was also undertaking exploration via the Council of Geoscience to prove up additional ore reserves

Richards said the proven ore reserves had been increased to six months at the full production rate of 12 000 tons a month

The Council for Geoscience would spend the next three months trying to prove up further indicated ore reserves of 3-million tons at an in-situ grade of 5g/t If this ore reserve was proved it would make the mine a saleable proposition, Richards said

The department would want to sell the mine as a going concern, but if necessary could use a royalty system to recover its money.

Richards said the royalty could see a present value return of R20m

Interested parties at the moment included one Canadian company and a number of SA companies

Bidding would not start until the final liquidation of Gazgold had been completed

Richards said the department would like to see the assets of Gazgold Mining used to develop small-scale mining.

The Canadian company, which was backed by the International Fund for Africa, had indicated that it planned to go this route

SA companies with other mineral rights in the area had also indicated their willingness to buy Gazgold Mining as a going concern, he said

Randgold to slash Buffels operations

(214) BD 17/11/95

Michael Urquhart

RANDGOLD is considering halving operations at Buffelsfontein, the gold mine it is taking over from Gengold, in a bid to return the mine to profitability

It said yesterday it had yet to quantify job losses among Buffels's 4 500-strong workforce, but that Gengold parent Gencor had agreed to contribute to covering retrenchment costs

The mine — one of four Randgold was taking off Gengold's hands — had sustained losses for every quarter since December. In the three months to September it lost R3 366 on each kilogram of the 2,254kg of gold it produced

While the mine had shed 1 500 workers, Randgold commercial director Brett Kebble said Buffels needed to be rationalised "severely" to get back to profitability The extent of rationalisation would be determined in a due diligence study by Randgold and Gengold

Gencor had agreed to contribute to any retrenchment costs via a convertible loan Gengold CE Tom Dale said the extent of the loan could not be determined until a new mining plan for Buffels had been completed The plan would quantify the extent of job losses

The move — just weeks after Randgold decided to take over four Gengold mines — is another clear indication of the crisis marginal mines face

Buffels has four shafts It produced 9 726kg of gold in the year to June Though its tonnage jumped 41% to 2,9-million tons, its grade slid 47% to just 3,35g/t The mine sustained a R16m operating loss for the year against a previous R81m operating profit Gengold had written off the mine, giving its underground operations two more years' life at the most. However, Kebble said Buffels would probably operate one or two shafts, instead of the current four It would continue its Multigold dump retreatment project, which should last another 12 years.

A new listed company would be formed to buy the assets of the Buffelsfontein division of Buffelsfontein Ltd, which held the assets of Buffels and Beatrix mines Shares in the new company would be transferred to holders of Buffelsfontein Ltd ordinary shares.

Kebble said Randgold had no plans to revive dormant Stilfontein, which it had taken from Gengold, along with Grootvlei and Unisel The mines and mineral rights bought from Gengold should lengthen the lives of Harmony and ERPM, he said

Falling production puts pressure on gold mines

(214)

Business Times Reporter

THE gold mining industry is facing one of the most serious crises in its history as production declines and high costs make digging for gold prohibitively expensive

While the industry remains the country's largest export earner, its share of total exports has fallen steadily

The Chamber of Mines recently estimated that output will fall to between 520 and 530 tons in 1995 from 584 tons in 1994

At the chamber's recent 105th annual meeting, outgoing chairman Alan Munro said that the fall would result in a loss of about R2,7-billion in foreign exchange earnings in 1995, and extend the 35-ton decline in output between 1993 and 1994

He said declining output had been coupled with gold's inability to break through the $400 an ounce barrier since the beginning of last year

Also, working costs had spiralled in 1994 by 16%, and in the first six months of 1995 had risen by an annualised 20%, or more than double the rate of inflation

"The largest single component of working costs is the cost of labour, which currently amounts to 54%

"In the second half of 1995, however, mines have introduced measures to arrest spiralling working costs by reducing overhead costs, merging various operations to take advantage of some of the synergies that may arise out of combined production and in some cases, through the flattening of organisational structures to allow mines to operate more effectively," Mr Munro said

But he said 1994 had seen an 15% increase in capital expenditure, which was sustained into the first half of 1995

"The current level of gold mining projects that have been announced or have recently got under way represent expenditure of around R10-billion

"This is a clear indication of the industry's confidence in its own future and the future of the country," he said

ST (BT) 19/11/95

Amalia joins forces with Commonwealth

(214)

Michael Urquhart

BD 20/11/95

AMALIA Gold Mining has teamed up with British-based Commonwealth Gold to develop its interests in Zimbabwean company Minehead Mining.

The SA Reserve Bank's requirement that Minehead had to be funded from outside SA had prompted the joint venture.

Amalia said at the weekend that Commonwealth would pay it R5m in cash, followed by expenditure at Minehead which would give Commonwealth equity in the joint venture on a pro rata basis.

Amalia's contribution to the joint venture in the Zimbabwean company was R10m.

It said development at its SA gold mine was proceeding according to the prospectus, with No 3 level accessed at the Goudplaats section and No 2 level development values increasing steadily.

Consolidated Mining unbundles

Michael Urquhart

BD 22/11/95

214

THE Consolidated Mining Corporation group, which operates the small opencast West Wits gold mine, would unbundle, it said yesterday

The group would become an investment holding company with earnings from dividends. Listed subsidiaries Southgo and Egoli would be cash shells

The earnings and net asset value of West Wits, Benoni and Witnigel shares would accrue to Southgo shareholders, while the earnings and net asset value of Southgo, Carrig, West Wits, Benoni and Witnigel would accrue to Egoli shareholders

Promising Tanzanian prospect for Randgold

CT (BR) 22/11/95 (214)

By Derek Tommey

Johannesburg — Randgold's gold prospect in Tanzania is producing promising results

Randgold Resources, the group's exploration company, said drilling and sampling at the Golden Ridge prospect had confirmed a resource of at least 1 million ounces of gold.

Mark Bristow, who was conducting the exploration, said he was encouraged by what he had seen to date and was confident that the prospect had the potential for a significant increase in gold-bearing ore

Randgold took over management control of the prospect in September from Pangea Goldfields which was listed on the Vancouver stock exchange

So far it has spent $1 million exploring the prospect which has given it a 25 percent stake The investment of a further $4 million will bring its stake up to 50 percent and the provision of a bankable feasibility study will increase this stake to 65 percent Randgold can also increase its stake to 70 percent by paying $30 an ounce for 5 percent of the proven, and probably mineable, reserves

Bristow said the gold-bearing ore had an average grade of 2 grams a ton and the deposits lay from the surface down to a depth of about 150m

Call for consultation in mining

(214)
CT(BR) 23/11/95

By Derek Tommey

Johannesburg — Government, business and labour have concluded that a consultative and non-adversarial process is needed to develop vision and policy for the mining industry to take into the next century

This was outlined in a draft discussion document on a mineral and mining policy for South Africa, prepared by the mineral and energy affairs department and the Mineral and Energy Policy Centre which encapsulated the views of the industry's major stakeholders — the department, the ANC, the mine owners and the mine workers

The document said the problems confronting the South African mining industry included the static gold price, the number of gold mines nearing the end of their working lives, environmental pressures, and increasing competition from countries with lower cost structures

Against this, South Africa remains by far the largest producer and holder of reserves of many of the world's principal minerals and new capital projects are being implemented, even in the troubled gold sector.

Fresh approaches to work organisation, including, but not confined to, the introduction of so-called full calendar operations, could transform the outlook for gold mines.

The ANC wants the minerals mined to be integrated into the rest of the economy through further processing before export It is also calling for widened access and ownership as well as an improvement in the skills, working and living conditions of workers

Mine owners stress the need for policies that will serve the industry and revitalise the gold mining sector

The National Union of Mineworkers wants to remove discrimination and promote efficiency

East Dagga lifts recoveries

(214) CT (BR) 23/11/95

Johannesburg — Gold recoveries from East Daggafontein's sand dumps and slimes dams provided it with a profit of R8,3 million for the six months ended September, up from R6,1 million in the same period last year

The company is to make a capitalisation issue of 6,05355 new shares for every 100 shares held But shareholders can elect to take a cash dividend of 52c a share

Chairman Peter Bieber says the processing of high-grade platinum group metals from slimes dam 6L13 is under way and revenue from this sources is expected to start flowing in the first quarter of 1996

At a gold price of R45 000 a kilogram East Dagga is estimated to have payable reserves of 197 million tons of sands containing 36,4 tons of gold, which will give the company a life of more than 10 years.

SUNDAY TIMES, Business Times, November 26, 1995

Gold 'ready to shine again'

(214) ST (BT) 26/11/95

BULLISH ON BULLION: Gold expert Fritz Plass

IT is only a matter of time before the Reserve Bank relinquishes its job of selling South Africa's gold, says Fritz Plass, head of metals and commodities at Deutsche Morgan Grenfell, part of Deutsche Bank AG, Germany's largest bank

Mr Plass, who first visited South Africa in 1976, says Deutsche Bank's association with South Africa goes back to the late 19th century, when the German Reich switched from a silver to a gold standard This led to the formation of Union Corporation by German investors and the purchase of large amounts of gold

Deutsche Bank was also a partner to the Chamber of Mines in launching the Krugerrand in 1970, this week Mr Plass accepted an honorary award from the SA Chamber of Mines to mark the coin's 25th anniversary

"The SARB does a good job in selling gold, but should a central bank be involved in the marketing of any product — why not coal or nickel? It is no longer a question of if but when the Bank relinquishes gold-marketing It is also fair to say that some of South Africa's mining houses are not yet ready to market their own gold

"They can already hedge their production by selling forward and repurchasing on the spot market in order to deliver gold to the Reserve Bank so the mining houses will not have a sudden big advantage in selling directly"

Mr Plass says that when the two-tier gold-price system was introduced in 1968, 10 major central banks held 85% of the world's gold reserves and that ratio more or less pertains today

"The European Union's central banks alone hold 15 000 tons of gold, and more than 90% of all the gold ever mined still exists"

The annual gold market is of the order 3 000 tons a year, about two-thirds of which is supplied from newly mined production and the balance from scrap and dishoarding

The gold price's volatility over the past year is the lowest it has been since the metal was floated in 1971

"The only people who need volatility are the dealers," says Mr Plass "Producers want a stable, high price and users want a low price but neither needs volatility"

Mr Plass says the low volatility has contributed to a reduction in producers' forward sales

Mr Plass estimates that just under a year's new mine production has been sold forward "The market is shouldering the burden of the future It reaches a point of equilibrium and rolls itself over If forward sales were to dry up, the market would become short of gold and for a limited time, demand and price could rise, but this is unlikely to happen"

Investors' interest in gold is not to be confused with hoarding "Investors are people who buy, wait for a price rise and then sell What people really mean when they say the market needs investors is actually hoarders who buy and keep gold"

Mr Plass says low volatility in the gold price has resulted in an exodus of investors from the market other than for short-term funds which get in and out in a morning

However, balancing this is the demand by hoarders or "grassroots investors" under no mental pressure to buy or sell as a speculator would

Turmoil in Japan's banking system led to demand for 211 tons in the first eight months of 1995 — more than the whole of 1994 Physical demand for gold is strong, the gold contango has fallen and some mines are buying back ... to take

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St (BT) 24/11/95

profit on the lease-rate element of the sale Gold option premiums are also low now

Mr Plass says that today's gold market resembles that of early 1993 when gold was becalmed at $335/oz A series of events including central-bank announcements and speculative buying drove the price up $60 in three months

The advice to investors now is not to be short It is a misunderstanding, he says, to put producers in the same position "If they see it's different, they are not short but less long, thereby prudently reducing their exposure

"It is always difficult to call the timing of a break-out since it is likely to be triggered — at first glance — by some external shock But with gold share markets depressed, any move in gold will trigger a sharp re-rating in mining shares Value-orientated investors should take some exposure to gold shares at these levels"

JCI mounts biggest forward gold sale in history — report

(214) BD 7/12/95

Michael Urquhart

MINING house JCI is reported to have sold forward its gold division's entire output until the turn of the decade — the largest forward gold sale ever made

Reports of the hedge — apparently directed at underpinning expenditure for Western Areas' developing South Deeps section — have been circulating for some time, though JCI refused to comment yesterday

But according to a report in this week's Financial Mail, the mining house has hedged 224 tons of gold, dwarfing the hedge Gengold's Beatrix placed in August. The hedge has been blamed as one factor behind last week's backwardation in the gold price (when the gold spot price outstrips future price)

Forward selling has previously been a common strategy among marginal mines, that have sought to secure a mine's survival by locking into a gold price. It has also been condemned as a leading constraint on the gold price.

Gengold's Beatrix hedging was pitched toward locking in the minimum revenue to fund its No 3 shaft expansion. JCI's hedge is thought to have been driven by the same aim.

Western Areas recently merged with South Deep to facilitate the development of the mine. Total funding for the South Deep development was estimated at R2,7bn, which could be reduced to R1,1bn by using Western Areas' tax base.

The report said the hedge would cover production from JCI's remaining operations, HJ Joel and Randfontein Estates, as well.

SA producers have tended to stay out of the forward market, but an analyst said the forward selling price was very attractive for SA producers at the moment

All that glitters may be the gold of Gencor

M+G (BM) 8-14/12/95 (214)

SOUTH AFRICAN INSTITUTIONS UNDERGOING CHANGE

The CHAMELEONS

Gencor, has become a jewel in the mining industry, but can it smooth out its internal policy problems, asks Karen Harverson

GENCOR'S transformation from an unwieldy conglomerate with a myriad of unrelated interests into an international mining group, focused on mining and metals, has been accomplished with aplomb

Through the foresight of Derek Keys, appointed chairman in 1980, whose plans were carried out by successor Brian Gilbertson, the group has become the world s leading producer of ferrochrome, one of the largest platinum producers, the biggest exporter of steamcoal, a major gold producer and a leading source of titanium minerals

Gencor's revamped headquarters in Hollard Street are a worthy emblem of an organisation whose star is rising ... reputation as one ... ferent opportunities, and keep abreast of their progress," says Roussos

But Gencor's harshest critic — the labour movement— scoffs at the group's affirmative action policy "There is no real transformation in relation to people," says National Union of Mineworkers assistant general secretary Gwede Mantashe

While acknowledging the group's progress, he says despite efforts to appoint black managers, the jobs are without real authority He adds that the attitude of head office may have changed dramatically but at mine level there is no change — "the old guard is still in place"

Gilbertson is a 'mover and a shaker' who puts pressure on people to define their roles

So how soon before blacks reach executive status Apart from the controversial inclusion of Mantashe on Samancor's board, no firm targets and time frames have been set to promote black managers or recruit outside candidates on to the executive board

"It's been a long debate," says Roussos "While some believe it is important to get a few black people on to board level as soon as possible even if it is not representative of things happening lower down, others feel it is more important to give employees more say in influencing decisions through participatory structures"

and actions, one tends to believe that being black is not an obstacle to succeeding"

Oliphant says Gencor has undergone changes both at head office and at the operational level, particularly in companies like Samancor and Ingwe

He describes Gencor's affirmative action policy as liberal but says while it aims to equip black personnel with skills, it fails to address the problems of white personnel who are in positions for which they are under-skilled

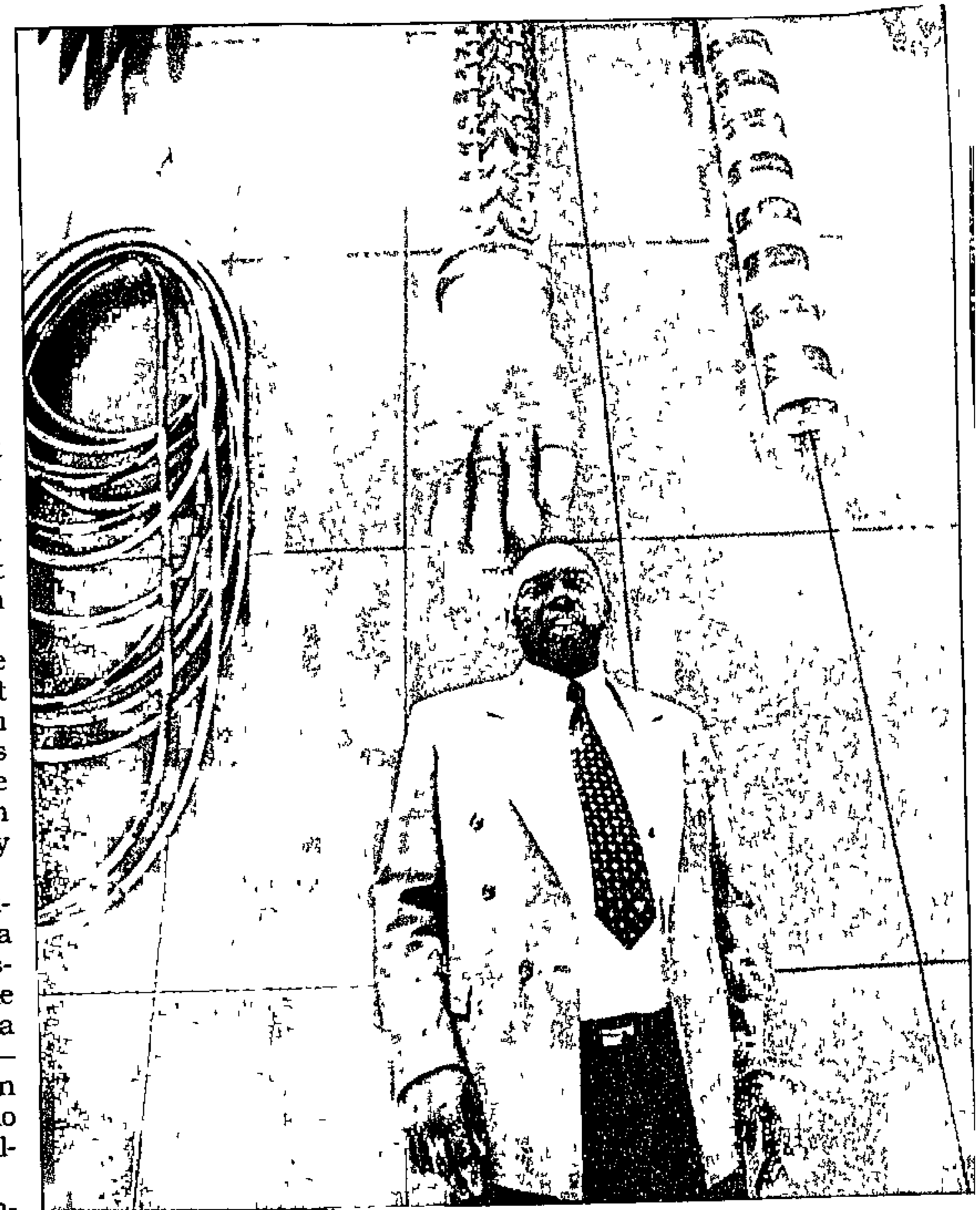
He describes Gilbertson as a "mover and a shaker" who puts pressure on people to define their roles "There's a fresh wind blowing through Gencor — people are constantly moved between head office and operations so there's no dead wood lying around or unassailable comfort zones"

One of the few black women managers, Manoko Nchwe of Samancor, says transformation began with Keys' commitment to include all stakeholders in the decision-making of the group "There's been a fundamental change in terms of how people relate to one another within the organisation and how issues which impact on the quality of life of employees are dealt with."

At Samancor, Nchwe says, the company has switched from total management control to participatory forums

On Gencor culture Nchwe believes change is slow but is happening Meetings are held in English but do lapse into Afrikaans which many blacks can't understand but there has been an attempt to open up For there to be a culture change there has to be sensitivity to the other people's interests

Nchwe says it's quite exciting to see an essentially Afrikaner affirmative action group moving to become an integrated South African company



Humphrey Oliphant at the revamped Gencor HQ 'There's a fresh wind blowing through Gencor'

PHOTOGRAPH: ...

MtG (BM)

8-14/12/95

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and which boasts a reputation ... of the world's premier mining houses

The high-tech, marble, glass and perspex building, completed in mid-95, is a far cry from the poorly lit, cramped quarters — reminiscent of the civil service — which greeted visitors in the not too distant past.

Now the place is suffused with light, pouring into the centre of an atrium as if to epitomise the enlightened route taken by Gencor

But do its new image and business direction extend to its internal policies? Has the company, long regarded as an Afrikaaner powerhouse and the most conservative of all mining houses in South Africa, embraced the external changes in the country within its internal workings?

Judging by the number of senior black managers and women appointed at both head office and its subsidiaries, it still has some way to go. Only 4,5 percent of upper middle management are black, while a mere two percent make up top management.

An affirmative action policy is in place which focuses on advancing employees through training programmes plus looking at the recruitment of black candidates externally.

"We are trying to create accelerated career paths for people who have the potential but have for various reasons been overlooked," says general manager (corporate strategy) Mike Roussos

He adds that there is a lot of opportunity for high-potential black candidates to advance as the new dynamic and entrepreneurial Gencor puts less emphasis on seniority and long service and becomes more achievement-focused

But the pool of black employees suitable for advanced training and that of external candidates with mining experience is fairly small.

Gencor is decentralised into operating companies Samancor, Ingwe, Implats, Gengold, Alusaf and Billiton with each responsible for its own human resource development.

"We do have a system in place to track people with potential within the ...

He believes that many support the idea of giving a black candidate, already at senior level in the company, the opportunity to advance into an executive position "by growing through the system" rather than just recruiting someone from outside.

Group manager Sam Mkhabela agrees that a programme that will lead to a capable black person on the board of directors is a good idea, "but at the same time — I don't see such a programme in place with specific targets being set at present"

Eric Ratshikhopha, one of two black top-level senior managers at Gencor believes targets must be set — "if only to measure one's progress".

Other managers feel Gencor does not disclose enough information to them as individuals "You just work — you don't know if what you're doing will lead to better things" While Gencor's emphasis on training programmes to equip blacks with the necessary skills is praised, some criticise the programmes as "delaying tactics" to avoid placing blacks in positions.

Ingwe marketing manager Sipho Nkosi believes the setting of targets is vital but at the end of the day Gencor must work. "If in 10 years' time, Gilbertson is better than another candidate — black or white — he must remain chairman."

'You just work — you don't know if what you're doing will lead to better things'

Another perspective is that most suitable black candidates outside the organisation may be serving on a number of boards already and thus couldn't commit to Gencor 100 percent.

Humphrey Oliphant, the other top-level senior manager, agrees the organisation should look internally for a suitable candidate, but if not available, "there's nothing wrong with 'shopping outside' for one" Resentment only occurs when people in the company are disregarded in terms of career pathing, which doesn't happen in Gencor.

Ratshikhopha says despite his 14-year climb through the ranks of the organisation, it will not take other blacks that long to reach his position

GFSA gold mines all drop payout

(214)

By Derek Tommey

CT (BR) 13/12/95

Johannesburg — Investors holding shares in the three Gold Fields' group gold mines are in for a disappointing Christmas. Compared with last year their dividends have been cut by R162,43 million

In December 1994 the three mines declared dividends totalling R326,8 million This year they are paying out only R164,37 million.

Driefontein, one of the world's largest gold mines and regarded as among the most profitable South African mining operations, has halved its interim dividend It is paying 50c a share (R102 million) against 100c (R204 million) a year ago, controlling shareholder Gold Fields reports

Kloof, another important gold producer in the Gold Fields stable, has also cut its interim dividend but not quite to the same extent as Driefontein. It is paying an interim of 45c a share (R62,37 million), down from 85c (R117,81 million) last year.

