MINING – GOLD

1982

JAN. – DEC.

FALCON

Unattractive

Activities *London registered mining company operating gold mines in Zimbabwe Holds .. of Olympus Consolidated Mines Mer Corporation (formerly Rhoanglo) hold 31.. of the equity*

Chairman *F L Wooley*

Capital structure *20m ordinary s of Z50c Market capitalisation R10,.m*

Financial *Year to September 30 1981 Net cash Z$2 5m Current ratio 1,0 Group cash flow Z$5,2m Capital commitments Z$900 000*

Share market *South African currency Price 535c (1981-82 high, 1 600c, low, 500c, trading volume last quarter, 7 700 shares) Yields 0 46% on earnings, 5,8% on dividend Cover 0,1 PE ratio 217 Based on Z$1 = R1,23*

	'78	'79	'80	81
Tons milled (000)	242	241	242	242
Capex (Z$ 000)	665	885	2 419	5 092
Working profit (Z$m)	2 4	4 1	10 1	4 7
Earnings (Zc)*	69	111	201	2
Dividends (Zc)	60	100	205	25

* After capex appropriation

Unfortunately for Zimbabwean gold producer Falcon, the bullion price weakness of 1981 coincided with substantial changes in the country's labour structure and alterations in tax regulations As a result, this year is unlikely to see any dividend after the payment was chopped from 205c to 25c last year

Falcon's problems in financial 1981 stemmed from a gold price average of Z$365 instead of the Z$400 management had expected, and costs rising 40% to Z$10,4m compared with the anticipated Z$9 4m In addition, capex outran estimates by Z$500 000 to reach Z$5,3m Hence at year-end after appropriations, there was not sufficient left (after tax) to fund the 25c dividend declared at the interim stage As a result, distributable reserves dipped to Z$210 000 (Z$764 000) Obviously had the interim not been declared (rather optimistically) in April, no distribution would have been made at all

At this point there is probably very little to be gained from a detailed analysis of Falcon given the growing unpopularity of Zimbabwe-linked shares on the SA market High risks are attached to these counters, particularly as dividend income is by no means secure — both from an operations and a political point of view In a mining company the degree of risk is even greater given the probability of a state marketing agency and continuing pressure for higher wages

Labour costs formed a major part of the year's problem The total increase in group costs over the past two years was 94% as labour costs and development chewed margins The wage and salary bill increased 48% last year This was a result of the minimum wage hike a shortage of skilled personnel and a larger workforce (up 9,8%) With a 29% increase in the cost of consumable stores, this comprised 77% of last year's total expenditure On top of changed throughput and lower grades, the profit outcome was inevitable

This year the group could also be affected by government aims to do away with the depletion allowance and the reduction in initial allowances Without these, development necessary for the longer-term operation of the mine is made less attractive So with management looking for a mine profit this year of Z$2,15m (Z$4 8m) and capex planned at Z$2,2m, a dividend seems highly unlikely Even if this estimate turns out to be overly pessimistic, the share has no attraction for SA investors

Des Kilalea

Balancing costs

214 FM 15/1/82

"Nothing can stop gold hitting $350 — but I plan to start buying bullion and gold shares when the price gets down to $370" That was the view of the manager of one of the world's top precious metals funds this week as the gold price finally decided to properly breach the $400 support level And, for the present it is difficult to fault his theory

Gold remains under pressure on all fronts The Soviet Union is stepping up its sales to raise the foreign exchange needed to shore up a collapsing Polish economy That in itself might only have depressed bullion markets for a few months But now it is possible that the Soviets will be steady sellers until the latter part of this year Bad weather conditions, it is feared, will be disastrous for the winter wheat now being planted and on which Russia will rely for its 1982 harvest The obvious inference is that Russia will need to sell gold late in the year to finance grain imports

If, as seems likely, 1982 is a poor year for gold prices while, at the same time, the SA authorities successfully implement internal economic policies to maintain the rand in a fairly narrow trading range around current levels, the outlook for gold mine earnings is not particularly attractive This is despite

Doornfontein and Venterspost higher mill throughputs were accompanied by reduced costs per ton milled while at the West