Gold Fields' other major gold mine, Deelkraal, is again passing its dividend. It last paid one in December last year when it announced an interim of 5c a share (R4,977 million).

Analysts say the lower dividends reflect the squeeze the industry is experiencing as a result of rising costs and a static gold price. Some mines are being affected by labour unrest.

Union deals do not mean gold industry is out of the woods

BD 18/12/95 (214)

Michael Urquhart

SA's gold mining industry was likely to stabilise production next year, but would face difficulties in implementing the various schemes to increase production which it had agreed to in principle with unions, industry sources said at the weekend

Chamber of Mines economist Roger Baxter described 1994 and 1995 as aberrations, saying the transition to democracy and its accompanying disruptions, including the rash of new public holidays, had been the main cause for the nearly 100-ton fall in production since 1993

Gold production was likely to fall 64 tons this year compared with 1994, costing the industry nearly R3bn in lost revenue and the country the same amount of foreign exchange, he said

But there had already been signs of stabilisation in the third quarter this year, and gold production next year was unlikely to fall below current levels He predicted gold output of between 530 and 550 tons next year

"If there is one thing the past two difficult years have done, it is focus the minds of all players in the industry on getting the job done," he said

Analysts sounded a warning note about the various options to increase production, such as the seven-day working week and flexible work practices They also said the industry was likely to receive little help from the gold price

One analyst said although there had been various agreements in principle on issues such as broadbanding, education and training and the seven-day working week, these still had to be agreed to finally and this could take "any length of time"

Once the agreements were in place, there was the difficulty of implementing these at the mines and this could take longer than expected Even with an agreement on principles, there was often no agreement on who paid for what

The new year was likely to hold mergers and acquisitions in the Randgold mould, as well as a consolidation of all the mines in the Randgold stable

JCI's unbundling, and the possible unbundling of Gold Fields of SA, was also on the cards, while Eastvaal would be coming into production and HJ Joel and Deelkraal were likely to be looking for more money early in the new year

The issue of corporate structures and the tying in of mines to management contracts would come under increased scrutiny as the level of foreign investment in the industry increased

The new year would also see the formulation of a new minerals policy One analyst said this process was racing ahead with such speed that participants could "barely get a word in edgeways" What was needed from this process was an investment-friendly policy, he said

COMPANIES

Oryx's fate to be decided in 1996

Michael Urquhart BD 27/12/95 (214)

THE fate of Gengold's struggling Oryx gold mine would probably be decided in the first quarter of next year, Gengold CE Tom Dale said at the weekend

Dale said information being collected from development on reef still had to be analysed, and the results of this would be available early next year

He would not comment on what route Gengold would follow if it took the decision to continue with the mine, which has already swallowed R2bn in shareholders' funds

But an analyst said Gengold would probably have to go to parent Gencor for the money, as a rights issue was unlikely to be successful

Following the conversion by the bank of their R525m loan to Oryx into equity, the banks were left as major shareholders But he said they would be unlikely to follow their rights, ruling out a cash call

The mine had borrowed R979m in interest free loans from its major shareholders — Sanlam, Genbel and Gencor — in February 1991 to help fund the initial development But the mine ran into problems when initial grades were lower than expected

The shareholders' loans, as well as a R160m bridging loan from Gencor, had also been converted into equity.

The analyst estimated Gengold would have to hit Gencor for a R300m loan, although this could vary depending on how Gengold decided to go ahead with development

Oryx would have to concentrate on the higher grade far eastern portion of its lease area, where it was currently doing its development work, rather than the area around the shaft

Oryx shares stood at 150c yesterday, against a year high of 375c achieved last December

GOLD FIELDS

Hardly glowing with promise

(214) FM 6/10/95

Activities: *Mining house Principal interests in gold mining but also involved in platinum, coal, base metals with some exposure to finance and property*
Control: *Rembrandt, Liberty and management*
Chairman: *R A Plumbridge*
Capital structure: *96,7m ords Market capitalisation R9,473bn*
Share market: *Price 9 800c Yields 2,2% on dividend, 4,2% on earnings, p e ratio, 23,9, cover, 1,9 12-month high, 13 100c, low, 9 000c Trading volume last quarter, 964 656 shares*

Year to June 30	**'92**	**'93**	**'94**	**'95**
Investments				
Listed (Rm)	1 765	2 098	1 556	2 064
Unlisted (Rm)	997	1 646	1 274	1 134
Invest income (Rm)	289	262	364	387
Other income (Rm)	215	193	153	180
Earnings (Rm)	302	290	357	408
Earnings (c)	314	301	370	409
Dividends (c)	200	200	210	220
Tangible NAV (c)	9 038	13 147	13 693	12 406

Gold Fields (GFSA), long one of the country's premier mining houses, remains firmly attached to the fortunes of gold It hasn't been an especially good place to be over the last decade

Considering that gold accounts for 64% of GFSA's income (55% last year), it clearly plays a disproportionately large role in the house's life Last week the *FM* reviewed the annual reports of GFSA's gold producers which, by and large, faithfully reflect the state of an industry in decline

Mirroring conditions generally, a notable feature of the GFSA gold mines — which include the two richest producers in the world — is the extent to which they have been affected by falling productivity and a recalcitrant labour force

This leads to questions about the mining house's future, a matter which has been the subject of widespread market conjecture over the past year

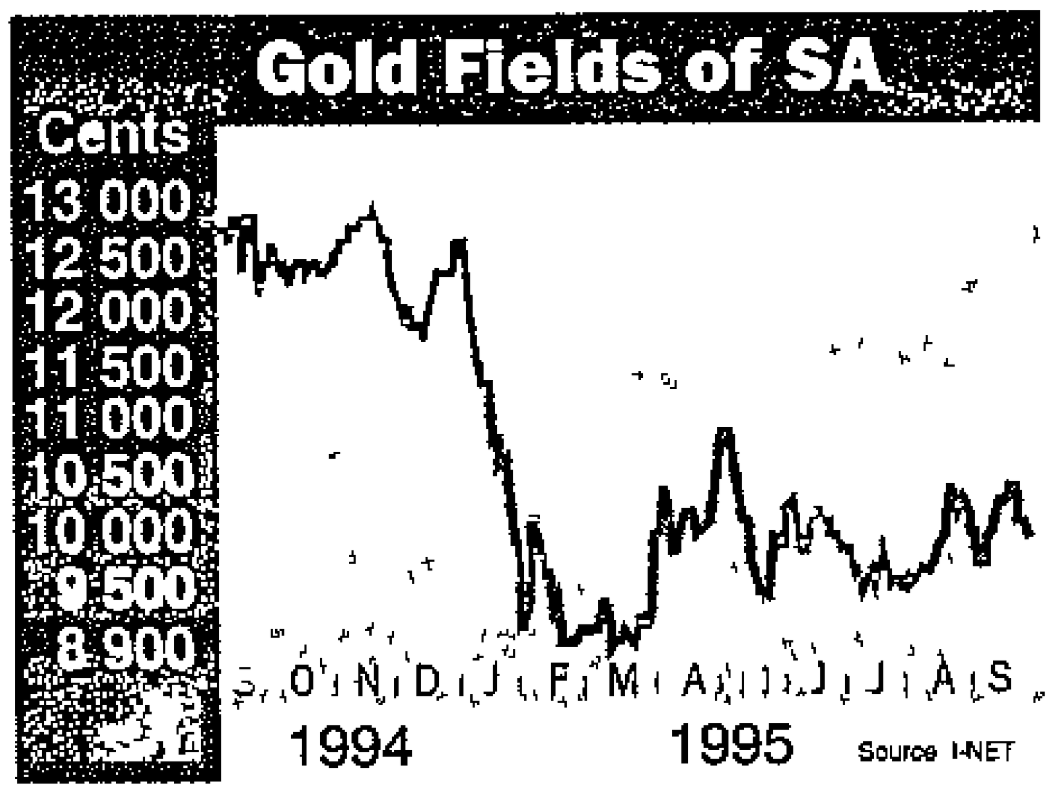
GFSA's long-established approach has always been to operate with two new projects in the pipeline at any one time

But this policy no longer holds good And this highlights the group's quandary It has a very powerful balance sheet and is unencumbered But, rather like giant Anglo American Corp, it has nowhere obvious to go

Its only project of any note is Tarkwa, the prospective gold mine in Ghana, not far from Lonrho's famous Ashanti mine The mine has an open-cast reserve which already stands at 7,5m oz and is expected to have very low stripping ratios (initially, it will mine into a hillside) It is held by Gold Fields Ghana (in which GFSA has an 85% stake) and analysts believe it could be worth R13 per GFSA share if so, this imputes an additional 10% to the house's NAV


Plumbridge

Tarkwa is noteworthy because it is better than many analysts expected And its great advantage is it can be brought to production swiftly — perhaps within three years That compares sharply with Witwatersrand mines which can take as long as a decade and cost billions



Drilling of the orebody is far advanced and a feasibility study cannot be far off Tarkwa's ultimate size is anyone's guess but assuming it produces about 280 000 oz a year, this puts it into the Deelkraal league — important but less than 20% the size of Driefontein

GFSA's future — presumably — now rests ultimately on Tarkwa and Northam and, given the parlous state in which Northam finds itself, this isn't exactly a future glowing with promise This is partly why so many observers openly wonder where the group is headed

One suggestion — that it may tie up with Gencor — is met with pursed lips Another, canvassed by the *FM* last year, is that a link with US producer Newmont might be on the cards That, too, gets a shake of the corporate head If chairman Robin Plumbridge and CE Alan Wright know, they are keeping their cards well hidden

On the basis of rewarding shareholders, GFSA continues to be a poor relative EPS improved only 11% over 1994 and the dividend was increased by a measly 10c The counter is rated on a p e of nearly 24 which, in the circumstances, is probably expecting too much

David Gleason

PREMIER GROUP

Refunding plan awaited

Activities: *Consumer-based business, comprising food, pharmaceuticals, wholesaling and distribution, retail, entertainment and leisure*
Control: *Liblife Strategic Investments 23,4%, Premsab Holdings 22,5% and Standard Bank Nominees 19,7%*
Chairman and CE: *D Band*
Capital structure: *827 4m ords Market capitalisation R4,32bn*
Share market: *Price 515c Yields 2,0% on dividend 5,2% on earnings, p e ratio, 19 2 cover, 2,56 12-month high 565c, low 450c Trading volume last quarter, 35 2m shares*

Year to April 30	***'92**	**'93**	**'94**	**'95**
ST debt (Rm)	—	119	543	1 064
LT debt (Rm)	161	125	257	226
Debt equity ratio	0 05	0,14	0 25	0,44
Shareholders interest	0,43	0,47	0 36	0,32
Int & leasing cover	5 9	12 4	7 0	4,3
Return on cap (%)	11,8	11,7	13 1	12,5
Turnover (Rbn)	9,82	10,15	14,43	16,41
Pre-int profit (Rm)	420	439	653	693
Pre-int margin (%)	4 3	4,3	4 5	4,2
Earnings (c)	24 4	28,3	31 4	26,9
Dividends (c)	8 1	9 4	10 5	10 5
Tangible NAV (c)	140	159	110,3	109,3

* 13 months trading

The share price rose sharply during mid-September, reaching a high of 550c, about 22% up on the 450c low set on July 21 soon after Premier had released its poor results for the year to end-April It has since eased to 515c

There is little apparent reason for bullishness yet — except perhaps that some investors reckon a recovery will come and this is the time to take a position There have also been market rumours of an imminent asset sale, though no cautionary notices have been published

As noted at the time of the prelims (*Fox* July 7) the deterioration in the profitability and balance sheets of the wholly owned activities during the 1995 year was far worse than may appear from the consolidated group accounts Weakness at the centre contrasts with the strong profit performances and high liquidity of listed subsidiaries such as Metcash, CNA Gallo and Prempharm

Group sales rose 13,7% to R16,4bn and the trading margin slipped from 4 4% to 4 2%, leaving trading profit down by almost

Gold Fields turns in poor performance

(214) BD 10/10/95

Michael Urquhart

GOLD Fields of SA, which owns two of SA's richest gold mines, kicked off the September quarter reporting period yesterday with a poor performance, as high costs and low grades cut more than 25% from distributable profit

Although public holidays — the scourge of the previous two quarters — had fallen sharply, the group was unable to exploit its higher activity levels A static average gold price further dented the performance

The main culprit was Driefontein, the biggest contributor to Gold Fields' profit, where distributable profit fell 45% to R39m (R71,7m) Driefontein was hit by the double blow of falling grades and rocketing costs

Gold Fields gold division chairman Alan Munro described the quarter as "disappointing" Overall costs had climbed 7%, with Driefontein's costs hitting R361,5m — more than 10% higher than the June quarter and 45% up on September 1994

The full effect of the 10,5% wage increase was felt Increased labour costs added about 6% to total cost increases "But certain things — such as full calendar operations — have been secured " However, full calendar operations would not "have a dramatic effect" in the December quarter

The only shining stars in the group were its marginal operations, where Deelkraal, Leeudoorn and Libanon all managed to improve their bottom lines But Kloof, arguably SA's richest mine, fell short of the June quarter performance as the full tax rate kicked in

See Page 12

Bad quarter for Gold Fields

CT(BR) 10/10/95 (214)

BY JOHN SPIRA

GAUTENG BUSINESS EDITOR

The first batch of September gold mining quarterlies — those of Gold Fields — will disappoint the gold bulls.

With the market expecting improved results following a poor June quarter, Gold Fields' taxed profit for the three months declined by 13,6 percent to R265,2 million.

While milled tonnage rose 5,7 percent to 3,25 million tons, gold production increased marginally from 24 938kg to 25 247kg and gold revenue rose fractionally from R1,130 billion to R1,141 billion against a virtually unchanged average gold price. The average yield a ton declined from 8,1g to 7,8g, pushing up working costs by 7 percent. Accordingly, working profit weakened from R307 million to R258 million.

Alan Munro, a director of Gold Fields, said that in assessing Gold Fields' results it had to be appreciated that the past quarter was the first to reflect labour's most recent 10,5 percent pay rise, which translated into a higher percentage increase if worker benefits, such as provident fund and medical payments, were taken into account.

Further, the Gold Fields' figures were not necessarily representative of the mining industry as a whole, since the group's results were heavily affected by Driefontein, where a further decline in grade depressed taxed profit by a hefty 16,3 percent to R172,2 million.

Gold Field's coal and base metal companies produced mixed results for the September quarter.

Taxed profit at Gold Fields Coal improved from R8,1 million to R8,9 million.

Gold Fields Namibia more than doubled taxed profit to R9,3 million.

Godsell sets sights on rescuing gold mining industry

(214)

MICHAEL URQUHART and ALAN FINE

BD 12/10/95

TEN weeks after his appointment as Anglo gold and uranium division CE, Bobby Godsell's focus has changed completely From representing Anglo's interests to the outside world, as head of Business SA's delegation to the National Economic, Development and Labour Council and numerous other forums, Godsell is now focused inwards

He has retained his seat on the Wits University senate and accepted a trusteeship of the Helen Suzman Foundation Beyond that, however, his mind is now focused entirely on halting the decline of the gold division and — if possible — turning it around

In his first comprehensive interview since his appointment, Godsell says the last quarterly results make it clear it is no longer possible to carry on with "business as usual" The industry is facing a struggle for survival, and while the detail still needs to be worked out, he envisages a completely new approach

Not surprisingly, perhaps, that approach is in line with the philosophy of the new Labour Relations Act of which he was a key drafter, and which is designed to facilitate co-operative relationships between stakeholders

As Godsell sees it, Anglo's gold mines have access to large tonnages of gold in the ground, which could sustain the division for the next 20 to 30 years at "substantial" levels of production The issue is how much of these reserves can be mined profitably How the industry meets the challenge of unit costs will decide what portion of the remaining gold in the ground can be mined

For the past 15 years costs have risen at a faster rate than revenues Even though the period from 1990 to 1993 had seen the gold industry pull down cost escalation, revenues have been flat over the same period

Godsell says the industry can no longer rely on increasing prices to offset cost increase He describes the 1993 increase in the gold price, which temporarily eased the pressure on industry margins, as a platform upkick and not a steady trend. The period since 1993 has also seen a decline in most of the productivity indices, especially that of labour ...

where it can depend primarily on wage competitiveness This is not to say that wage levels are unimportant, particularly at marginal shafts But the focus should be on all factors which affect productivity and unit costs

The same applies to full calendar operations While it is "crazy" to have laws such as those that restrict Sunday work, full calendar operations are not a panacea, not least because premium wage rates would probably have to be paid

Godsell believes the most promising area for improving productivity and reducing costs is a review of work practices Anglo is currently engaged in a process of rightsizing on its mines, with the group critically evaluating the ore reserves it has available and how these can be mined most effectively. All work practices will be looked at as part of the process

The group is also looking at every aspect of overhead costs, including union/management relationships, bargaining practices and the relationship of the mines to head office

Mining design and levels of responsibility are two examples of issues which will be looked at in the review of work practices

As part of the restructuring, Anglo is pushing for results-orientated pay structures, with less emphasis on basic wages This should be accompanied by improved accounting at all levels of the organisation.

"... all levels must be

GODSELL

aware of whether they are mining profitably," Godsell says

A critical feature of this process is consultation between management and employee representatives at every level For example, operating at full steam is the "Freegold Forum" at company level, with substructures at individual mine and shaft level

That is why it is too early to talk specifics For now, the forum "is thoroughly focused on the Freegold crisis There are extensive consultations There is a joint sense of the crisis Because, if these efforts are to succeed, they require a high level of union commitment at all levels" Further, "the new ideas on rightsizing have to be tested against the reality and the people who are doing the mining"

Godsell does not envisage any major decentralisation of the head office/mine relationship — *a la* Randgold and Gengold — as part of the solution. For Anglo, the crucial question is not the size of the head office but whether its functions add to mining operations value which would otherwise not exist

Anglo will be looking at the head office structure, and Godsell says he is determined to cut out anything which does not add that value However, the theoretical function of a mining finance house is to raise capital, allocate scarce and expensive resources and functions to mines (such as seismic and other research), and to undertake exploration for new ore bodies Where Anglo is concerned, those are valuable functions which would continue to be provided

Godsell does not expect to see rapid change, and says the time frame for Anglo's rightsizing process is at least two to three years He believes it is important for the industry to take medium and long term, and not just short term, views

Similarly, the collective bargaining system should make medium-term rather than short-term decisions on wages and conditions

Godsell says the idea of partner... in the industry should extend to the state

Although some government officials tend to write off gold mining as a contributor, and even though the gold mining industry's contribution to the fiscus has been falling, it is still the largest earner of foreign exchange for the country

He says the industry wants government to provide an enabling environment Critical areas here are mineral rights, environmental regulation and taxation

On regulation, "we cannot argue for the right to pollute But tough choices have to be made on the extent of rehabilitation required" As for the tax regime, Godsell argues for a system which taxes profit, not one that, like the regional services council levy system, taxes activity

With the Vaal Reefs disaster a recent memory, mine safety is another item high on Godsell's agenda His approach here meshes with his philosophy in other spheres

"Every memorial meeting (for accident victims) I attend is one too many The level of accidents and fatalities is completely unacceptable However, as long as there is mining there will be accidents Our task is to minimise these"

Once again, the issues require full tripartite consultation, a process in line with the Leon commission recommendations For Godsell, safety is a question of both technology and of the implementation and monitoring of safety regulations and standards

He concedes frankly — which is not something the industry usually does — that in many respects safety technology has cost implications

"There are choices to be made, and those choices, too, must be made jointly"

For the rest, major attitude changes are needed

"I would like a legal onus on all employees to conduct themselves in a manner that is safe for themselves and their colleagues"

In the sphere of safety and rescuing the industry in general, Godsell's view is the same "We must not point fingers We need to acknowledge that we are not succeeding, and ask what we can do to improve And that means a large degree of union and employee involvement"

ANGLOVAAL GOLD PRODUCERS
E (214)

Ensuring survival

FM 13/10/95

The imperative for the future of one of the country's newest gold mines — **Target** — is to ensure the financial survival of Anglovaal's **Loraine** mine in the Free State. This explains why Loraine's managers have chosen to hold on to the company's cash.

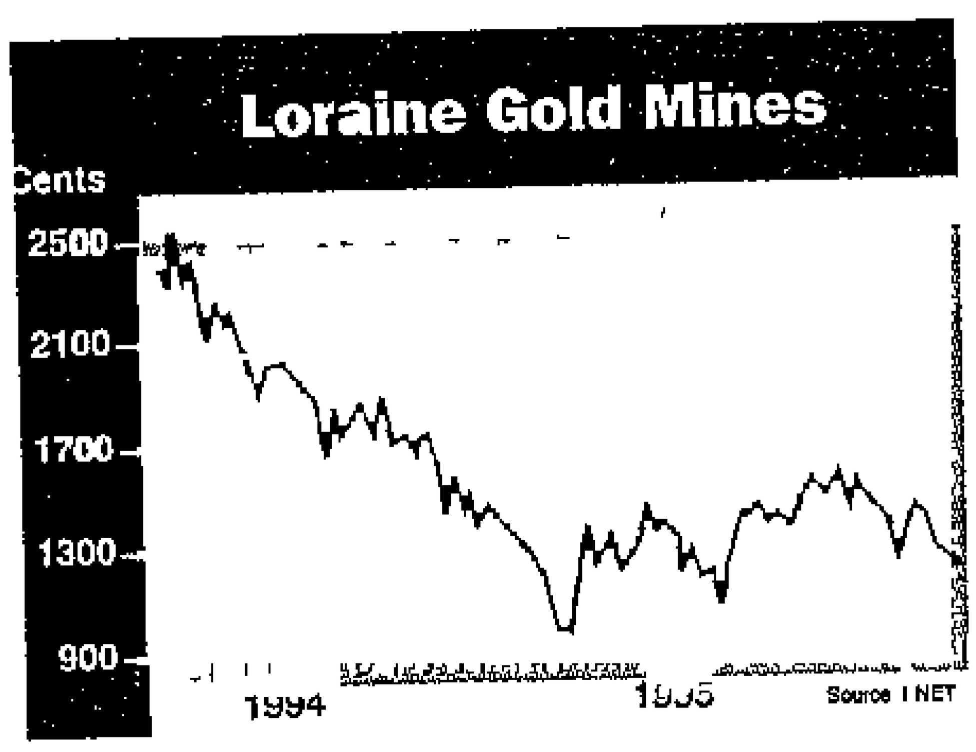
The best way to explore Target's mining lease area is by accessing it from Loraine (the areas share a common boundary). Two development haulages driven through from Loraine are advancing on the immediately important ore reserve area; they will permit the vital diamond drilling programme to intensify over 1996.

HARTEBEESTFONTEIN
Activities: *Gold mining and recovery operation*
Control: *Anglovaal*
Chairman: *B E Hersov*
Capital structure: *112m ords. Market capitalisation R1 232m.*
Share market: *Price 1 100c. Yields 10,5% on dividend, 12,4% on earnings; p e ratio, 8,0; cover, 1,2. 12-month high, 2 525c; low, 1 050c. Trading volume last quarter, 9 099 313 shares.*

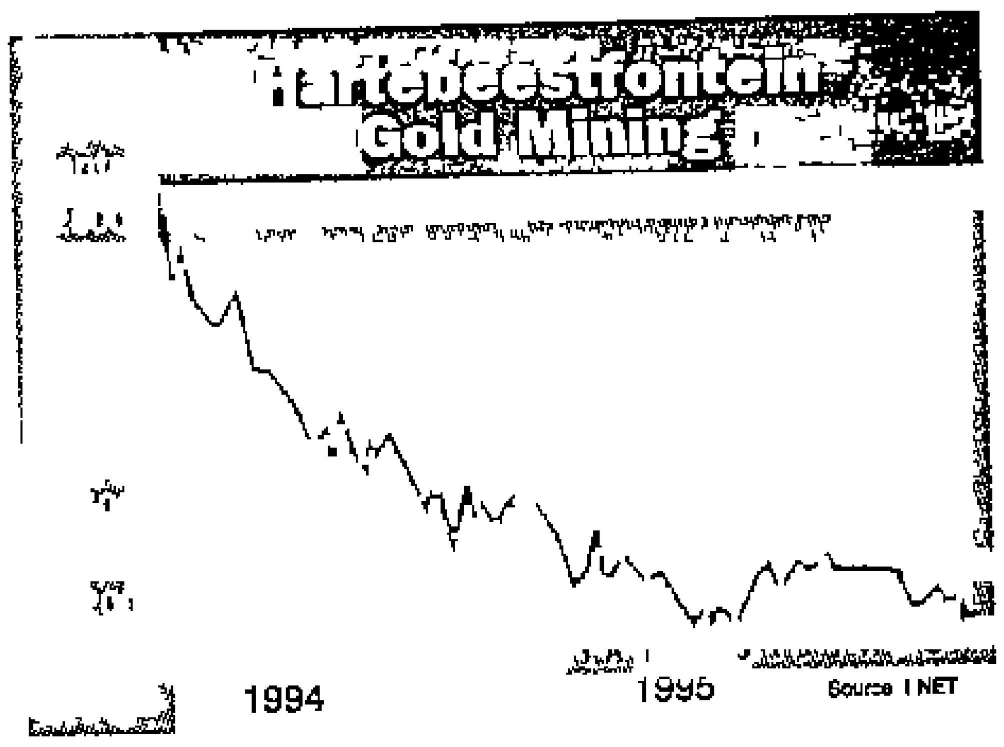
Year to June 30	'92	'93	'94	'95
Turnover (Rm)	950,2	1 021	1 281	1 182
Operating profit (loss)	213,8	236,7	402,8	234,0
Net profit (Rm)	141,7	144,7	217,1	153,0
Earnings (c)	95	98,7	151,7	107,9
Dividends (c)	95	95	160	115

One of three possibilities exists: that a rich and extensive zone of mineralisation will be confirmed (first choice in everyone's book), or that the zone will yield ore which will give an adequate return on the investment, or that it will be sufficiently rich only to repay capital without an acceptable return. Analysts say the chances are better than even that a rich zone will be proven.

Target shareholders have already chipped in R445m in two rights issues and there is about R212m in cash still in hand. On the assumption a decision to proceed further is made in 1997, the company may need somewhere between R220m and R350m to bring the mine to full production. Early indications are for between 9 g/t-10 g/t recovered at a rate of about 4 500 t/month from 1999. The project's limitations are in areas such as access (distance from Loraine's shaft), ventilation (hot, will need a large underground refrigeration capability) and constrains on transporting tonnage.



Anglovaal's flagship continues to be Klerksdorp producer **Hartebeestfontein**, an old dowager whose life is now probably not more than about 10 years. Contrary to the experiences elsewhere, Harties had a comparatively calm and stable year and avoided many of the labour problems which characterised the gold industry. Costs were well controlled though operating margins have fallen substantially from the high of two years ago.



Unlike the mines of the Witwatersrand basin, **Eastern Transvaal Consolidated** (ET Cons) in the Barberton area mines a quartz vein greenstone deposit; the arsenic content is a nuisance and the ore has to be roasted. This is what caused ET Cons's problem last year: an explosion irreparably damaged its calcine precipitator and the fall in production meant that some projects had to be delayed.

The nature of the orebody means it is difficult to forecast grade; nevertheless, the mine is expected to be restored to full production over the next quarter.

A noticeable change in these annual reports from Anglovaal is a new, more open approach in divulging information to shareholders. Since the group's results in this area are rather better than the industry average, the change in policy could not have been better timed.

David Gleason

Gengold succumbs to rising costs

(214) BD 17/10/95

Michael Urquhart

GENGOLD suffered a 62% fall in distributable profit to R11m for the three months to September, as yet another gold producer succumbed to rising working costs

The company, reporting a week after Gold Fields unveiled a similar tale of woe, said poor performance by several mines, coupled with the wage settlement, had battered it High costs and low grades had cut more than 25% from Gold Fields' distributable profit.

Gengold was now pushing ahead with a root and branch shake-up of its mines, which could include reviewing management contracts.

MD Tom Dale warned that the industry also had to lower its mine pay limits, or it would "go down the tubes"

Dale said the focus of management had been industrial relations, but the focus of the future would have to shift to productivity and costs. This was part of the reason for restructuring head of-

Continued on Page 2

Gengold

(214) BD 17/10/95

Continued from Page 1

fice which had seen Gengold shed 40 of the 80 management positions and outsource its information technology function, resulting in the reduction of a further 60 positions

Dale said the objective of the portfolio exercise was to fit in with Gencor's mission to run world class businesses This could be achieved through a substantial reduction in mine pay limits, which would require an increase in the industry's average face advance

St Helena had a bad quarter, with two fires in the No 2 and the No 8 shafts cutting off high grade areas and seeing profit of R2,3m from the previous quarter turned into a R5,1m loss

Kinross also moved into the red despite better working profit, after being hit by a turnaround in its tax bill and a jump in capital spending

Major producer Beatrix managed to maintain profit at R18,8m (R19,5m), and its position as the lowest cost producer in SA, despite a 9,2% increase in unit costs Development at Oryx, the struggling Free State mine, was on track, and Dale said a decision was expected on the mine early next year

See Page 15

Gengold hit by high costs

Mail 17/10/95 (214)

BY CHARLOTTE MATHEWS

Higher working costs offset a general increase in gold output from the 10 Gengold mines in the September quarter and, on a static average gold price, group distributable income – after capex – dropped 62% to R11,0-million compared with the previous quarter

The average gold price achieved across the board was almost unchanged at R44 989 a kg from R45 218 a kg

Tom Dale, the managing director, said the group's wage bill rose about 11,5% after wage negotiations and this added about 5% or 6% to working costs Total working costs grew 7,8% to R555,2-million

Dale said five mines had produced acceptable results, others were disappointing.

Beatrix reported a slight drop in distributable income after capex to R18,8-million from R19,5-million Gold production was marginally higher but working costs grew 9,2%

Buffelsfontein reduced its loss after capex to R2,6-million from R3,8-million, as a result of capital and tax recoupments

After lower tax and capex, Grootvlei reported a profit of R1,4-million compared with the previous quarter's loss of R729 000, caused by a one-off purchase of mineral rights

Despite a sharp increase in tons milled, Kinross reported an overall loss of R8-million from a R1,4-million profit previously It was hit by a 9% increase in working costs and R3 million hike in capex as well as a R1 million tax bill

Leslie's fall in distributable income to R88 000 from R1,7-million highlighted its marginality, as gold production fell and working costs rose

St Helena's results were disappointing because of two fires It reported a R5,1 million loss from a R2,3 million profit

Unisel's results showed distributable income down at R3-million from R3,8 million and Winkelhaak's bottom line was almost static at R3,9 million

Industrial action and fires knock Anglovaal Mining's after-tax profit

CT(BR) 18/10/95 (214)

By Charlotte Mathews
Investment Editor

Anglovaal Mining (Avmin) reported a 27 percent decline in after-tax profit from its four mines in the September quarter to R30,6 million compared with the June quarter, as production was knocked by industrial relations problems and fires

Rob Wilson, the managing director of Avmin, told a presentation on the results yesterday that total gold production dropped to 8 744kg from 8 948kg previously However, the average revenue for the quarter rose to R45 907 a kilogram from R45 379 a kilogram

"There is no doubt that we have to lower the pay limits," he said "More emphasis has to be placed on better and more effective labour utilisation for which we will be seeking the support of all employees and their representatives Without that we have a major problem ahead of us

"We have a lacklustre dollar gold price, a reasonably strong rand, increasing costs and labour problems There are major challenges ahead of us We have to sort them out urgently and become more profitable"

The company was looking at various alternatives but there were no overnight solutions, Wilson said

Hartebeestfontein's profit after tax slid 24 percent to R25,8 million compared with the June quarter, as underground gold production eased to 713 000 tons from 741 000 tons and production at the low-grade gold plant dropped to 480 000 tons from 483 000 tons

Production was hit by sporadic industrial action in the form of work stoppages and go-slows and a fire in the relatively high-grade No 4 shaft area

The grade was unchanged at 7,7 grams a ton and at the low-grade gold plant was slightly down at 1,28 grams a ton from 1,29 grams a ton

After-tax profit at Loraine dropped to R1,2 million from R1,4 million as a higher gold price was offset by higher working costs Production was affected by a fire at the No 3 shaft

Loraine made a profit before capex of R3,6 million compared with last year's R2,0 million Gold production rose to 6 497 kg from 5 976 kg as a higher average grade of 4,1 grams a ton from 3,4 grams a ton compensated for lower mill throughput

Eastern Transvaal Consolidated's taxed profit dropped to R3,2 million from R4,4 million on a lower gold price and higher costs Although tons milled rose, the average grade dropped to 8,9 grams a ton from 11,1 grams a ton

Industrial relations were "fairly positive" but the main difficulty in implementing a seven-day working week was that the roaster and plant were operating at full capacity, said Wilson

Village Main Reef achieved an after-tax profit of R403 000 from a previous loss of R340 000, including the results of hedging transactions

The mine increased production to 136 100 tons from 120 900 tons on a yield of 0,89 grams a ton from 0,83 grams a ton Operations at Village Main would continue as long as it remained profitable

High working costs hit Gengold

(214) CT 17/10/95 (PR)

By Charlotte Mathews
Investment Editor

Higher working costs offset a general increase in gold output from the 10 Gengold mines in the September quarter and, on a static average gold price, group distributable income — after capex — dropped 62 percent to R11,0 million compared with the previous quarter

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Dale said five of the mines had produced acceptable results and the others were disappointing

Beatrix reported a slight drop in distributable income after capex to R18,8 million from R19,5 million Gold production was marginally higher but working costs grew 9,2 percent

Beatrix expects to realise at least R47 000 a kilogram for gold sales in the December quarter owing to its gold-hedging programme

Buffelsfontein reduced its loss after capex to R2,6 million from R3,8 million in the previous quarter, but as a result of capital and tax recoupments rather than increased gold production Dale said management was conscious that gold production was not enough and that Buffelsfontein needed to produce 2 500kg to 2 600kg rather than the 2 254kg of the past quarter

Full calendar operations had started at Buffelsfontein's Strathmore shaft, but if this did not show an improvement in gold production fairly soon radical action would have to be taken

After lower tax and capex, Grootvlei reported a profit of R1,4 million compared with the previous quarter's loss of R729 000, which had been caused by a one-off purchase of mineral rights from Consolidated Modderfontein

Despite a sharp increase in tons milled, Kinross reported an overall loss of R8,0 million from a R1,4 million profit previously It was hit by a 9 percent increase in working costs and R3 million hike in capex as well as a R1 million tax bill compared with a previous tax credit Kinross will be addressing industrial relations matters and ore management The mine needed to do more reef development, said Dale

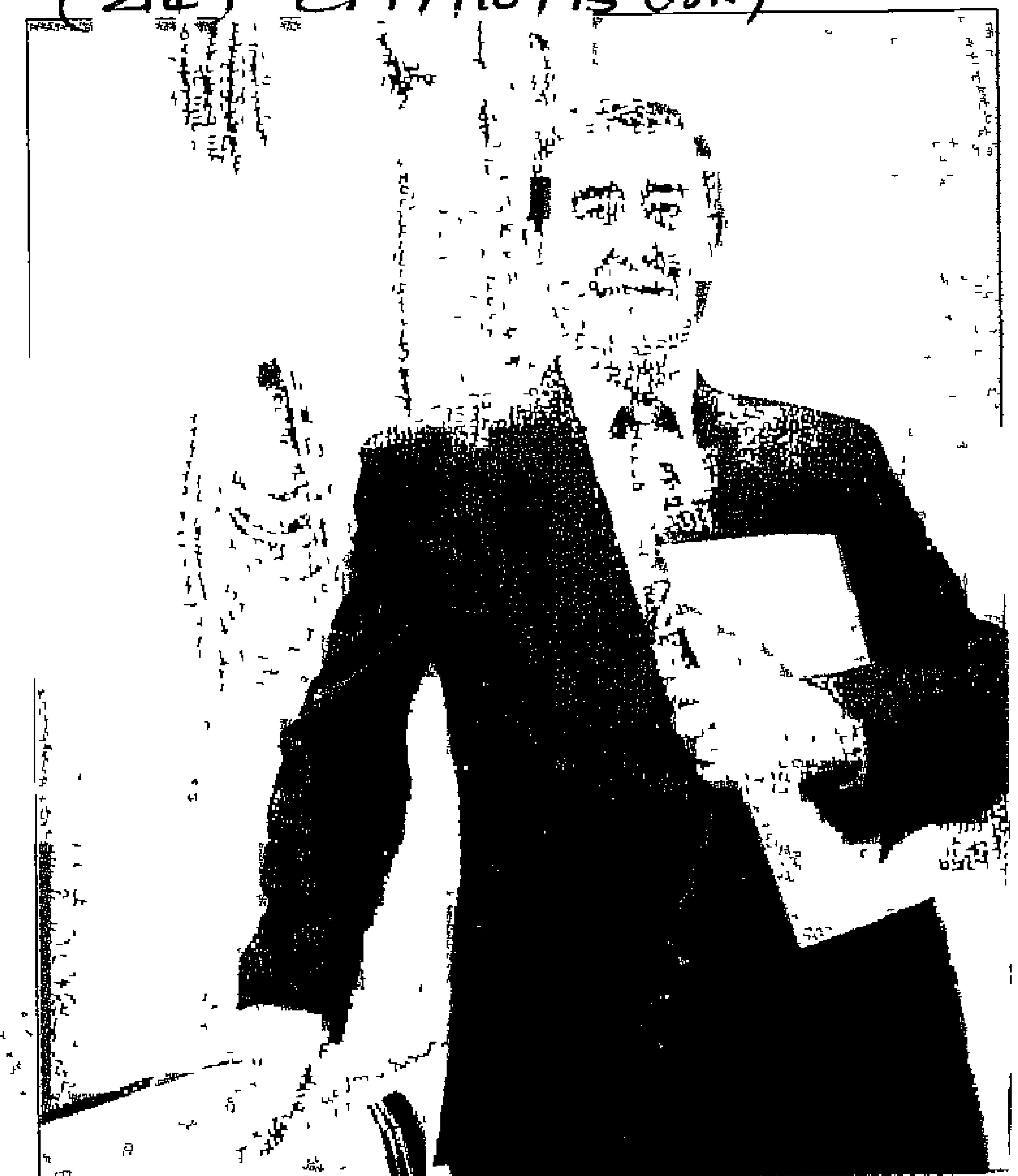
Leslie's fall in distributable income to R88 000 from R1,7 million highlighted its marginality, as gold production fell and working costs rose The main problem had been stope faces becoming unpayable and major faulting in the northern block

St Helena's results were disappointing because of two fires in high-grade areas during the quarter which necessitated moving operations to lower-grade areas It reported a R5,1 million loss from a R2,3 million profit

Unisel's performance was considered acceptable, with distributable income slightly down at R3,0 million from R3,8 million Although gold production rose, production costs were held down Overall working costs grew as a result of a higher level of rock breaking development

Winkelhaak's bottom line was almost static at R3,9 million (R3,8 million), but the increase in working costs was contained to 7 percent on a 15 percent increase in tonnages.

Reef development at Oryx is on schedule and it is close to its budgeted spending of R12 million a month



DISAPPOINTED *Gengold managing director Tom Dale before a presentation on the mines' September quarter results* PHOTO JOHN WOODROOF

WELCOME NEWS *Anglo American's Bobby Godsell presents the company's pleasing quarterly results, as chairman Clem Sunter takes a back seat*

PICTURE JOHN WOODROOF

Anglo's profit surge bucks trend

(214) CT (BR) 20/10/95

By Charlotte Mathews
Investment Editor

Increased production offset higher costs at the five Anglo American mines in the September quarter, compared with the June quarter, and total available profit for the division grew by 54 percent to R134,1 million

Although working costs rose by 5 percent across the board, unit working costs dropped by 2 percent to R38 382 a kilogram

Total gold production increased by 8 percent to 57 613kg, but the average revenue was almost unchanged at R45 515 a kilogram (R45 187 a kilogram)

Bobby Godsell, the chief executive and deputy chairman of Anglo American's gold and uranium division, said that the past quarter had seen a continuation of the negative trends that were challenging the local gold mining industry

Mine management's response would have to be to manage the gradual decrease in operations with the minimum of retrenchment and leaving the least amount of gold in the ground

Costs would have to be tightly controlled and productivity levels increased, including full calendar operations, where appropriate

Freegold, Anglo's largest mine, showed a turnaround in available profit to R12,6 million from last quarter's loss of R1,2 million, as gold produced rose to 23 766kg (22 142kg) on increased tonnages and an improvement in grade to 4,36 grams a ton from 4,15 grams a ton

AAC's gold and uranium division managing director Nap Mayer said Freegold was an old mine, and each shaft was being looked at as a strategic unit to see if it could make a positive contribution

Vaal Reefs improved available profit by 37 percent to R57,1 million on higher tonnages and yield

It is now a 66-ton mine, compared with a 76-ton mine two years ago, mainly because of the ageing of the Number 1, 2 and 5 shafts

The Number 10 shaft has come into production, but at significantly lower grades, so the 66-ton level is expected to be maintained over the next couple of years

Western Deep Levels increased available profit to R31,9 million as tonnage milled rose by 2 percent and the average yield lifted to 5,67 grams a ton from 5,24 grams a ton

Elandsrand grew available profit by 9,4 percent to R15,1 million after a 10 percent increase in gold production

Ergo maintained profit at R17,7 million from R17,6 million as an increase in material treated was offset by a decline in gold production to 3 376kg from 3 481kg, with the average yield down to 0,27 grams a ton from 0,29 grams a ton

Mayer said the decline in yield was in line with predictions and would continue as low-grade dumps were brought into production.

Ergo's interim dividend for the six months to September was raised to 65c from 60c and Freegold's dropped to 10c from 125c

Randgold's new strategy reaps reward

CT(BR) 24/10/95 (214)

By John Spira
Deputy Editor

Randgold's innovative operational strategies, the hallmark of the new management team's first year in office, have worked their targeted magic, with earnings for the year to September a remarkable 271 percent higher at 60,8c a share

The result coincided with the release of the group mines' figures for the three months to September — statistics which bucked the softer general trend for the second quarter running

Randgold's annual operating profit soared to R30,3 million and net profit to R23 million

The directors say a comparison of these results with those of last year's are misleading because the latest figures include First Westgold's results and reflect reduced management fees from the mines

"The increase in operating profit is mainly due to the sale, towards the end of the year, of First Westgold's mining rights and assets"

However, the earnings-a-share figure and the salutary quarterly results demonstrate the success management has achieved in turning around four marginal mines, which were looking decidedly shaky a year ago

Peter Flack

Randgold's cash resources increased from R62 million to R87 million and the value of its listed investments rose from R154 million to R306 million, largely as a result of the shares received from group mines in exchange for the cancellation of their management contracts A dividend of 10c has been declared

Chairman Peter Flack says the group's strategic focus is firmly fixed on developing its underlying assets and eliminating the discount to net asset value

At the end of September net asset value was 1244c a share. However, this reflects mineral rights at cost

The directors believe that if the mineral rights were reflected at their true value, the figure would be in the region of 2200c, implying a 34 percent share price discount on net worth.

Flack says material progress has been achieved in other spheres, including the Durban Roodepoort Deep-Rand Leases merger, the imminent Blyvoor-Doorns merger; the acquisition of management control of West Wits and expansion of Randgold's West African interests

Randgold's mines' combined taxed profit for the September quarter rose to R39 million from the June quarter's R20,1 million

Mines' chairman Lionel Hewitt ascribed this to production increases and grade improvements

At Blyvoors working profit after tribute payments rocketed from R427 000 to R4 million, at DRD the figure rose from R1 million to R3,4 million, while at ERPM it increased from R569 000 to R6,5 million.

Harmony pushed up working profit from R12,4 million to R18,2 million

Bleak year ahead for gold as mines dig deeper for less

(214) BD 26/10/95

THE South African gold industry is heading for one of the worst years in its 109-year history.

Gold output is likely to total between 525-540 tons in 1995, down from 583,9 tons in 1994 and the worst performance since 1957, according to analysts

Hit by labour unrest, rising costs, declining ore grades and stagnant prices, the country's famous gold mines are struggling to keep their heads above water.

The only light at the end of the tunnel is that production might now plateau at these lower levels, albeit little more than half the peak of 1970

"Generally speaking we would regard 1995 as being the trough and we would expect 1996 to pick up again, though not back to the 1994 level," said Chamber of Mines gold marketing consultant Don Pollnow

Fewer public holidays helped lift production at the six major mining houses — Anglo American, Anglovaal, Goldfields of SA, Gengold, JCI and Randgold — by 5% in the three months to September, after three quarters of declines.

Frankel Pollack Vinderine analyst Trevor Pearton believes the industry can build on that, possibly lifting output by 8% to 10% in 1996

But the industry remains on a knife-edge

On a worst case scenario another analyst said output could slump to 500 tons in 1996 if major mines like Freegold and Vaal Reefs go ahead and close marginal shafts

Either way, there is little comfort to the tens of thousands of miners already thrown out of work and the many more who fear for their jobs

The Witwatersrand basin around Johannesburg still contains 40% of the world's known reserves of gold

But SA mines are having to go ever deeper to tap that wealth, putting them at a competitive disadvantage against shallower and cheaper-to-work deposits elsewhere in the world.

In 1985, SA had the lowest costs of any of the world's major mine producers, and it accounted for 43% of global new mine production

Ten years on, it is ranked as the highest-cost producer, behind countries like the US, Canada and Australia, and its share of output has shrunk to less than 25%

In the past, SA mines could depend on a depreciation of the rand to keep the local gold price bubbling along, offsetting their rising costs But a stable rand has left little scope for significant increases in local prices. — Reuter.

CAPE TIMES

USINESS REPORT
SOUTH AFRICA'S NATIONAL FINANCIAL DAILY

SA gold industry in line for worst year as output plunges

(214) CT (BR) 26/10/95

BY BEN HIRSCHLER

REUTER

South Africa's gold industry, the world's biggest, is heading for one of the worst years in its 109-year history

Gold output is likely to total between 525 and 540 tons this year, down from 583,9 tons last year and the worst performance since 1957, according to analysts

Hit by labour unrest, rising costs, declining ore grades and stagnant prices, the country's famous gold mines are struggling to keep their heads above water

The only light at the end of the tunnel is that production might plateau at these lower levels, albeit little more than half the peak reached in 1970

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On a worst case scenario Dennis Tucker of Fleming Martin thinks output could slump to 500 tons next year if major mines like Freegold and Vaal Reefs go ahead and close marginal shafts

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But South African mines are having to go ever deeper to tap that wealth, putting them at a competitive disadvantage against shallower and cheaper-to-work deposits elsewhere in the world

In 1985, South Africa had the lowest costs of any of the world's major mine producers, and it accounted for 43 percent of global new mine production

Ten years on, it now ranks at the highest-cost producer, behind countries like the United States, Canada and Australia, and its share of output has shrunk to under 25 percent

Gold Fields of South Africa chairman Robin Plumbridge said there was a a severe risk of significant job losses in an industry which has already shed 150 000 workers

For investors the message has been loud and clear. An exodus from gold stocks in the last year has seen South Africa's gold index slump 1 000 points to below 1 300, the lowest level since April 1993.

Anglo American, the biggest gold producer of them all, paints a bleak picture of the future, despite a pick-up in profits in the September quarter

CC

Gold mining profit falls as yield declines

(214) CT(BR) 5/9/95

BY DEREK TOMMEY
MINING EDITOR

Gold mining earnings almost halved in the first six months of this year, figures issued by the Chamber of Mines show The industry's working profit dropped 43,1 percent to R1,72 billion from R3,0 billion in the same period last year

Although the ore milled was virtually unchanged at 48,9 million tons, gold production dropped 11,3 percent from 268 371kg to 238 908kg

This was the result of a fairly steep decline in the average yield from 5,45g a ton last year to 4,56g a ton this year A major reason for this was the poor labour situation on several mines which hit production and forced management to increase the amount of waste rock and low-grade ore treated to maintain mill tonnages Another reason was the normal decline at some mines in the amount of high-grade ore available

The slump in yield is reflected in only eight of the 35 mining operations listed by the chamber as increasing their yields in the first half of this year when compared with the previous 12 months These mines were Barberton, the Beatrix section of Buffelsfontein, Doornfontein, Grootvlei, Harmony, the Libanon division of Kloof, Loraine and St Helena

The industry's working revenue in the first six months of this year fell 6,2 percent from R11,3 billion to R10,6 billion

The decline would have been worse if the average gold price received had not risen 5,3 percent from R41,378 to R43,578 a kilogram, which helped boost the industry's income by R959 million

Costs

Working costs rose 7,2 percent from R8,3 billion to R8,88 billion

The industry's total profit, which includes sundry revenue, dropped 42,9 percent in the first half of this year to R1,82 billion from R3,2 billion in the same period last year

This had a major effect on government revenues Tax payments by the industry fell R522,6 million, or 61,1 percent, to R333,17 million Shareholders also suffered Dividends were cut by 31,5 percent from R1,42 billion last year to R972,2 million this year

However, despite these poor profit figures, certain sections of the industry continue to attract substantial investor interest

Since the end of June the shares of Western areas, which recently took over the high-grade, long-life, but deep, South Deep section, have risen by 38 percent Shares of another West Wits line mine, Western Deep, appreciated by 20,6 percent after a good June quarter report

Shares of Grootvlei, an old mine which has been given a new lease on life by acquiring ground from Cons Modder, have risen 29,8 percent to 980c Kinross, which is on the far East Rand, has experienced a 29,3 percent rise in its share price to R37,50 on its good quarterly results

Shares in Beatrix, the Orange Free State mine, which is sinking a shaft to access new ore reserves, have gained 28,2 percent to R32,25

Govt pulls the plug on Gazgold

(214) CT (DR) 5/9/95

BY ANDY DUFFY

STAFF WRITER

The government is pulling the plug on marginal gold mining house Gazankulu Gold Holdings, after keeping the company afloat for more than four years

The company said yesterday that the Department of Mineral and Energy Affairs was bringing a winding up order in the Transvaal Supreme Court, following its failure to repay loans worth R11 million guaranteed by the State through an agreement struck in 1991.

The JSE suspended Gazgold's listing yesterday after sponsoring broker Martin & Co warned the exchange that the State's winding up order was imminent and would not be opposed

The department was unavailable for comment

Gazgold's main subsidiary Gazankulu Gold Mining Company went into liquidation in July, owing R25,1 million against assets of R3,2 million.

Struggled

Hugh Newman, Gazgold managing director, said he did not know why the government had chosen now to pull the plug.

But the company has struggled amid gold's lacklustre performance. The year end accounts for financial 1994 were qualified by chartered accountants Ernst & Young.

Government had undertaken in May 1991 to guarantee loans worth R10 million to Gazgold from Standard Bank.

The company was supposed to begin repaying the loan last December, but secured a rollover and borrowed another R1 million from Standard Bank in April.

Newman said the other R14 mil- lion liabilities was split between inter-company loans and trade creditors.

An undisclosed amount was also owed to Huron Consultants, the company Newman ran with Richard Eaton, the finance director.

State bid to salvage Gazankulu gold cash

CT(BR) 7/9/95 (214)

By Andy Duffy

Staff Writer

The government plans to use the remains of Gazankulu Gold Holdings to create a small-scale mining group in a bid to salvage its reputation and its cash after pumping R11 million into the firm

The mineral and energy affairs department said yesterday it had persuaded the mine's liquidators to delay asset sales, while it tried to recover the mining rights from Gazgold, the listed holding company. The department has already applied for Gazgold's liquidation

The assets are worth less than R5 million without the rights But with the rights intact, the government could cut a deal with unnamed, interested parties to access gold worth about R15 million on the site and further ore beyond it

The department had agreed in 1991 to guarantee a R10 million Standard Bank loan on the Northern Province mine. It took a R12 million bond over the assets and rights as security

In April this year it guaranteed a further R1 million loan for new expenditure and agreed to a rescue plan, including cutting 30 percent of the mine's 430 staff

But most of the new cash was spent on salaries and unpaid interest to Standard Bank The mine's workforce also rejected the rescue plan They were later sacked

When the mine went into liquidation in July the department repaid Standard Bank

It then discovered the rights covered by its bond had been transferred back to the holding company, which was still trading

The department said it would now leave the Transvaal Supreme Court to clear up any confusion about ownership of the rights

Optimism over mines merger

(214) CT (PE) 14/9/95

BY DEREK TOMMEY

MINING EDITOR

Michael Fuller-Good, the chairman of the Doornfontein mine, which is to be merged with Blyvooruitzicht, another loss-making far West Rand gold mine, is optimistic about the outlook for the combined operation

Once completed, the mines' rationalisation should result in lower unit working costs leading to a reduced pay limit and an increase in the joint ore reserve, he said

"It is not possible to predict the rate at which these objectives can be achieved, but I trust the merger will be rewarding for shareholders"

Doornfontein shareholders are being offered one Blyvooruitzicht share for every two Doornfontein shares held Gold Fields, and certain of its subsidiaries, which together hold 33 percent of Doornfontein's issued share capital, have undertaken to vote in favour of the scheme

Without the proposed integration, Doornfontein faces closure of its underground operations.

Experts expect to see mine mergers

(214) BD 19/9/95

Michael Urquhart

THE gold mining industry might see a number of mergers in the next few years to benefit from rationalisation of costs and sharing of tax bases, analysts said yesterday

The past year had seen three mergers, and the coming year could see this trend continue, with possible synergies from mines such as Elandsrand and Deelkraal; Winkelhaak and Kinross; and Beatrix and Joel merging.

Various reasons could encourage mergers. These could include using one mine's tax base for capital expenditure at the second; an increase in mining flexibility, rationalisation of current and future infrastructure; sharing of head office costs, or on older mines, rationalisation of the use of the plants

One analyst said mining houses often were not keen to merge with a neighbouring mine as it meant they no longer could collect management fees from the mine.

Also, if the problem at a mine was productivity, then a merger could compound rather than solve the problem, as management's time was taken up with the merger, rather than solving productivity problems.

The past year had seen Durban Roodepoort Deep merge with Rand Leases, Blyvooruitzicht with Doornfontein, and Western Areas with South Deep. In the case of the first two, the mergers were made to rationalise costs, and in the last to allow the merged mine to use the Western Areas tax base to help fund the development of South Deep.

Edey Rogers analyst Duncan Ingram said the merger of Anglo American's Elandsrand and Gold Fields of SA's Deelkraal would make sense, as the high grade area for both mines was centred on their common boundary.

With the two mines separate entities, it would be necessary for each to sink a shaft to gain access to the high grade area at depth If merged, however, one shaft could be sunk between the two, allowing access to this high-grade area

Whether Gengold's Beatrix and JCI's Joel would merge was unsure, an analyst said, as such a merger could be seen as JCI throwing in the towel on its troubled mine

JCI has been struggling to pull the mine back to profitability after a fall in ore reserves when the mine hit a large unpay area, as well as a disastrous experiment with trackless mining

He said as long as JCI remained on target with its development of ore reserves, such a merger appeared unlikely to happen

Joel also had upcoming capital expenditure for a ventilation shaft

The analyst said the only advantage for Beatrix of a merger with Joel would be the assessed tax loss of Joel and access to ground within Joel's lease area, not readily accessible for Joel.

Doornfontein mine's fate depends on merger plan

(214) CT(BR) 19/9/95

By Derek Tommey

Mining Editor

The Doornfontein gold mine will be faced with the imminent closure of its underground operations if the proposed merger with Blyvooruitzicht does not proceed

This is the view of Venmyn, the independent technical consultant which evaluated the proposed merger of the two half-century-old mines on the far west rand

Blyvooruitzicht's position on a stand alone basis is also critical, says Venmyn

In view of Blyvooruitzicht's lack of underground mining flexibility, it will be marginal and vulnerable to closure under static or declining real rand gold prices, so the merger is important to it

Because of this, Venmyn believes the transaction is in the best interests of shareholders of both the mines

It says integration will reduce operational overheads and other costs through the rationalisation of shaft, mining infrastructure and certain capital programmes

The sharing of infrastructure, ore resources, metallurgical facilities and services will reduce unit working costs and improve production flexibility

A cash flow analysis indicates that the merged mines will have a lifespan of 11 years

The merger is to be accomplished by Blyvooruitzicht offering Doornfontein shareholders one of its shares for every two Doornfontein shares held Shareholders will vote on the proposal on October 4 and October 5

COMP

Gold Fields 'unlikely to improve'

(214) BD 20/9/95

Michael Urquhart

LONG-suffering shareholders of Gold Fields of SA's gold mines are likely to see another round of decreased dividends next year — unless there is a substantial increase in the gold price — as the mines engage in major capital spending and struggle with labour productivity

In his annual review of Deelkraal, chairman Michael Fuller-Good said that apart from possible major capital expenditure on accessing deeper parts of the mine, a "substantial improvement in the gold price would be necessary before a resumption of dividends can be contemplated"

Kloof chairman Alan Munro echoed the sentiment in his review of Driefontein's prospects, stating that "unless there is an improvement in the gold price over the current low level, it is unlikely that dividends will be maintained at last year's level"

Fuller-Good said Deelkraal had nearly completed a major investigation to find the best way to access the Ventersdorp Contact Reef below 35 level and the way to finance the necessary capital expenditure

The investigation was also looking at the possibility that accessing the deeper parts of the mine would not be financially viable

Fuller-Good said there was already a large shortfall between profit and capital expenditure, and if the exploitation of the mine's deeper areas was justified, capex was likely to be in the region of R84m in the current financial year

In the year to end-June the mine produced a taxed profit of R16,4m, but capital expenditure of R45,6m left it with a funding shortfall of R29,2m

The shaft would have to be completed timeously to provide sufficient reserves before the tonnage accessible from the present levels was depleted

Munro said the Kloof division planned to return to production of 180 000 tons a month with the recommissioning of the hoisting arrangements at No 3 shaft

Munro said if the effects of the public holidays and employees' negative attitudes could be addressed, the milling rate could be held at this level for the entire year

At the Leeudoorn division reef and waste passes had collapsed between 35 and 37 levels The redevelopment of substitute passes would delay the commissioning of the shaft and development on 37 level

Capital expenditure at West Driefontein in the current financial year was planned at R210m At East Driefontein the figure was R240m, related mostly to development from No 5 sub-vertical shaft to reef on all levels and sinking at No 1 tertiary shaft

SA gold mining houses set sights on West Africa

(214) BD 20/9/95

Michael Urquhart

SA MINING houses had a number of projects on the cards in West Africa, despite the obstacles presented by exchange controls and late entry into the region, analysts said yesterday.

Gold Fields of SA's Tarkwa mine in Ghana was already in production while Anglo American's Sadiola Hill mine in Mali was being developed. JCI subsidiary Barnato Exploration recently concluded a deal which gave it exclusive rights at the Prestea mine in Ghana. Randgold and Gencor were also active in the region.

JCI business development GM Peter McKenna said the company was focusing on Africa as it believed it could be particularly competitive in the region.

The group was looking at everything from grassroots exploration to redevelopment of existing mines. It was also entering joint ventures.

McKenna said with the agreement recently secured by Barnex, the company could start a study of the underground and surface potential of Prestea.

The mine was producing at only half its capacity, but McKenna said with JCI taking over technical management its life could be extended.

It would take a further two to two-and-a-half years to check surface ore reserves, but JCI consulting geologist Andy Killick said the opencast mine was an attractive prospect. Ore reserves could be proved easily, and the nature of the ore meant it was easy to treat and would therefore require less capital expenditure.

Another gold prospect was Kalana in Mali, and JCI was considering a joint venture with Ashanti Gold Fields.

Kalana was an underground mine which had been run by the Russians for a few years before closing down after the Soviet Union's demise.

There was potential for the redevelopment of operations at the mine, and the possibility of additional undergound as well as surface reserves.

An analyst said underground operations at mines like Tarkwa and Prestea might not be big money-spinners, and opencast mining was a more attractive prospect as it was relatively cheap to develop.

Randgold also had a spread of mineral rights in West Africa, and was concentrating on the Liliga prospect in Burkina Faso. The group had budgeted $2,6m for exploration in the year starting October, and had about 60 targets where it had confirmed gold mineralisation

Godsell calls for 'profit over production' policy

(214) BD 22/9/95

Michael Urquhart

THE SA gold mining industry needed to refocus its energies on profit rather than production if it was to meet the many challenges facing it, Anglo American gold division CE Bobby Godsell said at the 1995 Mining Symposium yesterday

Godsell said a passive response — hoping for a rising gold price to restore the industry to sustainable profit margins — was likely to see the industry crumble in on itself.

The challenges the industry faced included the expectations of that part of the workforce which was recently enfranchised, an uncertain regulatory environment and ageing ore reserves, he said

The industry needed to engage in a radical review of how gold could be mined profitably in current circumstances, and no aspect of current practice should stand outside this review.

Also speaking at the symposium Norman Miskelly, who is mining research consultant for Australian stockbroker D&D-Tolhurst, said different accounting standards for SA mining firms and SA's unique system of mining houses often made it difficult for investors to come to grips with SA mining companies.

He said one of the criteria by which foreign investors judged a company was its management Directors of SA mining companies were often unknown overseas

Miskelly said it was in the interests of a mining company to give as much information as possible, as this helped it when it needed to access capital Mining companies and countries were generally capital hungry, and a mining company which was well known often had the competitive edge in the struggle for capital

Miskelly said Australia had put together a code for the valuation of mineral assets and securities, and had also prepared a code for defining reserves and resources.

SA and Australia were competing for the same capital, he said But Australia had been more successful in the endeavour, and perhaps Australia's high reporting standards had something to do with this.

Mining consultant Peter Camden-Smith, of Camden Geoserve, said management should place its emphasis on increasing throughput by using incentives rather than by decreasing costs

Gold mining must focus on profit, says Godsell

ET(BR) 22/9/95 (214)

FROM REUTER

South Africa's gold mining industry had to focus on profit rather than production and subject itself to critical review if it wanted to overcome current difficulties, Bobby Godsell, the executive director of Anglo American said

Godsell told a mining conference yesterday that the industry, particularly gold mining, could revive substantially by early next century

But the industry had to face increasing global competition, the aspirations of a newly enfranchised workforce, an uncertain regulatory environment and declining ore reserves

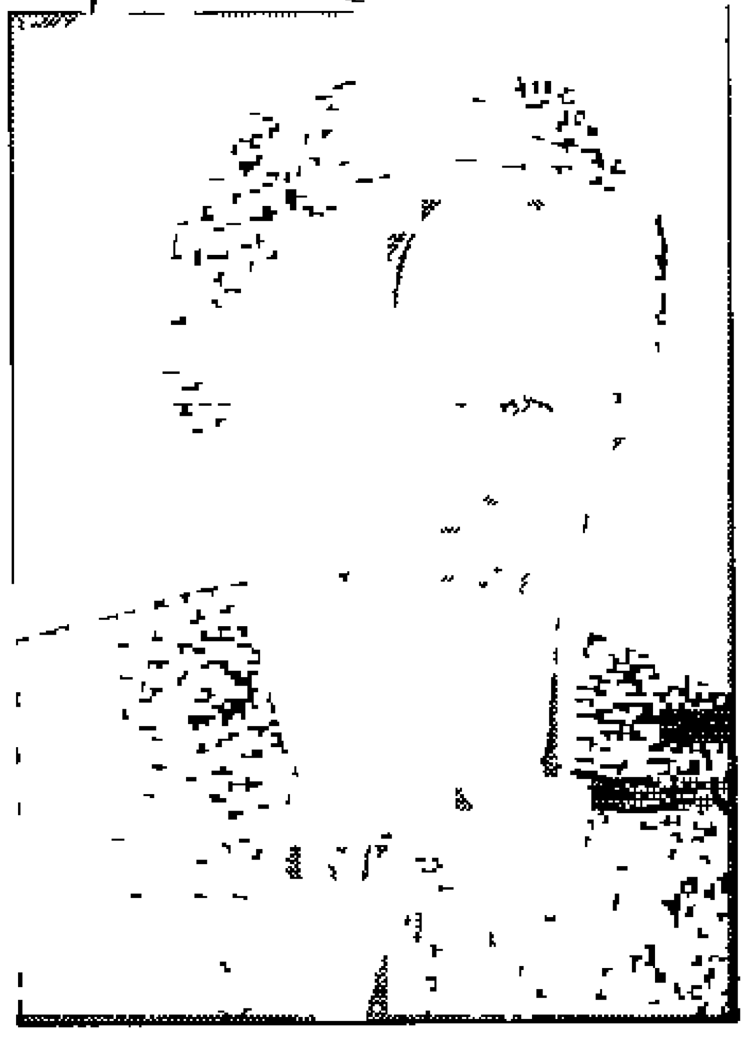
"It is perfectly possible, and please mark my words, that in a generation's time, let's say 2020, South Africa will have a vibrant, profitable gold mining industry that is both world-class and of world significance," Godsell said

But making this a reality depended on how the industry responded to the challenges facing mining

"The list of challenges is daunting but I really believe that those writing out the death notices in the gold mining industry are both premature and indeed presumptuous," he said

Godsell said co-operation between management and labour was crucial and all participants had to remember that survival was the incentive to overcome obstacles

"The old days of labour struggle have to be over If we make mining the avenue of class and ideological struggle it will just make it the wasteland," he said



LEADER *Bobby Godsell*

Higher wages, expanded career opportunities and better status for workers needed to come from the restructuring of work responsibility and had to be matched to rising worker output or the decline of mining would be hastened, Godsell said

He said there was no "magic plan" for improved productivity but a move to full calendar operations would help

"Extensive gold resources remain in South Africa's borders the single, central challenge facing this industry is to determine what proportion of these remaining reserves can be mined profitably under the current circumstances," he said

He said passively hoping the gold price would break through its ceiling or that the rand-dollar exchange rate would deteriorate, was unlikely to restore the industry to sustainable profit levels

Only 10 years' life left for Harties

(214) CT(BR) 22/9/95

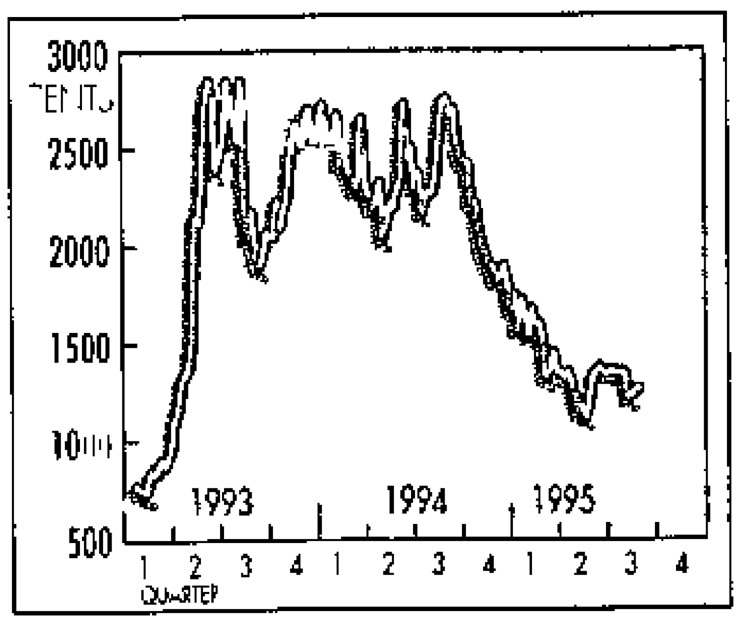
By DEREK TOMMEY

MINING EDITOR

Another major gold mine is nearing the end of its life. The Hartebeestfontein gold mine in the Klerksdorp area, which began shaft-sinking in 1953, has an operating life of only 10 years, says Basil Hersov, the chairman, in his annual statement to shareholders.

He says the mine and its technical consultants have prepared a definitive life-of-mine plan aimed at producing the highest present value of earnings over the mine's remaining life.

The plan is being continuously evaluated and, where required, may change significantly.



It does not include the positive effects of being able to conduct normal mining operations seven days a week. But strategies to take advantage of permission to work on Sundays, should it be granted, are being developed.

Although the gold price rose by 7 percent in the year ended in June, this was more than offset by higher working costs and lower gold production.

This caused pre-tax profit to drop by R187 million to R242 million. Taxation took R89 million (R212 million) and capital expenditure amounted to R32 million (R47 million) leaving earnings of R121 million (R170 million) equal to 107,9c (151,7c) a share.

The company paid dividends of 115c a share against 160c last year.

Ore milled this year is expected to drop by 52 000 tons, but the grade should improve as the mine moves systematically to higher grade areas.

Bare-handed burrowers scratch for gold in Barberton's hills

(2124) WM 25-31/8/95

Out-of-work miners are scratching a dangerous and illegal living through small-scale gold mining in the Eastern Transvaal, writes **Fumane Diseko**

There's gold in them thar hills Zamzam Boy Shongwe mines ore with a hammer and chisel from a hole in the ground on land belonging to a defunct gold-mining company PHOTOGRAPH RUTH MOTAU

RETRENCHED miners in the Eastern Transvaal are risking their lives for gold, digging their own tunnels into the hills around Barberton to find the ore that can support them and their families

The narrow tunnels are dangerous and can collapse and bury the miners They risk poisoning from the process they use to extract the gold from the ore Their mining activities are branded illegal usually because the land does not belong to them and the diggers do not have mining rights and the miners are often harassed and arrested by police or security guards

But they are determined to continue their activities saving they would rather work in these conditions than steal or starve One area where informal mining is concentrated is on land owned by Lilly Mines now closed a hilly area seemingly quiet and uninhabited Once you start walking the hills however you begin to see the holes opening into the ground leading into dark narrow tunnels

Calling down the tunnels at first brings no response — the miners refuse to come to the surface Finally a man wearing a green rainsuit lifts himself out of one tunnel with accustomed ease balancing on several wooden poles and metal bars seemingly precariously wedged into the sides of the red bottomless hole Sweat trickles down his face He mumbles something lifts his hand to his face to wipe away the sweat and discreetly vanishes into the mountains without another word

A few minutes later a man in red soiled tattered clothes emerges from the same hole and sits casually on the edge of it Zamzam Boy Shongwe is king of the castle he owns this hole and works with two men the one who has just disappeared, for fear of arrest, and the other one who is hurt and at home

"He was hit by a fragment of a stone he was chiselling with his hammer and chisel " says Shongwe "He wounded himself close to the eye "

Mining under these conditions is a hazardous business "Who or what will help me if I had to be buried in this hole?"

And on the surface there are other dangers "Yesterday, they arrested people They ran," he says, seemingly bemused by the recollection He says he watched the spectacle as miners were chased around the hills like headless chickens by the security guards from neighbouring Sheba Mines, who were firing shots at them Shongwe refused to run

"I give myself up " he explains The sentence, if one is convicted, is approximately six months, "and you are back as before and digging "

He does not see how anybody loses anything because of his mining activities and says this is just another way of avoiding stealing as a means of survival "I do not steal this from anyone and there is no way that someone can claim to be hurt by my work "

But there is too little (gold) " He is frustrated by the fact that he can only mine a small amount of ore because he has no choice but to use a hammer and chisel The best equipment is an open-cut diamond drill, then the amount of ore would be much greater and the task of extracting gold would be less labour intensive

Shongwe unknots a tightly fastened piece of yellow plastic and spreads the contents onto the palm of his muscled hand There are small, crushed grey stones and, among them the little glinting yellow bits of gold

He has dug for gold since 1968 worked from Ellisberg in Ezulwini to Impala in Rustenburg in 1977 During this time he was injured and never compensated He once worked for an American looking for rocks with gold, sampling rocks at a depth of about two metres With concentration, he traces an approximately centimetre-thin strand of grey rock running vertically through the red rock surface of the hole The strand breaks slightly he shows where it continues

"Where it begins to run horizontally " he explains "it becomes baby " By this he means that it can be mined because it has gold in it. It is called baby at that stage because "it nourishes — like a woman it has some wealth in it" It is the movement of the "baby" stone which determines when the tunnel should be dug horizontally

The chiselled stone is hoisted by rope to the surface in an old 25-litre paint container out of the 16 metre deep tunnel, which the three-man team had dug over three months There the rock is crushed, then panned to sift it further

The panned remnants are mixed with mercury, then the mercury and gold mixture is put in a cloth and squeezed through The gold remains in the cloth Other sources in the mining industry have said that the extraction of gold using mercury can cause brain damage — Shongwe disagrees The use of cyanide in mining is what poisons miners he says and mercury is much safer

He buys his mercury from Swaziland whenever he can afford to — the prices fluctuate and, unlike the prices paid for his gold the price is determined by the seller He recently went to Barbrooke Mines to see someone who had suggested that the mine could purify the ore for them This is a new approach to curb the poisoning suffered by entrepreneurial miners.

Shongwe smokes and moves about on the surface, cradling a knobkerrie he fondly refers to as *"makoti"* meaning bride Yes he has a wife and two children in Mhlangatane Swaziland "I'm going home on Friday " he muses as he looks at the slight drizzle in the mountains. "I m going to plant "

Life is not easy in these candle-lit tunnels Shongwe wishes he was a woman, then his life would not be so hard Most days they can barely afford to feed themselves They have not mined anything worthwhile in the past three months Whenever a little bit of gold is found they split it and each sells it as he sees fit But the time will come, he hopes when he finds his pot of gold He would finally retire and go back home.

The light at the end of the tunnel

THE African National Congress has produced a discussion document on minerals and energy policy which proposes that legal rights are given to informal miners, like Zamzam Shongwe This form of mining is seen as fundamental to the developing other related enterprises in the surrounding areas.

A Small Mines Bureau would be established and its role would be to facilitate, co-ordinate and support this form of mining and assist in mobilising government funds for micro-scale mining enterprises A system of issuing licences and paying taxes would be introduced

The small-scale mining support system will also provide financial schemes, technical advice, exploration support, marketing research, technical, financial and managerial training, mineral processing support, organisational structures and monitoring of environmental, health and safety systems

Small-scale operators would be encouraged to co-operate with the state to resolve the problem of being illegal miners The environmental degradation associated with small and micro-scale mining would then be easier to monitor

Last month, in the Eastern Transvaal, informal miners formed the Eyethu Mining Association They are still in the process of being registered and they are planning on aligning themselves with the Reconstruction and Development Programme office in the Eastern Transvaal.

Gold Fields eyes Ghana riches

BD 26/9/95

(214)

Michael Urquhart

IT WAS probable that Ghana would become a significant base in a planned international network for the Gold Fields of SA group, chairman Robin Plumbridge said in his annual review.

While it would be imprudent to prejudge the results of a study being conducted at Tarkwa in Ghana, resources of 7,5-million ounces had been established in three of the five areas and drilling was expected to expand the resource base in remaining areas

Results of exploration had proved disappointing in South America, and the group was expanding its sights beyond Venezuela and Ecuador Plumbridge said the group would have to establish a permanent presence in Asia-Pacific in the near future.

He said the group's gold mining operations in SA over the past year had been under increasing pressure due to worsening labour relations Productivity had deteriorated on most mines with the result that the gold mining companies had underperformed

"Much remains to be done to establish the lines of communication which the group's operations have traditionally had with their employees "

In strong contrast, the group's base metals companies had an excellent year and had recovered fully from the early 1990s Labour relations in the Northern Cape, and until recently at Zincor, had been excellent The refinancing of Northam had triggered a significant improvement in morale on the mine, with a corresponding increase in productivity.

Struggling SA gold industry still optimistic

(214)

■ BY MELANIE CHEARY

Star 27/9/95

South Africa's gold mining industry faces further job losses, labour demands and ageing ore reserves but industry officials are optimistic about the future and believe difficulties can be overcome

"The list of challenges is daunting but I really believe those writing out the death notices in the gold mining industry are both premature and indeed presumptuous," said Bobby Godsell, the executive director of Anglo American.

Robin Plumbridge, the chairman of Gold Fields of South Africa, said in the group's annual review that key participants would have to work together if the country was to remain a major world player in mining and avoid more turbulent labour relations.

"There is a severe risk that a significant number of jobs will be lost in an industry which has already reduced employment opportunities by more than 150 000 in recent years," he said.

Government and industry representatives have cautioned that the struggling industry needs to undergo a revolution and realign itself if it is to compete successfully

"As South Africa comes out of a long period of isolation, we realise that the world has actually moved on and left us behind If we want to make this industry work we have to take bold steps," said John Bristow, a senior mining analyst

Mining house chiefs said the industry was not wasting away and could revive substantially if challenges were met

"It is perfectly possible that in a generation's time South Africa will have a vibrant, profitable gold mining industry that is both world class and of world significance," Godsell said.

Having the ore reserves was one thing, extracting minerals from the earth and turning them into revenue was quite another, he added.

"Mining conjures up treasure chest ideas of huge wealth down there, but gold in the ground is useless to anybody unless it can be translated into funds"

This task depended on correct geology, efficient management and productive labour, officials said.

But Marcel Golding, the chairman of parliament's portfolio committee on mineral and energy affairs and a former miners' union leader, said increased productivity had to take into account that there was no longer cheap labour

MANAGEMENT

JCI to launch restructuring at Randfontein mine shaft

(2/14) BD 28/9/95

Michael Urquhart

JCI is set to implement the first stages of a massive restructuring exercise to improve the productivity and profitability of the group's gold mines.

Bernie Whitfield, part of a project team drawn from the gold mines in the JCI stable responsible for the restructuring process, said the first test site would be in place on a shaft on Randfontein Estates gold mine next month

Following the conclusion of the implementation on this site, which Whitfield said should take two to three months, the restructuring could be spread to the rest of the mine and then through all the mines in the group

The restructuring process, known as Business Process Re-engineering, was initiated in September last year

The process involved restructuring all aspects of the organisation, including technology, work practices and structure

Key aspects were comprehensive planning and the need for a multidiscipline approach to problem solving Whitfield said the mines currently had a number of departments with their own systems for solving problems and there was often inadequate communication between them

These often antagonistic departments would have to be formed into teams, he said

He said the team was also looking at the flattening of structures, with the eventual aim of having six levels in the organisation, from the lowest to the CEO

Whitfield said moving responsibility down levels in the organisation required empowerment of the people taking this increased responsibility

The project team was also looking at remuneration structures in an attempt to develop one which was visibly linked to a worker's level of productivity

He said incentive schemes already in place were often too complicated for workers to understand Also, workers could not link their bonuses to any easily measurable measure of productivity

Other stakeholders in the process, such as suppliers to the mining industry and the unions, were being treated as partners in the process Whitfield said input from these groups was necessary to ensure that the change could be carried through successfully

He believed normal working practices needed to be challenged

If JCI managed to successfully implement its restructuring, its gold mines could be among the few left in SA in 20 years, Whitfield said

The advantages of successful implementation of the new system would be an increase in throughput and development, and better safety as a result of improved risk management

This in turn would lower the pay limit, and increase the ore resource and life of the mine

Ultimately gold mines competed on a cost basis and JCI was looking beyond SA's borders to compete on a global scale

GFSA GOLD PRODUCERS (214)

No comfort offered

FM 29/9/95

Of all SA's gold mines, those in the Gold Fields (GFSA) stable have long been considered the best, the richest, the safest investments. These accolades were deserved

Almost nowhere does the industry's present malaise show through more clearly than in the latest annual reports issued by the house for its principal operations In every case, sharp declines in production and working profit are noted, in one — Doornfontein — the mine is now subsumed into the operations of neighbour Blyvooruitzicht, also struggling to survive

KLOOF

Activities: *Gold mining*

Control: *GFSA 39%*

Chairman & MD: *A H Munro*

Capital structure: *138,6m ords Market capitalisation R5,6bn*

Share market: *Price 4 025c Yields 4,7% on dividend, 10,3% on earnings, p e ratio, 9,7 12-month high, 7 500c, low, 3 775c Trading volume last quarter, 4,8m shares*

Year to June 30	'92	†'93	'94	'95
Gold produced (kg)	34 255	50 955	48 199	46 673
Revenue (Rm)	1 101	1 670	2 018	2 072
Working profit (Rm)	385	474	721	616
After-tax profit (Rm)	318	481	748	575
Earnings (c)*	229	347	541	415
Dividends (c)	90	110	180	190

† Incorporating Libanon for the first time * Before capex appropriations

DRIEFONTEIN

Activities: *Gold mining*

Control: *GFSA 35%*

Chairman: *A H Munro MD M R Fuller-Good*

Capital structure: *204m ords Market capitalisation R10,3bn*

Share market: *Price 5 050c Yields 4,6% on dividend, 8,3% on earnings, p e ratio, 12 12-month high, 7 350c, low, 4 600c Trading volume last quarter, 4,3m shares*

Year to June 30	'92	'93	'94	'95
Gold produced (kg)	56 587	56 353	60 581	55 777
Revenue (Rm)	1 821	1 850	2 527	2 479
Working profit (Rm)	835	761	1 325	1 172
After-tax profit (Rm)	551	546	785	857
Earnings (c)*	270	268	385	420
Dividends (c)	165	150	240	230

* Before capex appropriations

The working revenue for GFSA's four gold mines (Driefontein Cons, Kloof, Deelkraal and Doornfontein) totalled R5,104bn in financial 1994 Over 1995, that fell to R5,093bn and, given the relative stability of the price over the year to June (it traded in a narrow band) and the low depreciation of the rand (only 4%), the answer lies in lower gold output

In fact, it declined across the four companies by 9% As this means nearly 7,5 t of gold, it goes a long way to emphasise the gravity of the problems

Almost without fail, the company reports cite labour difficulties as the cause of the dilemma "antagonism between two large groups of employees" (Deelkraal), "industrial relations were the major problem" (Driefontein) and problems regarding employee attitudes (Kloof)

Observers can point cynically to Doorns, under threat of closure, where chairman Mike Fuller-Good was able to say the mine "experienced a calm period with no incidents of labour unrest"

At Kloof, which incorporates Libanon and Leeudoorn, the emphasis was on repairing the No 3 subvertical shaft, a process which is taking longer than expected There was a disappointing decline in grade at Leeudoorn division, from 7 g/t to 6 g/t and Libanon suffered a series of mishaps — two fires, a major hoist breakdown and a performance failure

The bottom line is attributable of R575m, compared with 1994's R748m (though that also reflects the end of Kloof's tax holiday) Despite that, the dividend was lifted 10c to 190c a share, indeed, chairman Alan Munro is already signalling that the level of dividend payment is under threat

At Driefontein Cons, GFSA's other massive gold mine, after-tax profit actually improved to R857m (1994 R785m) solely because of a fall of R233m in the tax bill (1994's one-off transition levy and abolition of the State's share of profit)

An interesting aspect of changing demographics is that 48% of skilled mining jobs needing blasting certificate holders are now held by black employees

The sobering news is that the dividend

GFSA's Munro *dividend levels under threat*

was reduced by 10c to 230c per share, and Munro warns that unless employee relations (and therefore productivity) improve along with the gold price, it's unlikely "dividends will be maintained"

This leaves Deelkraal — frankly, a disaster area — and Doorns At Deelkraal, production fell 16% to 7 040 kg, and after-tax profit of R16m compares with 1994's R64m Not surprisingly, the dividend is 5c after last year's 20c, the final was passed and the chances of a resumption seem bleak

Doornfontein, of course, has since become part of the Randgold group, leading to a rationalising of its capital assets with those of Blyvooruitzicht mine

This merger was sensible, because it is the only way both mines will survive in an increasingly hostile environment

These four annual reports provide no comfort for industry investors *David Gleason*

Durban Deep buyout offer

(214) CT(BR) 1/6/95

By John Spira

Gauteng Business Editor

Durban Deep has made a formal offer to acquire all the shares of Rand Leases

The document indicates that had the acquisition, along with the cancellation of management contracts, been effective from December 31 1993, Durban Deep's 1994 loss would have been 73,1 percent lower at 396c a share

Should the offer prove successful, Rand Leases, first listed as long ago as August 1933, will disappear from the JSE boards

The purchase consideration payable in terms of the offer — worth R111 million — is five Durban Deep shares for every 200 Rand Leases held

With Durban Deep at 3 750c, Rand Leases shareholders will be getting the equivalent of 94c a share, about 12 percent more than the ruling price The directors of Durban Deep expect various prospective synergies to result from a merging of the two mining operations

☐ Rand Leases is constrained by insufficient underground access to mineable ore blocks and limited ore processing capacity, whereas Durban Deep has excess ore transporting and processing capacities but limited payable and accessible ore reserves,

☐ Both mines have widely scattered ore blocks, most of which are located at the extremities of existing underground infrastructure This has resulted in high mining costs Operational synergies could be achieved by concentrating operations in areas least remote from major arterial routes,

☐ The two mines are separated by a boundary pillar, which acts as a water barrier In a merger, pumping operations at Durban Deep would continue, hence facilitating the dewatering of large tonnages of mineable ore reserves on Rand Leases Dewatering would increase Rand Leases' underground life and release higher grade reserves,

☐ Both mines' metallurgical plants would be upgraded, thereby increasing the mining and processing of underground and surface tonnages to production levels exceeding present capacities,

☐ By combining resources and rationalising the management functions on the two mines, operational overheads and other costs would be reduced

The directors of Durban Deep and Rand Leases have agreed that, subject to the scheme becoming operative, the management contracts will be cancelled with effect from January 31 1995

The directors said the remuneration payable by both mines for services under the management contracts was "significant and comprised a material part of turnover"

Cost squeeze pushing gold mining industry into crisis

(Z14) CT (BR) 2/6/95

By Derek Tommey
Mining Editor

The cost squeeze on the gold mining industry, still a major contributor to South Africa's prosperity, is pushing it into a crisis situation

Clem Sunter, chairman of Anglo American's gold and uranium division, indicated this week that any further rise in mining costs under present circumstances would result in a number of marginal and loss-making shafts having to close This would lead to the retrenchment of workers

Speaking at a briefing on Anglo American's results, he said that the industry's costs were escalating at between 10 percent and 15 percent a year

The gold price is about R45 500 a kilogram and to offset the escalating costs which the industry is facing from its suppliers and possible wage escalation from the forthcoming settlement, it would need a gold price of about R48 000 to R50 000 a kilogram

"I don't see us averaging that figure this year, particularly given what has happened to date"

Sunter said Anglo American was following two strategies to overcome the cost squeeze The first was to press for continuous production

At the moment the industry operated only 275 shifts a year It is losing 52 shifts on Sundays, 26 shifts on Saturdays and 12 on public holidays

"Can you imagine ~~the~~ steel industry here and overseas operating on this basis?" he asked

Anglo American is now pursuing the introduction of continuous production with all its stakeholders

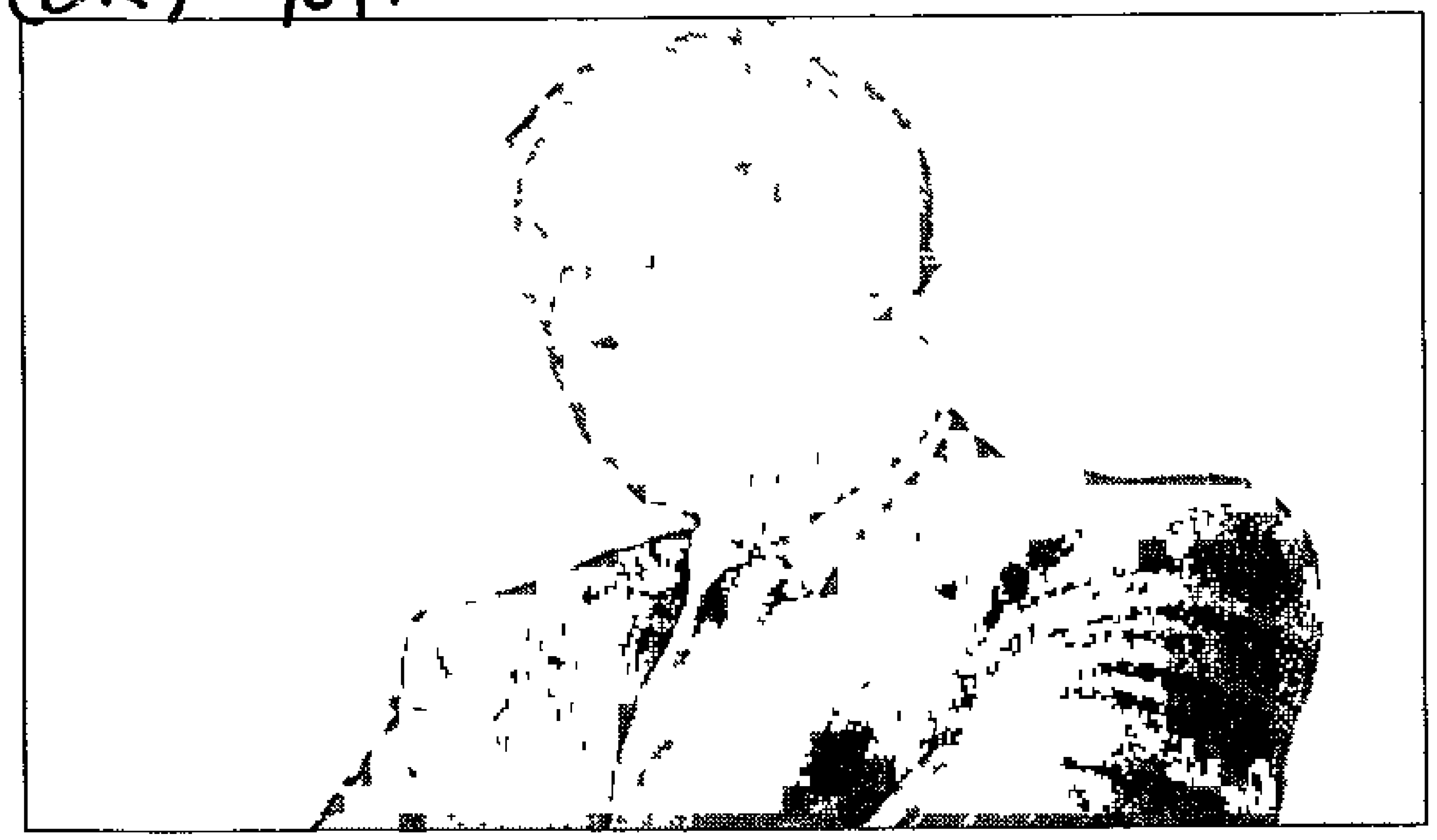
"We are lobbying them and showing them the current state that we are in We want to extend the life of our marginal shafts through continuous production, but more than that, we want to create extra jobs on our big shafts, like Freddies No 1 in the Free State through a kind of roster system we can set up

"Not all shafts will benefit from continuous production," he said "We'll have to look at the concept shaft by shaft"

Sunter said extensive discussions on continuous working had already been held with employees on two of the group's shafts — Vaal Reefs No 3 and No 4

This was followed by an application to government for continuous production, but this has just been turned down on the basis that there is not sufficient evidence that all parties have accepted the agreement, particularly the Mineworkers Union because of members' religious observance of Sundays

"So obviously we'll have to continue to struggle on this front because the introduction of continuous mining is absolutely vital for the future of the industry"



MINING CRISIS *Anglo's Clem Sunter says the mining corporation will work out a deal with workers to increase productivity* PHOTO JOHN WOODROOF

The second strategy is the use of productivity and performance bonuses and this matter will be addressed after the main wage negotiations have been completed

Sunter said Anglo American, in consultation with the unions, would like to determine a general set of principles, but it would prefer the shafts themselves to work out their bonus systems

Anglo American has also tried to develop a common set of values, particularly around the work ethic

"We have programmes on our mines using facilitators and industrial theatres and also employing face-to-face communications about the seriousness of the situation

"We have to accept that our old shafts are nearing the end of their profitable and productive lives We should be able to absorb some of the people from the marginal shafts that we will be closing down.'

Julian Ogilvie Thompson, chairman of Anglo American, said that while the closure of unprofitable shafts would sadly lead to loss and harm the balance of payments, it would have no effect on the profitability of the mines

Anglo's Julian Ogilvie Thompson

Anglo is into 'empowerment' (214)

By Derek Tommey

Although there have been a number of approaches to Anglo American regarding the acquisition of the unbundled Johnnic and JCI by black groups, no figures have been put to it, the group's chairman, Julian Ogilvie Thompson said at a briefing on the group's profit figures CT (BR) 2/6/95

He said most of the approaches had been "far from specific"

"We stress that we are going to sell these assets only to groups that represent a broad base of black investors, backed by pension funds, trade union funds, stokvels, individual funds and so forth

"We are not in the game of what is loosely called black enrichment these days; we are in the game of black empowerment"

He said Anglo American was not able to say when the acquisition of the two companies by black groups would be completed He added the corporation was "in no particular hurry"

Gold mining at crisis point

(214) Star 2/6/95

■ BY DEREK TOMMEY
MINING EDITOR

The cost squeeze on the gold mining industry, still a major contributor to South Africa's prosperity, is pushing it into a crisis situation

Clem Sunter, chairman of Anglo American's gold and uranium division, indicated this week that any further rise in mining costs under present circumstances would result in a number of marginal and loss-making shafts having to close This would lead to the retrenchment of workers.

Speaking at a briefing on Anglo American's results, he said that the industry's costs were escalating at between 10% and 15% a year

The current price of gold is around R45 500 a kilogram and to offset the escalating costs which the industry is facing from its suppliers and possible wage escalation resulting from the forthcoming settlement it would need a gold price of about R48 000 to R50 000 a kilogram "I don't see us averaging that figure this year particularly given what has happened to date "

Sunter said Anglo American was following two strategies to overcome the cost squeeze The first was to press for continuous production

At present the industry operated only 275 shifts a year It was losing 52 shifts on Sundays, 26 shifts on Saturdays and 12 on public holidays "Can you imagine the steel industry here and overseas operating on this basis?" he asked

"We want to extend the life of our marginal shafts through continuous production, but more than that we want to create extra jobs on our big shafts, like Freddies No 1 in the Free State through the kind of roster system we can set up

The second strategy was the use of productivity and performance bonuses and this matter would be addressed after the main wage negotiations had been completed

We have to accept that our old shafts are nearing the end of their profitable and productive lives "We will do all we can to see that their closures are carried out in an orderly and humane fashion, and with continuous production on our big shafts we should be able to absorb some of the people from the marginal shafts that we will be closing down '

Sunter said that Anglo American still has plenty of quality gold left in its mines and felt that with sensible and consistent strategies it would overcome the industry's current problems like it did in the previous margin squeeze situation in 1990

Mines facing squeeze

(214)

ARB 7/6/95

JOHANNESBURG — Bruising pay talks start this week for South Africa's volatile gold mining industry, which last year accounted for 21,6 percent of the country's exports But opinion is divided on whether a strike is likely

"Neither managements, nor the unions, have much leeway," Duncan Ingram of stockbrokers Edey, Rogers & Co Inc said on Tuesday.

Pay, covering about 50 percent of a local gold mine's costs, is only one of a number of bargaining issues at the talks starting on Thursday between the National Union of Mineworkers (NUM) and the employer body, the Chamber of Mines

The annual negotiations were delayed by a disaster on May 10 at Anglo-American's Vaal Reefs gold mine southwest of Johannesburg in which 104 people died

NUM, which represents about 300 000 mainly black workers in the mining industry, is demanding wage rises of 20 to 70 percent and a restructuring of the complex job grading system

The average industry wage rise last year was 11 percent

The mines say they are caught in a margin squeeze

Clem Sunter, chairman of gold operations at Anglo American Corporation of South Africa Ltd, reiterated last week that jobs were at stake if productivity problems, rising costs and an uninspiring gold price continued Gold was quoted at around $384 an ounce in Europe on Tuesday Sapa-R

Iscor shares 'volatile but worth holding onto'

CT(BR) 7/6/95 (184?)

BY LLEWELLYN JONES

STAFF WRITER

Iscor shareholders should hold on to their investment despite the counter's recent volatility, an analyst said

The counter recovered 5c to finish at 435c yesterday after falling 9c on Monday as over 1,25 million shares changed hands. It touched this year's high of 475c in March coming off a low of 402c in January.

An analyst said three issues were affecting Iscor's share price.

The first was the rights issue in April Most institutions regarded the rights issue at 380c a share too good to pass up. But this resulted in many of them being overweight in Iscor shares and many had recently taken profits and tightened up their portfolios.

The second was concern that Iscor would not match earnings' forecasts for the year to June

"There has already been some comment and the company's management has said that it might not meet forecasts," he said.

The combination of the effects of the rights issue and the recent capitalisation award in their forecasts could dilute earnings by about 20 percent, he said.

The third was the negative publicity surrounding the Saldanha project

"This has created a slight panic situation, but nothing worth tying your knickers in a knot over. At the end of the day, a compromise will probably be reached with the project going ahead at the current site with some extra safeguards built in," the analyst said

He saw the counter vacillating between 430c and 460c in the next three months, but expected it to be trading well over 500c in the new year, heading towards 600c by the year's end

Merged mining operation needs to spend R85m

CT(BR) 7/6/95 (214)

BY DEREK TOMMEY

MINING EDITOR

Durban Deep shareholders should prepare for a major rights issue following its proposed merger with Rand Leases

Peter Flack, Durban Deep's chairman, says in his annual statement to shareholders that the merged mine will have to spend R85 million in the next two years.

Durban Deep has previously indicated that it is considering a rights offer to fund its capital requirement and repay its debt.

Flack says the merger of Durban Deep and Rand Leases should extend the life of the resultant mine by at least 25 years at the current gold price and enable it to produce a substantial profit from 1997 onwards

The merger will bring significant financial and technical advantages to the two mines as they exploit the same reef horizons

The merger will allow operations to be concentrated closer to arterial routes, reducing costs and allowing the exploitation of otherwise uneconomical reserves

Pumping operations at Durban Deep will assist in dewatering large blocks of inaccessible higher grade ore reserves at Rand Leases

By combining resources and management functions, operational overheads and other costs will be reduced significantly

The metallurgical plant at Durban Deep will be upgraded, Flack says, allowing an increase in mining and processing well above present capacities

Durban Deep's shareholders are to vote on the merger on June 20 Durban Deep will be offering five of its shares for every 200 Rand Leases shares

Non-stop mining shifts could see rise in low gold share prices

ET(BR) 8/6/95 (214)

By Derek Tommey

Mining Editor

Gold shares, whose prices have halved in the past nine months, are clearly out of favour with investors — but the possibility of a resurgence in gold share prices in the coming months cannot be ruled out, say analysts

The gold mining industry is engaged in critical negotiations with the unions and also the government on the introduction of continuous mining A favourable outcome for the mining industry could have a major impact on mining profits

Clem Sunter, chairman of Anglo American's gold and uranium division, pointed out recently that the South African gold mining industry is working on only 270 days of the 365 days in a year

It doesn't work on Sundays, it doesn't work on public holidays and works only half the Saturdays No other major capital-intensive industry anywhere in the world works in this way, said Sunter

He added that negotiations were still at an early stage However, there is no doubt that the industry must be hoping for a favourable outcome

Tom Dale, general manager of Gengold, said the industry could derive very substantial benefits from the introduction of continuous mining But it would be simplistic to think that if the industry worked every day it would boost its output by a third

Mines with limited hoisting capacity would not benefit to any great extent

But the introduction of continuous mining was only half the story The industry had been going for 100 years and was still following many of the practices started then

What the industry required was the freedom to negotiate conditions of work with its people so as to be able to work in a more flexible way

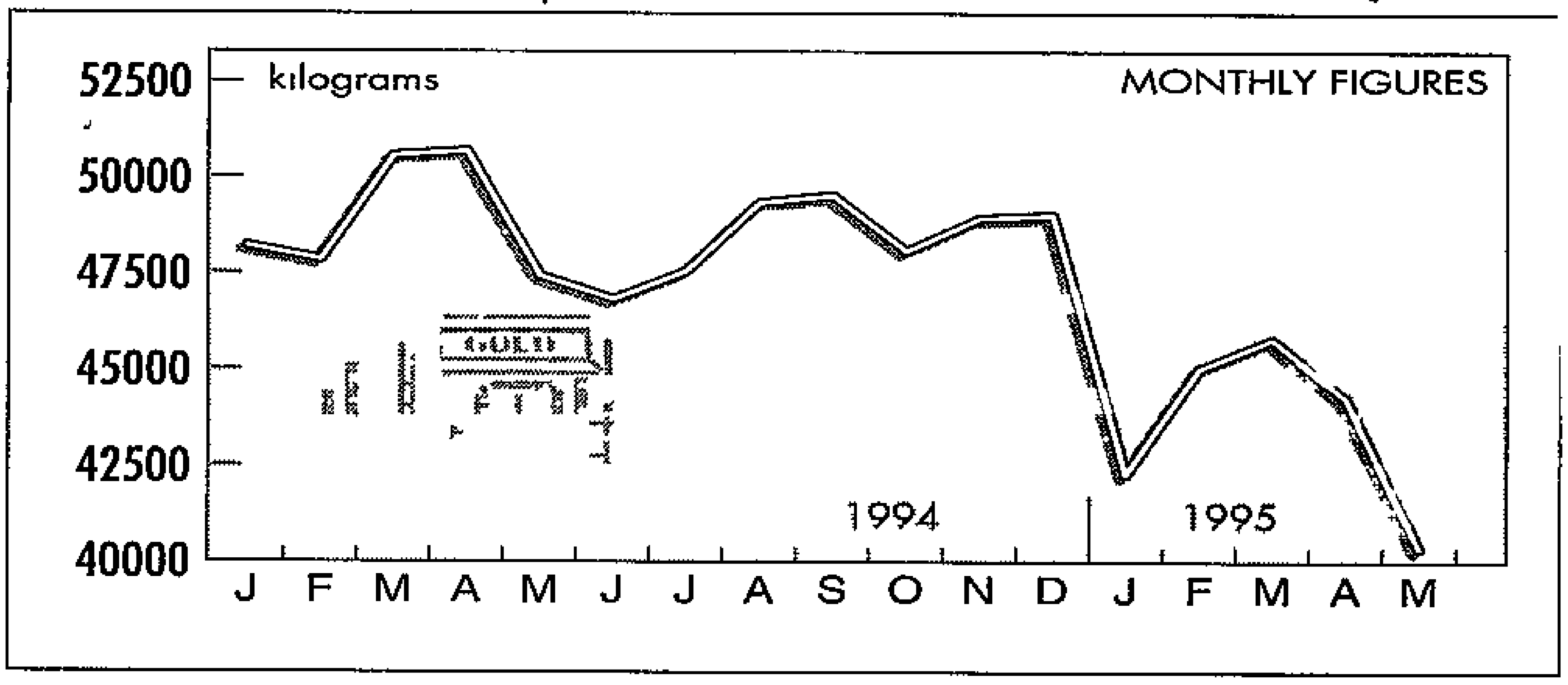
He said the age of the industry meant that in many mines it took a considerable time for workers to reach the stope face He estimated that as a result, some spent as little as six hours and possibly even as little as four hours in productive work But introducing longer but fewer shifts could overcome this problem This had been done successfully at St Helena

Dale pointed out that introducing more flexible working conditions did not lead to less employment, but to more employment It enabled the mines to expand operations into more lower grade areas, which required employing a larger work force This had also happened at St Helena and had resulted in more jobs

There was no industry in South Africa which came anywhere near matching the potential for large-scale job creation, he said

NEWS

Total South African gold production



Gold production lowest in 39 years

ET(BR) 16/6/95 (214)

By Derek Tommey

Mining Editor

The gold mining industry was hit hard last month by the holidays and the general malaise among workers Chamber of Mines figures show that gold production dropped to 40 320,0kg — the lowest monthly figure in 39 years Production was last at this level in April 1956, when the industry produced 40 072kg

May's output was less than half the peak monthly figure of 85 737kg, achieved in October 1970 Production in May showed a significant decline from April, dropping 3 933,5kg, or 8,9 percent Taking gold at R45 000 a kg, the industry's revenue dropped by R177 million in May to R1,814 billion

Gold production in the first five months of the year was 244 688,4kg, which is 27032,2kg, or 9,1 percent less than a year ago This lower production cost the gold mining industry some R1,216 billion in lost revenue

Mining analysts said the May out-put indicated that the June quarterly results, due to be published in about four weeks, were likely to be poor

The JSE is unlikely to be too surprised by the May gold figures The gold share index has dropped 44 percent since last September and gold shares show no signs of regaining much of that lost ground.

The slump in production comes at a time when employers and unions are meeting to discuss pay rises Employers are apparently making pay increases conditional on unions agreeing to accept more productive work methods

Decline in gold output expected to continue

BD 29/6/95 (214)

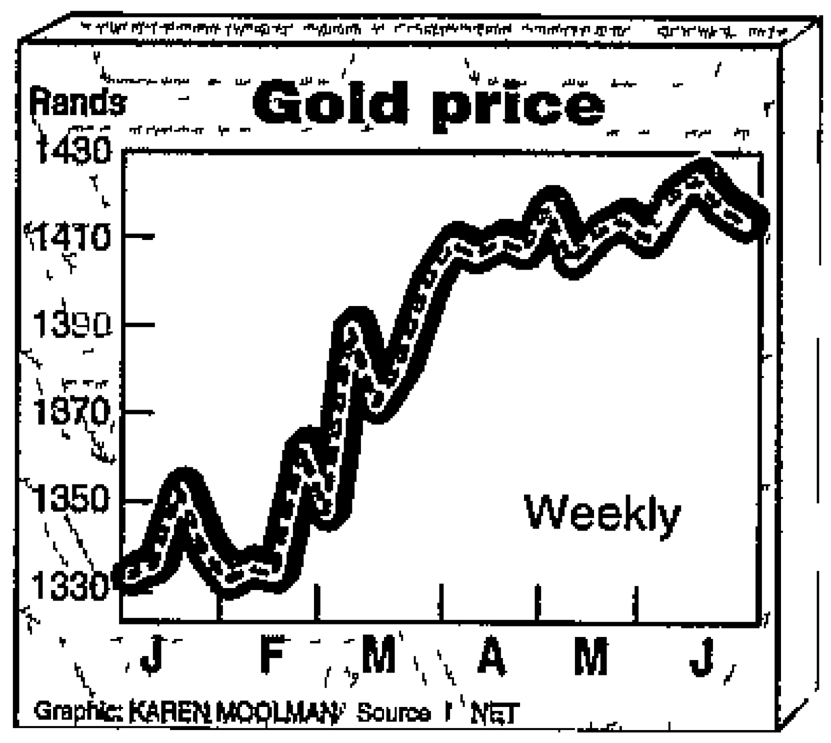
Michael Urquhart

GOLD mining unit costs had increased by 20,6% in the first quarter of 1995 versus the first quarter of 1994, while production had declined by 27 tons over the first five months of the year compared to last year, according to Chamber of Mines economist Roger Baxter

This had severe implications both for the gold mining industry and for the national economy, he said

If the situation continued it could see gold production for the year around 62 tons lower at 528 tons, leading to a loss of R2,7bn in revenue for the industry at current gold prices

The poor performance of the gold mining industry, which was the main factor in the mining component of the GDP, meant the mining industry's contribution to the GDP fell by 8% Baxter said if agriculture and mining were removed from the GDP equation, the annualised GDP growth in the first quarter from the final quarter of last year would have been 3% instead of 1,1%



Graphic: KAREN MOOLMAN Source: I-NET

The other main area where a fall in gold mining had hurt the national economy was foreign exchange As all gold produced was exported, the R2,7bn loss of revenue to the gold mining industry was also a loss of foreign exchange for the country

Baxter said productivity as measured in tons milled a man a year had increased from 1987 to 1993, but last year had declined and on current indications was expected to decline again this year.

He said the factors which had led to the fall in productivity had been a generally poor work ethic based on high expectations from the new government, tensions between regular and contract workers, the public holidays and continual work disruptions over pay structures.

As mines had fixed cost structures, lower production led to an increase in costs a kilogram of gold produced

This rapidly sterilised large portions of the reserves as the ore became uneconomic to mine, leading to a shortening of the life of the mine

He said it was this fall in productivity and consequent sterilisation of reserves that had led to a call by the mining industry for a full-year mining operation and operational flexibility at mine level These had been the principle chamber demands at wage negotiations

Baxter said it would hopefully lead to a stabilisation of jobs on mines which were facing closure of the more marginal shafts, while it could lead to job creation on mines which had the reserves and capacity to increase production

AAC sets sights on West Africa

(214) (8) Sowetan 5/1/95

■ UPWARD TREND *Rising price of gold encourages search for reserves:*

THE price of gold is rising and the increase will be particularly welcomed by African producers seeking investment to develop the continent's rich gold reserves

The upward price movement coincides with the recent announcement by Anglo-American Corporation of South Africa that it is to invest an estimated $210 million in the Adiola mine in Mali

Anglo-American is expected to control 38 percent of the project and operate the mine Ima Gold, the Canadian company that discovered the deposits, will hold 38 percent, and the Mali government 18 percent

Anglo-American's move into West Africa follows a two-year search for gold projects in the region

South Africa is the world's biggest gold producer with an annual output of 620 tons, or one third of the global production

But its reserves are declining and with every metre of prospective land explored, there is little gold to be discovered

The South African mining giant is now anxious to find new reserves

The Adiola project is expected to come into operation in 1997 and produce between 10 and 12 tons of gold a year

Mali currently has only one major gold mine, the Syana, operated by the Australian company Broken Hill Propriety It is expected to produce six tons this year

Ventures by South African mining companies are now underway in Botswana, Ivory Coast, Ghana, Namibia, Swaziland and Zaire, and Anglo-American is also exploring in Burkin Faso, Guinea, and Senegal

African production has doubled to almost 90 tonnes a year over the past decade, with Ghana showing the most spectacular rise

It is now the world's twelfth-largest gold-producer In April this year, the government sold its 25 percent stake in the Ashanti Goldfields Corporation, Ghana's largest gold company, with the company returning to the international stock market Five percent went to local investors AGC received $57 million from the sale, and the Ghanaian government $320 million

The World Bank estimates that African output could rise to more than 165 tons a year if more money went into exploration

Growth potential

The main producing regions of Africa West, East Central and South are considered by many industry specialists to offer some of the greatest growth potential in gold mining

Africa's geology is dominated by old rock formations known to be favourable for gold deposits

Exploration and investment is likely to be strengthened by the rise of gold prices Gold has been an unfashionable investment in the past 13 years

Throughout October gold made a determined move to break the $400-an-ounce barrier Although it failed, traders are speculating that gold remains bullish and that the rally is not over

They point out that the reasons behind the latest rally are much stronger than those that boosted prices early last year when prices were at a seven-years low of $326 an ounce With the metal perceived to be cheap, speculators and other buyers rushed to take advantage, pushing up prices to over $380 an ounce

The latest rally started in late August when a number of United States financial organisations started to buy gold in an aggressive, but controlled manner

Successive increases in US interest rates and worries about world inflation prompted the move

"There is now a huge collective wish for the price to go through $400," says Andy Smith, analyst at Union Bank of Switzerland

The gold market has changed dramatically over the past two decades In the 1970s and early 1980s Western investors were buying

Today, demand comes mainly from the Middle East and East Asia, where buyers are much more sensitive to price changes

The outlook remains "very finely balanced," according to Gold Fields Mineral Service, a London-based research company It all depends on interest rates, inflation and supply and demand

For optimistic investors, there is less gold on the market During the first half of 1994, central banks sold only 36 tons compared to 275 tons in the first half of 1993

There has also been a decrease in forward selling by producers — *Gemini News*

Project valued at estimated R5,4 billion

Talks under way on mega mine

(214) Star 5/1/95

BY JOHN SPIRA

South Africa could be on the verge of obtaining a new mega mine (close to the size of Freegold) if behind-the-scenes discussions currently in progress come to fruition

The envisaged project would have a value estimated at R5,4 billion in current terms

A new mega mine of such dimensions would provide a major boost to the economy in terms of employment opportunities, expenditure on supplies, state revenue in the form of additional taxes and heightened foreign exchange earnings

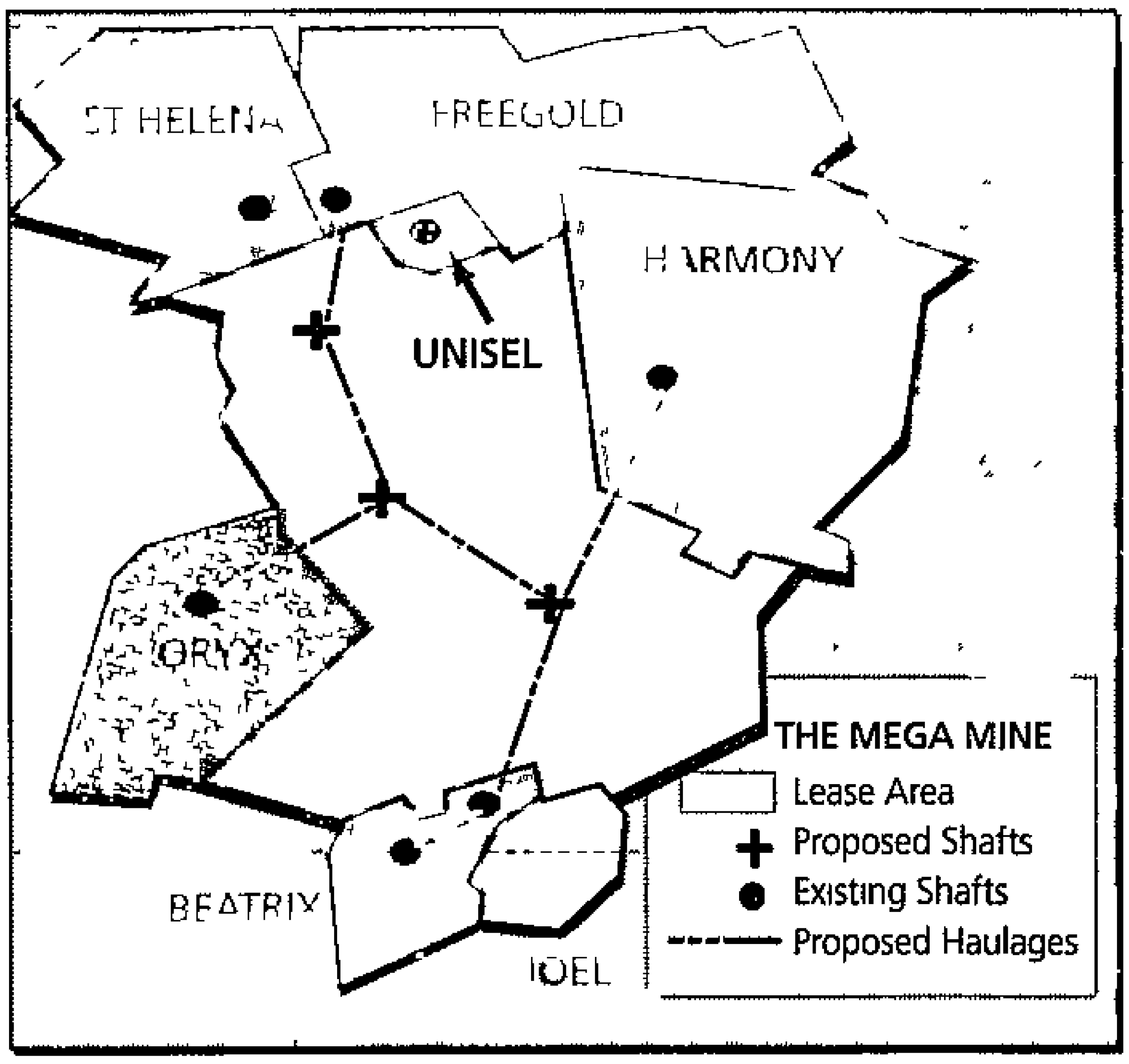
Further, it would inject an important psychological fillip into a business sector looking for a catalyst to bolster its confidence

For the new mine to materialise, all the mineral rights holders of ground lying in the area between the original OFS goldfield and the newer Beatrix and Joel mines in the south would need to reach agreement

The mega mine concept makes a good deal of economic sense, since by pooling all the mineral rights and developing a single major mine, fewer shafts would be required than if all the individual holdings were to be developed independently

Geological consultant John Handley suggests that while negotiations on the pooling of mineral rights are difficult, the advantages far outweigh the give and take that would be required.

"Some of the individual rights are beset by such problems as different percentage ownership for participation rights and vendor's rights These would need to be settled quickly and at minimum cost"



The amalgamation would result in a joint venture mining lease, which would be independent of any mining house but, because of its components, could call on the expertise of any one of its venture partners

Handley estimates that as much as 20 000 hectares could be included in the mega mine (Freegold covers 28 720 hectares), containing 420 million tons of ore at an average grade of 6 grams a ton The mine could therefore yield 81 million ounces of gold.

Speculation has it that the prospect would be given a kick start by a shaft sunk by Freegold (4 km south of President Brand No 5 shaft), but abandoned when the lease application failed

Continuation of this shaft could be the start of the mega mine Two further major shafts would be developed at intervals of 5,5 and 6 km southeast of this shaft

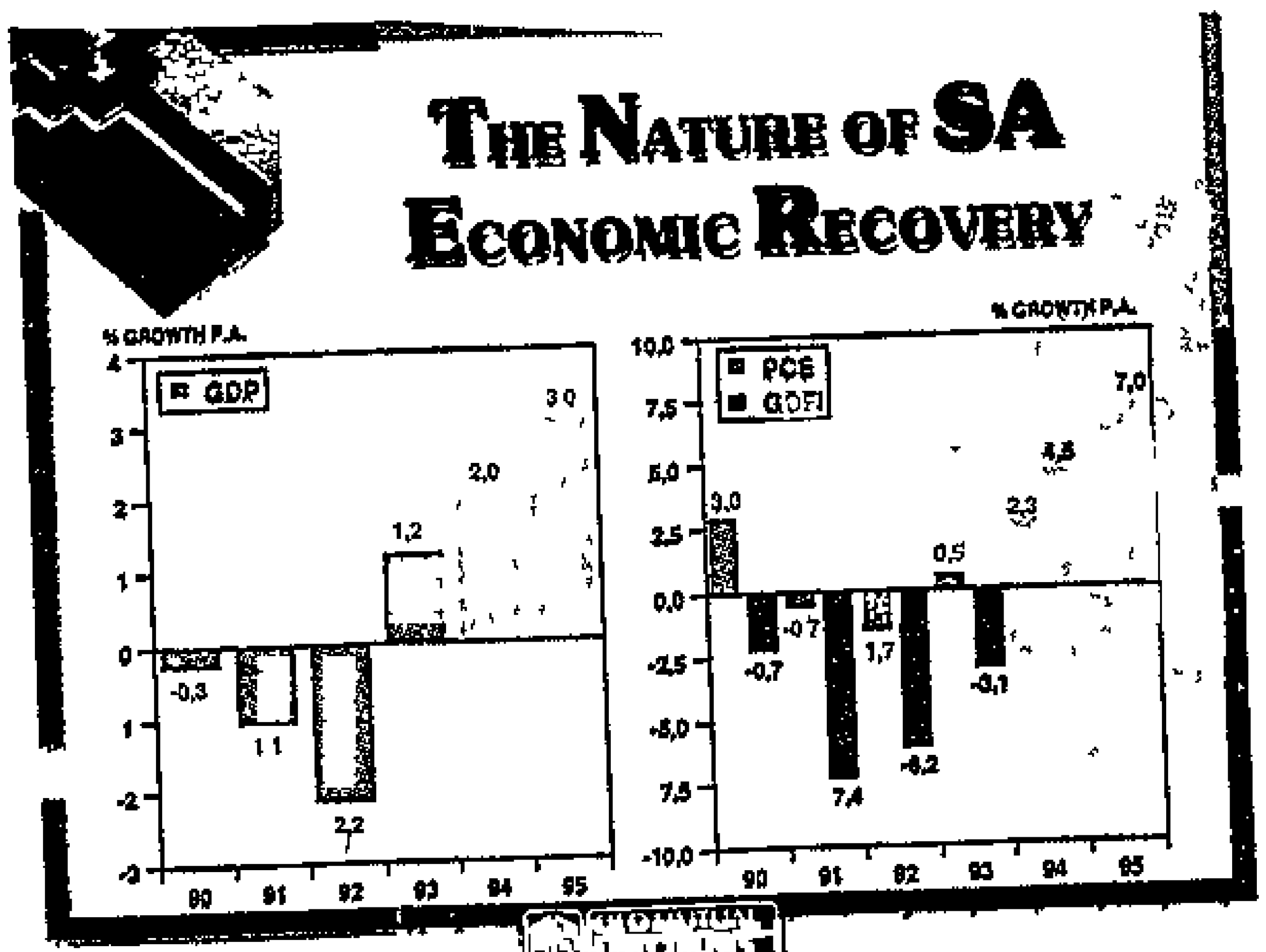
The shafts would be linked to one another and to existing shafts on Freegold (or St Helena), Harmony, Oryx and Beatrix by high-speed haulages

The underground reticulation so created would enable men, materials and ore to be linked to existing infrastructures

Production could begin as parts of the project were completed, so that the equivalent of four extra large mines, each with future values of R7,5 billion, could begin after six, eight, 10 and 12 years

Handley calculates that, based on present ownership of the relevant mineral rights, the split of ownership of the mega mine would be

- Anglo American — 38 percent
- Gold Fields — 22 percent
- Gencor — 12 percent
- Freddev — 8,5 percent
- JCI — 7 percent
- Lydex — 5 percent
- Randex — 4,5 percent
- Barnex — 2,3 percent
- Randfontein — 0,6 percent



Cons Modder in steady turnaround

CT 12/1/95

(214)

From DEREK TOMMEY

JOHANNESBURG — Things seem to be looking up for Cons Modder, Loucas Pouroulis's problem-plagued gold mine, which reported a loss of R4,1m before extraordinary items for the 1993-94 financial year.

The 6 000 shareholders will be pleased to know that operations in the December quarter improved sharply The quarterly report shows working loss dropped from R2,553m in October to R1,888m in November and to R504 000 in December

Pouroulis says the mine should show a working profit in the current month, which should rise steadily throughout the year

Dismissals

He attributes the better results to a number of factors One was the discharge of virtually the entire labour force in October and its replacement by contractors and a more disciplined, though less skilled and somewhat smaller, group of workers

The dismissals followed four unofficial strikes between May and September, during which workers became "more ungovernable and undisciplined"

When warned they were going to be discharged, they tried to close the mine. "There were moments when it was so bad we did not know what to do"

Although the replacements were completely untrained, their efficiency had improved immensely and further improvements were expected

Profit sharing

A second factor was the introduction of a profit-sharing scheme for workers The mine began phasing in the scheme in December and it had already begun to pay off

A third factor was the decision to switch from mining large tonnages of low-grade ore to small tonnages of high-grade material

Adding value to this decision had been the discovery in shallow areas near the Main Reef outcrop of significant quantities of high-grade ore, averaging, on a conservative basis, at least 30 grams a ton

"Some of the values are crazy," he says.

This grade of ore had not been discovered before because the area was believed to have been completely worked out It was also necessary to reopen a shaft to get into the area

But indications that the ore could be high grade were obtained from development, also of high grade ore, in the adjoining Gravelotte mine, which Cons Modder is working under a tribute agreement

The mine, which should be making a profit of R1,5m a month by September, has a R95m tax loss

Clouds starting to lift for Cons Modder mine

Star 12/1/95 (214)

■ BY DEREK TOMMEY

Loucas Pouroulis . . . some values are crazy.

PICTURE DEBBIE YAZBEK

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Cons Modder plans to mine just over 2 000 tons of this ore a month through four small shafts This should give the mine a life of at least 20 years

They are the Vent Shaft, which is practically operational and produced 350 tons, averaging 40 grams a tons in December, the No 2 Shaft, which should be operational by May, the No 10 Shaft which should be hoisting by August, and the No 5 Shaft, which will be operating by end-September

The mine, which should be making a profit of R1,5 million a month by September, has a R95 million tax loss

Faulting hits Gengold mine

MICHAEL URQUHART

FAULTING, which had eliminated a substantial part of Buffelsfontein gold mine's reserves, had shortened the mine's life to 24 months in a "best case scenario", Gengold deputy chairman Tom Dale warned yesterday. (214)

Presenting the group's quarterly results, Dale said Gengold would retrench 1 500 of the mine's 6 000 workers as part of efforts to extend the mine's life. BD 17/1/95

Faulting, which can result in seismic events, occurs when rock masses fracture and break the continuity of the reef

The faulting, combined with seismic activity which had led to rock bursts and damaged fire seals, and unsuccessful attempts to reopen old areas, had seen underground ore milled collapse from 471 000 tons in the September quarter to 307 000 tons in the December quarter. Surface tonnage from the multigold project had been used to boost mill throughput.

Dale hoped production could be stabilised at 700kg of gold a month at about 7,5g/t The dramatic fall in production led to a sharp drop in distributable profit from R6,7m in the September quarter to a R14m loss in the December quarter

This hit the Gengold group's bottom line and its distributable income dropped 35% to R55,9m, mainly due to Buffels' poor results and a lower gold price during the quarter. There was a 1,6% decline in the average rand gold price received by the mines to R43 927/kg from R44 631

In addition, several mines suffered labour unrest which he blamed on high expectations among some workers and "organised labour flexing its muscles".

● See Page 8

Hartebeestfontein star of Anglovaal

CT 18/1/95

(214)

From DEREK TOMMEY

JOHANNESBURG. — The Hartebeestfontein gold mine was the star of the Anglovaal group gold mines in the December quarter, marginally increasing taxed profit from R42,1m in the September quarter to R42,9m

During the quarter, Harties underground operations achieved an increase in milling rate and in grade, while receiving a higher gold price

However, some of the shine was removed by a jump in working costs from R277,55 to R285,68 a ton

Working profit from gold rose from R66,4m to R68,7m Tax took R29,3m (R28m) Capital expenditure was R5m (R5,7m) Results of development showed a slight improvement

At Loraine a small reduction in tonnage milled was offset by an increase in grade, which enabled the mine to lift production from 1551kg to 1585kg

But a lower gold price and a rise in working costs led to a working loss of R1,7m (September R685 000)

But a sharp reduction in rehabilitation costs resulted in the working loss dropping to R804 000 from R1,28m in the September quarter

ET Cons' results were affected by an explosion, which irreparably damaged the calcine precipitator at its main process plant

Taxed profit fell to R4,1m from R6,2m in September The quarter's profit includes an insurance claim of R7,6m for loss of profits

Full production at the plant is expected to be restored next month

Village Main Reef had a working profit from gold of R1,2m (R1,1m) for the quarter

G'fields profits up 35%

From DEREK TOMMEY

JOHANNESBURG. — Gold Fields of South Africa, the country's second-biggest mining house, described earlier this week by a daily business publication as "ailing", has increased its taxed profit by 35% and could be on the verge of opening a major gold mine in Ghana, its interim statement shows

Attributable earnings in the six months to December rose to R178m, equal to 184c a share, from R132m, equal to 137c a share, a year earlier (214)

The interim dividend has been increased by 10c, or more than 14%, to 80c a share.

The improved earnings are the result of a jump of R40m in investment income to a record R173m CT 18/1/95

Northam

Most of the increase came from gold operations and from Black Mountain's first dividend declaration for a number of years

Gold Fields, which is committed to fully underwriting the Northam Platinum's R503m rights issue, is well able to do so

At December 31, its cash holdings amounted to R516m — up from R456m at the end of June last year and from R359m a year earlier

Feasibility

Exploration in the Tarkwa concession area held by Gold Field's Ghana area has identified an additional indicated resource of 1,6million ounces and a further inferred resource of 1,8m ounces, bringing the total resource to some 5,5m ounces

Gold Fields has an 85% stake in Gold Fields Ghana A consulting firm is undertaking a pre-feasibility study for a surface mining project

Investment income boosts Gold Fields

BD 18/1/95

(214)

MICHAEL URQUHART

RECORD investment income, mainly from its gold mines, boosted Gold Fields of SA's attributable income for the six months to December to R178m, 35% higher than in the year-earlier period

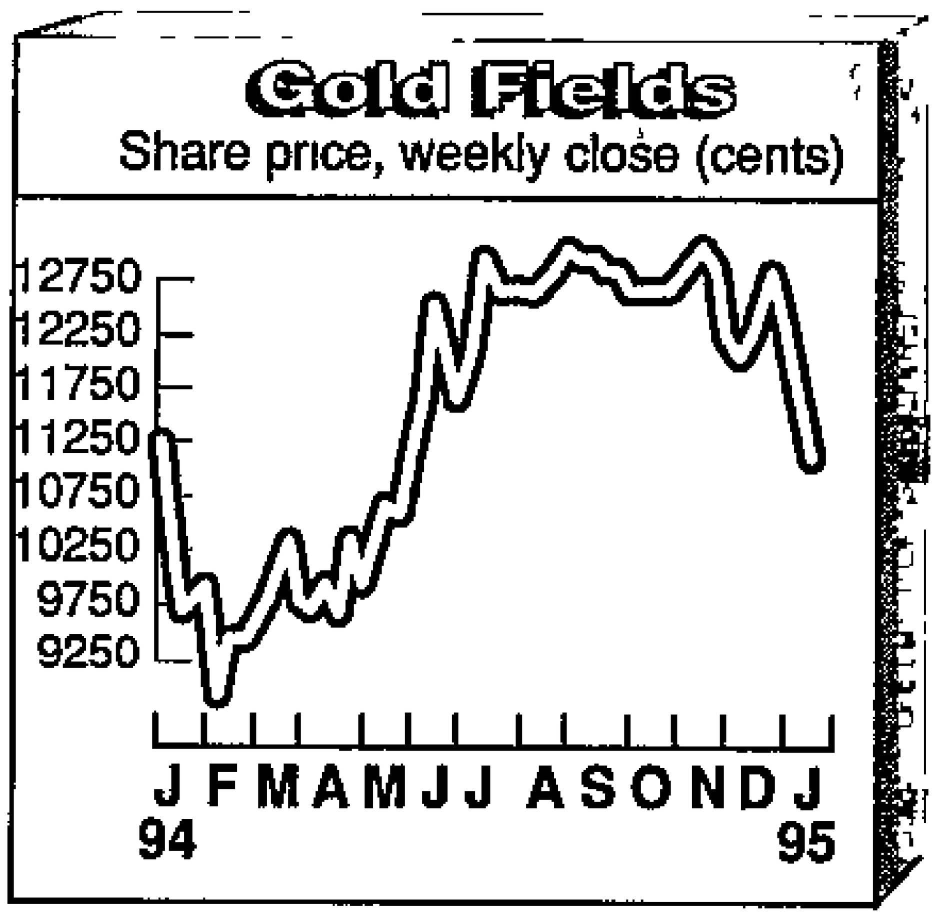
Higher dividends from the gold mines and Black Mountain's resumption of dividend payments boosted investment income to R173m, the highest recorded by Gold Fields in the first six months of its financial year.

Gold Fields said the increase in investment income was largely attributable to improved commodity prices Interest received was also up — from R20m to R30m — based on a higher cash balance, while the company's income from fees and other sources rose from R75m to R88m

Gold Fields said the second half was likely to show a modest increase over the first half, largely dependent on earnings from investments in the group's gold mining companies and the rand/dollar exchange rate

The company declared an interim dividend of 80c (70c)

In the balance sheet investments were down to R1,7bn at December 31 last year, compared with R2,4bn at December 31 1993 This was attributed to a R663m write-off on Northam in the six months to June



Loans advanced increased from R182m at June 30 to R223m at December 31 They were largely to Northam to ensure it continued operating

Gold Fields was bullish about the prospects of its Tarkwa concession area in Ghana, where exploration results had identified additional gold resources

In conjunction with the previously reported measured resource of 2,1-million ounces, an additional indicated resource of 1,6-million ounces and an inferred resource of 1,8-million ounces had been identified — a total of 5,5-million ounces.

Tarkwa is held by Gold Fields Ghana, in which Gold Fields has an 85% interest

West Wits raises gold production but sees profit fall

214

Star 20/1/95

West Witwatersrand Gold Holdings (West Wits) yesterday reported a 6,5 percent rise in production for the quarter to December

Consolidated Mining's (Consmin) quarterly report showed West Wits lifted production from 871kg to 928kg

The gold price received dropped from R44 400/kg in the September quarter to R43 500

Working costs rose 7,5 percent from R32,8 million to R35,2 million. Taxed profit fell from R5,9 million to R5,1 million

Capital expenditure for the quarter was R747 000 (September R689 000).

Consmin financial director Hennie Buitendag announced a R60 million gold plant expansion project, which would lift production capacity of West Wits from its present 160 000 to 200 000 tons a month

"The project will considerably enhance the profitability of West Wits," Buitendag said

The feasibility study of the expansion project was recently completed

The project involved the installation of a semi-autogenous milling system and the upgrading of downstream sections of the plant.

Negotiations for the provision of finance were currently being conducted

Buitendag said the disappointing results of Benoni Gold Holdings were due to lower production caused by the drop in tons treated and yield grade from sand reserves

"This situation is expected to persist for some time until higher grade sand reserves become available," Buitendag said.

Production declined 8,8 percent from 421kg for the September quarter to 348kg

Working costs rose 2,3 percent — from R14,2 million to R14,5 million Taxed profit fell from R1,48 million to R90 000 Capital expenditure rose from R21 000 to R374 000

Taxed profit derived from mining, clean-up and rent at Witwatersrand Nigel increased 29,6 percent from R27 000 in September to R35 000

"Presently, the company is actively seeking finance of approximately R25 million for phase one of the recently announced promising No 11 Shaft project," Buitendag said — Sapa

Promising gold discovery

(214)

Star 20/1/95

■ BY DEREK TOMMEY

Randgold has made a promising gold find in the West African state of Burkina Faso

Results from investigations of two of some 40 previously identified anomalies in the region have confirmed gold mineralisation in elevated quantity, says Mark Bristow, director of exploration at Randgold

Encouraging results have been obtained from a third, which is located on a broad shear zone with a strike length of seven kilometres

Sampling at the third target has defined a broad zone of continuous mineralisation yielding an average grade of 0,94 grams a ton over a width of 260 metres

Selected higher grade intervals within this zone grading 1,14 grams a ton over 44 metres, and 2,7 grams a ton over 55 metres, have been identified

The discovery is within Randgold's Sanmatenga project, in which Randgold and the American gold mining company Newmont each have a 45 percent interest

Last month, when Randgold signed a convention with the government of Senegal, chairman Peter Flack said there was a unique window of gold mining opportunity into West Africa, which Randgold was exceptionally well positioned to utilise

He thought Randgold's West African interests would probably be listed in the course of this year

Mining industry feeling squeeze

CT 20/1/95 (214)

From DEREK TOMMEY

JOHANNESBURG — The gold mining industry is in a serious squeeze, says Clem Sunter, chairman of Anglo American's gold division.

This is highlighted by the disappointing dividends declared by the group's Transvaal mines

Vaal Reefs is paying a final dividend of 525c to make a total of 1 245c for the year — down from 1 270c last year

Elandsrand is paying 25c to make a total of 65c for 1994 — 85c in 1993

Western Deep's final is down from 305c last year to 225c

However, owing to a good interim of 275c, the mine's total for the year at 500c exceeds the 1993 payment of 465c.

Jobs in jeopardy

If working costs continue to rise this year at the same rate as last year, and capital expenditure is taken into account, they will exceed the present gold price and put 15 000 jobs in jeopardy at Anglo's mines, he said yesterday.

Anglo's gold production, after reaching 267 tons in 1993, slumped to 242 tons last year — a figure not seen since 1990

To remedy the situation, the industry wants to hold discussions with the unions to end the ban on Sunday working and to move to continuous production.

One result would be to increase the number of shifts worked by

Plea for Sunday shifts

one third and lead to a rise in gold output.

"So we are going to make it the big issue of the year as it will make all the difference to the industry The results would be quite dramatic," he said

The industry was also aiming for a modest wage settlement to be accompanied by generous profit-sharing and productivity-related bonus schemes

"To contemplate wage increases of double digits, as quite a lot of people are expecting, is suicidal, especially if our cash cost goes through the current gold price," he said.

Sunter was speaking at a presentation of Anglo's December quarter gold mining reports

These showed that the group's total working costs rose 1% to R2,08bn, while average unit costs were 2% lower at R33 623 a kilogram produced Available profit was 1% lower at R207,0m

Capital expenditure increased 24% from R289,5m in the September quarter to R359,3m

Average revenue for the quarter was virtually unchanged at R44 384 (R44 408) a kilogram

Sunter said that Freegold's Saaiplaas No 5 Shaft was to go into production The shaft is expected to produce some 66 tons of gold during its 19-year life and will provide jobs for about 2 500.

Sunter said that following the introduction of the annual 12 days of paid holidays for every worker, the gold mining industry believed that in exchange it should now be treated like the rest of industry and be allowed to have continuous production

"It means we would work every single day other than the 12 holidays," he said

"Theoretically, you are talking about working 365 shifts a year, less 12 for public holidays If you compare that with the 276 currently worked, it is about a 30% increase in shifts

Jewellery in demand

"Obviously that figure of 242 tons of gold produced last year could easily be converted back into the 267 tons of 1993."

Gold was currently trading in a range of 370 to 410

Strong demand for jewellery provided a firm base for the price, but the low level of international inflation, together with high interest rates, was curbing investment demand and putting a ceiling on the price.

Freegold had available profit of R99,1m (R98,7m), Vaal Reefs R53,1m (R47,6million), Western Deep Levels R23,2m (R39,4m), Elandsrand R16,4m (R7,2m) and Ergo R15,1m (R15,1m

Embattled gold mines find no time for idleness

(214)

ST(BT) 22/1/95

By JULIE WALKER

EXPENSIVE capital currently lying idle for three shifts a fortnight should be brought into continuous use, says Tom Dale, director of Gengold

Clem Sunter, chairman of Anglo American's gold and uranium division, echoes the sentiment.

Mr Sunter says there could be as few as 274 blasting shifts worked on the country's gold mines this year if all the public holidays granted and expected are not worked

If Sunday blasting were to become legal the mines would be able to blast on more than 350 days a year — 30% more than at present. The arithmetic is not as simple in terms of new jobs or bottom-line profits because other factors would be taken into account.

Mr Sunter says the mines' lives would likely become shorter as a result of continuous production but not as short as some might be without its advent

"Continuous operation will be one of two issues of the year," says Mr Sunter, the other being modest wage rises

Year on year, Anglo's gold mining costs grew by 16% in 1994 to R33 434/kg If that growth recurs, and including capital expenditure of approximately R5 000/kg, the cost of mining gold will exceed today's revenue of roughly R44 000/kg

Mr Dale says an agreement has been reached with the unions at Gengold's St Helena gold mine in which blasting can take place seven days a week.

Underground crushers have been installed and high-powered vacuum cleaners do all the rock removal 24 hours a day

At St Helena, workers do four 12-hour shifts and then have four days off, making a standard 96-hour fortnight yet with continuous operation

The mine has enjoyed a much better grade since the vacuum cleaners were installed They work well there because of the carbonaceous nature of the ore body — carbon just loves gold and the sooner the gold can be sucked up after blasting, the less is lost. The share price is R37, having tracked the gold index through its decline and this week's uptick

The December quarter was not a great one for Gengold's nine mines although Mr Dale says it is not all doom and gloom. Worst hit was Buffelsfontein, where three factors conspired to shorten the ageing mine's most optimistic life to 24 months Faults have reduced the availability of ore, seismic events have shaken out the plugs sealing off fires, and attempts to reaccess areas previously affected by fire have failed

About 1 500 workers will be laid off and the mine's future lies in surface-dump retreatment at the Multigold plant.

Gengold is exposed only to the spot gold price, which netted an average R700/kg lower than in the September quarter Mr Dale says Gengold probably won't sell forward again but could buy dollar put-options if the price goes above $400/oz for its most exposed mines.

Eastern Transvaal Consolidated marred an otherwise fair quarter for Anglovaal when its calcine precipitator blew up in November. This resulted in a R1,3-million working loss for the mine although insurance has compensated for the setback

Anglovaal achieved better gold revenues on average during the December quarter because it follows a programme of hedging Future hedging transactions entered into are flexible and can be adjusted to a mine's advantage in the event of a change in the gold price. Anglovaal has secured prices exceeding R55 000/kg for a portion of its 1997 production

Anglo American's mines had a reasonable quarter other than Western Deeps Jim McLuskie, the mine's general manager, says there is an air of expectation among workers that they are in some way due something They are working less hard and expecting more for it He believes that profit-sharing incentives are the way towards better productivity

NEWS IN BRIEF

Table grape season

THE Hex River Valley expected to export a record of more than 10-million cartons of table grapes this year which would earn SA more than R320m in foreign exchange, Unifruco chairman David Gant told a centenary celebration for table grape exports from the Hex River Valley on Friday.

The occasion also marked the start of the packing season which lasts until the end of May, with the last grapes sold in Europe in June.

There are 206 independent growers in the valley, cultivating 4 000ha of table grapes. The area contributed about 55% of SA's total table grape exports.

Support for boycott

COSATU said at the weekend while it could not condone destructive action by Spar strikers at the Greek embassy last week, it supported a call for a consumer boycott of Spar stores and was prepared to become involved in finding ways to resolve the 10-week-old strike.

Sasol denies claim

SASOL has refuted a Mine Workers' Union claim that members had voted overwhelmingly in support of strike action if they were refused production bonuses. The company said only 35% of members had indicated their support for a strike and therefore "the MWU has not met the requirements for a legal strike".

Balalaika expands

A R40m EXPANSION project had seen The Balalaika doubling in size to become the largest four-star hotel in Sandton, owner Richard Pickering said this week. Renamed The Balalaika Hotel & Crown Court, the Protea Group hotel will open its 325 luxury rooms and suites today.

REPORTS: Business Day Reporters.

Godsell warns NUM on costs

BD 23/1/95 (214)

ERICA JANKOWITZ

MANY gold mines believed they might have to streamline operations before the end of year, Anglo American executive director Bobby Godsell said on Friday.

He was addressing an NUM education and training conference at Groblersdal in Northern Transvaal.

As the first representative of management to be invited to address an NUM conference, Godsell warned that costs had to be kept down so that SA could compete internationally.

He urged the union to consider its stand on Sunday work and the new public holiday calendar sympathetically, as the cost implications for the mining industry were vast.

Describing legislation outlawing Sunday work as "crazy", Godsell said it made no sense to leave expensive capital equipment idle on Sundays and public holidays.

However, these considerations would have to be weighed against introducing "tolerable work patterns" which gave employees adequate leisure time. Mines were investigating introducing long breaks for migrant workers, with more intensive working patterns in between.

NUM assistant general secretary Gwede Mantashe said the debate around working hours could not be introduced with the threat of retrenchments as the only alternative, as had been the case recently. The NUM demanded an urgent review of the retrenchment process.

Mantashe said the union would also press for greater involvement in decision-making.

This year, the NUM would press for the narrowing of the wage gap between management and unskilled workers and the elimination of discrimination in retirement benefits. At present, employers contributed a greater proportion of skilled workers' incomes to provident funds than than of unskilled workers.

Housing and replacing single-sex hostel accommodation were also a priority. Mantashe called for a clear housing programme from employers to rid the industry of hostels.

Godsell and Mantashe agreed there was a need to negotiate a new job grading system as there were currently too many grades in all work categories. Godsell said employers were considering an integrated system which would include management and all grades of workers.

On the issue of education and training, Mantashe urged the industry not to view it as an additional cost but rather as a way of making the sector more internationally competitive.

Sowetan plans Eastern Cape launch

AMANDA VERMEULEN

THE Sowetan, SA's largest black daily newspaper, planned to launch into the Eastern Cape and expand its existing operations in KwaZulu/Natal and the Western Cape, editor Aggrey Klaaste said yesterday.

Sources at Corporate Africa, which bought a 52,5% stake in Sowetan from Argus Newspapers last year, said a launch into the Eastern Cape would occur this year, while increasing Sowetan's presence in KwaZulu/Natal and the Western Cape would be a continuing process.

Klaaste said the Eastern Cape had a large, highly literate population which was not adequately served by newspapers.

The only real black newspaper in KwaZulu/Natal had a party bias.

Privatising ADE 'too risky at this stage'

BD 23/1/95

EDWARD WEST

CAPE TOWN — Atlantis Diesel Engines' (ADE) four-year profit record could establish it as a candidate for privatisation, but uncertainty about future protection made a flotation too risky for the public, Industrial Development Corporation (IDC) executive director Carel van der Merwe said at the weekend.

The IDC owns the Atlantis-based diesel engine manufacturer. Van der Merwe said while it was IDC policy to sell companies with a profitable track record, "we could not impose that risk on the public at this stage."

The Motor Industry Task Group report, upon which the Board on Tariffs and Trade was expected to make its final recommendations this year, suggested that the duty on imported engines drop to 25% from 50% between this year and 2002.

MD Fritz Korte said ADE was moving towards becoming internationally competitive with falling protection levels.

In the past three financial years taxed profits averaged R25m on R500m turnover.

About 30% of turnover currently comprised exports to Korea, Indonesia, France, Germany, Brazil, Argentina and the UK and US, but over the longer term, major export growth could be achieved in other African countries where sales were small.

New ventures included tractor assembly, an automotive pipe shop, engine remanufacturing, manufacturing a truck wheel trolley and efforts to introduce diesel power to taxis.

ADE is the major employer in 60 000 strong community at the Atlantis industrial area outside Cape Town, of whom about 50% are unemployed.

Caledonia buys SA mines

CT 23/1/94

JOHANNESBURG — Canada's Caledonia Mining Corp said it had finalised its acquisition of interests in two South African gold mines for a total cash and share consideration of 37,3m Canadian dollars

Toronto-based Caledonia said in a statement it had bought a 94,2% direct interest in Eersteling Gold Mining Co Ltd and the remaining 50% indirect interest in Barbrook Mines Ltd (214)

The company cautioned in December that negotiations were under way This and other recent deals would give Caledonia a total mineral resource of 3,9m ounces of gold, it said — Reuter

Randgold mines' output continues planned fall

BD 24/1/95 (214)

MICHAEL URQUHART

PRODUCTION at Randgold's mines continued to fall in the December quarter, dropping 5,5% to 7 983kg of gold This was in line with management's plans to rationalise operations.

The retrenchment of 3 300 of Blyvooruitzicht's workforce, and the restriction of mining to the western portion of the mine as part of plans to rationalise, had seen production there slip to 1 076kg (1 287kg)

A falling yield had also contributed to the lower production at Blyvoor

The poor results from operations, combined with a R20,1m cost of retrenchments, had seen the mine's net loss jump to R27,3m (R3,8m)

Durban Deep managed to reduce its net loss after a September quarter in which the mine had taken a R19,7m retrenchment cost Downsizing of underground production continued in the December quarter, with gold produced falling to 293kg (315kg)

The yield improved in line with management's aim to target lower tonnages of higher grade ore

The overall working loss was reduced to R709 000 (R15,1m), but a R3,3m cost of raising a loan meant the net loss was R4,1m (R20,9m)

Capital expenditure was negligible, but Randgold said a capital development programme would be initiated to bring targeted reserves to account This programme was aimed at increasing production from underground to 40 000 tons a month by August The development programme would see capex at R4m for the current quarter.

ERPM put in a good performance It decreased the costs of its underground operations and turned a loss into a profit

Net profit at ERPM increased by 33% to R11,3m, but a jump in capital expenditure on underground drilling in the central payshoot meant the mine made a small attributable loss

The programme had been designed to confirm grades in previously inaccessible parts of the payshoot and to establish whether planned development of a tertiary shaft was necessary or whether the area could be reached through a less expensive incline shaft Initial information on geological structures and grades would be available by March

Harmony's production during the first month of the quarter had taken a knock from a cage accident at its Merriespruit No 1 shaft

Working profit declined, but a tax recovery and no hedging cancellation costs in the December quarter, compared with hedging cancellation costs of R7,5m in the previous quarter, meant net profit nearly doubled to R22,8m Capital expenditure jumped to R11m (R3,5m), reflecting the cost of repairing the cage accident damage.

RANDGOLD December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Blyvoor	**203**	**5,30**	**1 076**	**282,55**	**53 386**	**44 125**	**(27 332)**	**(30 540)**	**(127,25)**
September	238	5,64	1 287	272,65	48 301	44 758	(3 807)	(5 603)	(23,3)
Durban Deep	**69**	**4,25**	**293**	**193,81**	**45 641**	**43 616**	**(4 079)**	**(4 368)**	**(187,87)**
September	81	3,89	315	394,69	101 492	45 051	(20 880)	(21 069)	(906,19)
ERPM	**260**	**6,49**	**1 687**	**277,65**	**42 796**	**43 928**	**11 330**	**(814)**	**(0,54)**
September	264	6,43	1 696	293,57	45 697	44 578	8 515	229	0
Harmony	**1 530**	**3,22**	**4 927**	**134,56**	**41 786**	**44 276**	**22 841**	**11 758**	**43,74**
September	1 596	3,23	5 148	129,40	40 118	43 123	11 869	8 363	31,1

Blyvoor battles to lower costs

(214)

From DEREK TOMMEY

JOHANNESBURG — The December quarter was a bad one for Randgold's struggling Blyvooruitzicht gold mine

In a bid to return to profitability by down-sizing its operations, it has retrenched 3 150 people

Retrenchment costs amounted to R20,2m, an expenditure that boosted the loss for the quarter to R27,3m In the September quarter it had a loss of R3,8m

While overall costs were reduced from R64,8m to R60m, revenue slipped from R62,8m to R51,9m, and the working loss soared from R1,6m to R8,6m.

Blyvooruitzicht's future is still under consideration, says a company spokesman.

A number of options, including merging, selling or further down-sizing operations are being looked at

Capital expenditure of R3,2m during the quarter included R1,7m for the company's contribution for development related to the Western Deep Levels tribute

The tribute is expected to have a useful impact on Blyvoor's earnings once it starts mining the area

East Rand Proprietary Mines had a better quarter.

A reduction in working costs from R85m to R79,8m led to the mine increasing working profits from R5,6m to R8,4m

After including sundry revenue, it had a taxed profit of R11,3m (September R8,5m) But capital expenditure of R12,1m (September R8,3m) absorbed these earnings

First results of the underground exploration programme in the central payshoot will be available at the end of March

The programme has been designed to confirm grades in previously inaccessible parts of the payshoots and will also determine if a tertiary shaft is needed to work the deeper areas, or whether a less expensive incline shaft can be used

CT 24/1/95

Merger terms between Durban Roodepoort Deep and Rand Lease have been agreed on.

Shareholders have to approve the plan and will receive details next month.

The mine, which was on the verge of shutting at the end of June but was resuscitated by new management at Randgold, had a working loss for the quarter of R709 000 (September R15,1m).

Production underground is to be built up from the 69 000 tons in the December quarter to 40 000 tons a month by August.

Operations at Harmony were affected by the cage accident at the Merriespruit No 1 Shaft Working profit dropped from R18,5m to R15,5m

But taxed profit at R22,8m was significantly higher than September's R11,9m when R7,5m in hedging cancellation costs had to be written off

GOLD QUARTERLIES

Back to the cost squeeze

(214) FM 27/1/95

The quarterly message from the gold mining industry couldn't be clearer a cost squeeze reminiscent of the three years beginning 1990 has emerged, many mines are in danger of losing their competitive edge, productivity has slumped While it isn't doomsday, mining executives are wearing that mouth-turned-down-at-the-corners look

At least part of the problem revolves around increased public holidays coupled with continued restrictions on Sunday working Anglo American gold division chairman Clem Sunter doesn't mince his words when attacking the practice, enshrined in legislation

Sunter *doesn't mince his words about holidays*

In theory, the industry's 11-shift working fortnight gives it 283 shifts a year, net of holidays This year, if the additional holidays awarded are factored in and account is taken of the municipal elections, Sunter expects only 274 working shifts If restrictions on Sunday working were removed, it would immediately lift the potential to 353 shifts Not all these extra days would be available in practice· continuous working by every employee is impractical and undesirable and shaft inspections — traditionally conducted on Sundays — must still be undertaken

Nearly every group comments this quarter on difficulties with labour Yet the action appeared spontaneous, without direction and without NUM head office support Anglo Regional GM Jim McLuskie, commenting on Western Deep Levels' (WDL) dreadful results, said "It does seem that people are not working so hard, though I accept this is a generalisation But it is a sickness which is certainly affecting WDL if not the industry"

Evidence from the industry as a whole is that costs have again become such a critical issue that a radical restructuring may be unavoidable Presumably this will embrace negotiations to reduce guaranteed wage levels coupled with increased provisions for profit sharing as direct rewards for participating in risk It seems unlikely this year's wage talks will produce anything approaching last year's double-digit percentage wage increases

Gold Fields (GFSA)'s results reflected output 1% down due largely to a decline of 3% in grade at its prominent **Driefontein** mine and a 2% fall at **Kloof.** The group's working costs rose 3%, led by **Deelkraal's** 7% Unit costs measured in rand per oz and including capex increased 7% and distributable earnings fell at every mine GFSA notes an unsteady climate of industrial relations, especially at Deelkraal

Anglo American's really bad news came from **Western Deep Levels** (WDL) where costs rose 11% quarter-on-quarter and gold production fell 7% to well below 10 t At least part of the mine's difficulties arose from congestion underground about 250 000 t of reef is lying about in ore passes, stopes and storage areas, all of it caused, apparently, by transport problems The result is gloomy, the silver lining is that this may be a good counter to go long of over the next quarter on the assumption no effort will be spared to recover from the December result

As a whole, Anglo's costs were well contained, led by a 3% fall at **Freegold** and an even bigger 12% reduction at **Elandsrand** (though that has to be viewed against the September quarter's poor result) Sunter makes the point that Freegold employs 85 000 people, if productivity persists in the present nose dive, some of these jobs may cease to exist

At **Vaal Reefs,** gold output increased 1% on the back of an increase in tonnage mined and milled However, grade declined a large 10% (from 6,3 g/t to 5,7 g/t) This produced the intriguing result of a 10% decline in working costs but a 5% quarter-on-quarter rise, including capex, in unit costs

Elandsrand returned a 17% increase in gold output as a result of a 6% rise in milled tonnage coupled with a 10% increase in yield **Ergo,** the East Rand dump treatment and recovery operation, returned a remarkably steady result in every area with unchanged costs and identical EPS Along with **East Dagga,** it will soon begin treatment of the large Withok dump, a replacement reserve at lower grades

Anglovaal reports a miserable quarter all round The feature of the three months was a significant decline in production from Eastern Transvaal producer **ET Cons,** caused by a furnace explosion in one of the mine's roasters The group's Klerksdorp producer **Hartebeestfontein,** Anglovaal's most important mine, returned a steady result, the worry in the market is that the mine is well past its prime and in a gradual decline

Gengold chairman Gary Maude won't be allowed easily to forget the dramatic and disastrous news about **Buffelsfontein,** where it was announced that 2 Mt of reserves had disappeared due to unexpected geological disturbances, the effect is to reduce the mine's life from five to two years, and perhaps a lot less The mine lost R14,1m in the December quarter after a profit in September of R5,7m, a frightening turnaround If the situation isn't recovered quickly, the odds are that Buffels will be closed, 6 000 jobs are at stake

With the exception of **Unisel, St Helena** and **Beatrix,** distributable earnings are down at all the group's mines, caused mostly by lower yields (down 6%) While working costs were well managed (2% lower), unit costs in rand per oz increased 9% quarter-on-quarter

Randgold's mines produced results entirely consistent with the group's stated intention to rationalise its operations gold production fell 5% in total It would have been preferable to have seen this achieved through reduced tonnages and better yields but, in the event, the reverse occurred Working costs declined 7% and unit costs increased by a satisfactory 2%

The good news came from **ERPM** which turned in a profit from its underground workings and was actually able to fund its capex programme without dipping into its kitty The bad news was at West Wits Line producer **Blyvooruitzicht,** which was

Maude *a remembrance of things past*

R500m sought for South Deep merger

BD 31/1/95 (214)

MICHAEL URQUHART

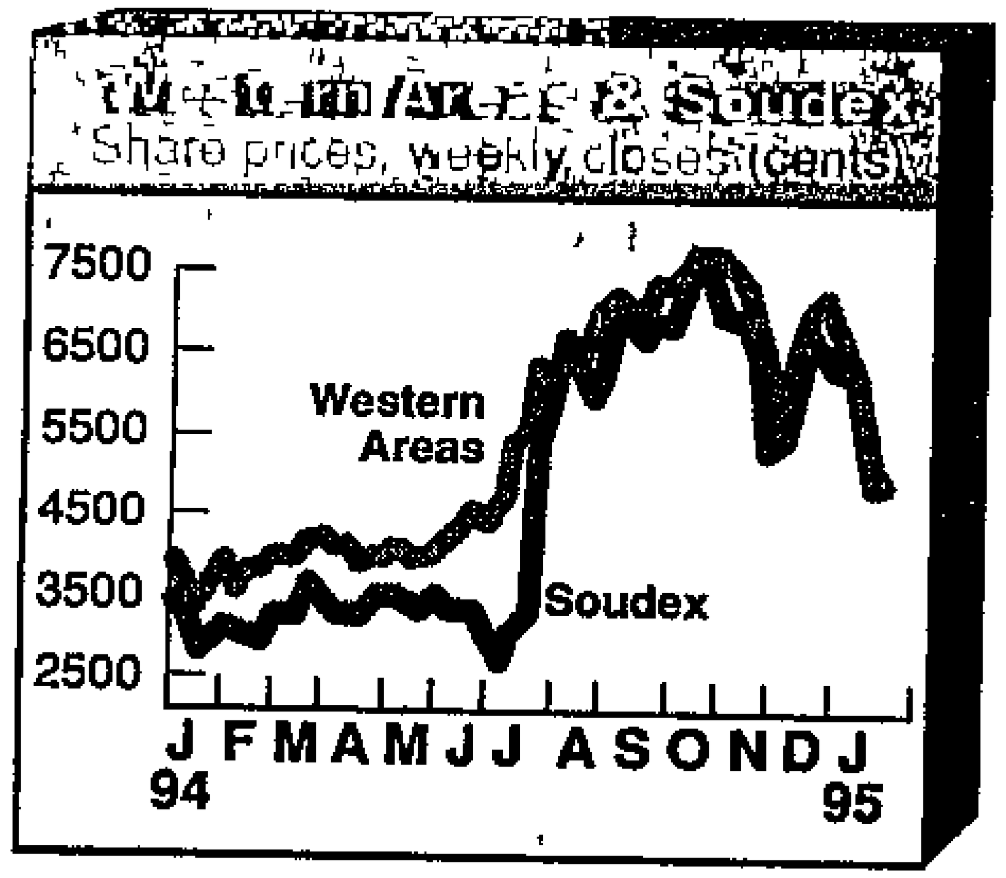
JCI's Western Areas, which is to merge with South Deep to create one of the world's largest gold mines, would approach the market to raise R500m to R600m to fund South Deep's development, JCI announced yesterday.

Capital expenditure to fund South Deep to full production had been estimated at about R2,7bn in 1994 terms, but the financial benefits of the merger, and treating both mines as a single tax entity, had reduced this to R1,1bn

Based on current parameters more capital would be needed in 1999.

The merger would create a mine with 60-million ounces of mineable reserves, and a life of 60 years In 2003, when the South Deep section was in full operation, the merged operation would produce 440 000 milled tons a month, with an approximate grade of 6,8g/t and working costs of R206/ton

JCI believe the merged operation would be more capable of withstanding the vagaries of the gold market, as the increased mining area and the grade distribution pattern would give management greater flexibility to meet market conditions



Preparatory work for sinking a twin shaft system in South Deep's mining area was advanced, and shaft sinking was expected to begin in August next year.

The initial plant capacity would be 180 000 tons a month, but designed shaft capacity was 280 000 tons a month, giving the operation the flexibility to increase

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South Deep

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production once planned targets were met

JCI said the decision to go ahead had been made after confidence in the geological evaluations, the proposed mining method and the working cost and capex estimates improved significantly.

South Deep and Western Areas operate contiguously on the same ore body Extensive sharing of underground and surface infrastructure was envisaged

South Deep would have access to Western Areas' South shaft and subvertical shafts during the first seven years of development to hoist employees, materials and ore. South Deep would also utilise Western Areas' excess plant capacity

The merger obviated the need to duplicate management structures and other infrastructure and the use of complicated tribute agreements.

It would be effected by a share swap where South Deep shareholders would be given 92 Western Areas shares for every 100 South Deep shares held South Deep would probably be wound up after this as its sole interest would be a holding in Western Areas.

Prior to the South Deep section reaching full production, the enlarged Western Areas would continue to pay dividends from the Western Areas section.

The amount for distribution would be calculated after deducting continuing capital expenditure and an amount equivalent to the tax Western Areas would have paid had the merger not occurred. For next year JCI estimated this profit would be R90m, R36m of which would be paid to existing Western Areas shareholders.

Merged mine major boost for industry

CT 31/1/95 (214)

From DEREK TOMMEY

JOHANNESBURG — The long-term future of the gold mining industry has been given a major boost by JCI's announcement that it is to exploit the rich but deep South Deep mining area

This is to be achieved partly by merging South Deep with the established and adjoining Western Areas mine.

This will facilitate the rapid development of what will be a giant mining area containing 60m ounces of available gold worth R80bn at current prices

The merged mine will have a life-span of more than 60 years

JCI's mining engineers estimate it will cost R2,7bn to open up South Deep's Ventersdorp Contact and rich Upper Elsburg reefs and to build a new gold plant.

But only R1,1bn, needed between 1995 and 2001, will have to come from Western Areas shareholders.

The balance is expected to be financed from gold production earnings

However, Western Areas shareholders will soon be asked to provide the first tranche of the R1,1bn by subscribing for a rights issue of R500m to R600m

Based on a gold price of R44 000 a kilogram, it is planned to increase production from Western Areas from the current 200 000 tons a month to 280 000 tons, while increasing production at South Deep to 30 000 tons a month

Once the twin-shaft system is completed in 2000, it will be possible, as a result of the development work already done, to build up production rapidly from South Deep to 180 000 tons a month.

This should be reached within 2½ years and it is this resulting accelerated production which makes South Deep different from other developing mines, says Trevor Raymond, senior manager in JCI's corporate finance mineral economics department

Normally, underground development can start only after the shafts have been sunk.

When operating at planned full capacity, the mine should be producing about 36 tons of gold a year, worth about R1,6bn.

The shaft system will be the deepest in the country by about 50 metres, going down to 2 765 metres

The main shaft will have a capacity of 280 000 tons a month — substantially greater than the proposed production rate.

Backfill will be extensively used because it stabilises mining areas and allows for a higher rate of extraction

Ammonia, pumped through pipes in a sealed section of the upcast ventilation shaft, will provide underground refrigeration.

Raymond says that work to exploit South Deep has been going on since 1980

Engineers had taken it very slowly, looking at various scenarios, and building on incremental gains in knowledge about the project.

South Deep will have a high degree of mining flexibility, which should enable it to maintain profitability even were the gold price to decline for a prolonged period.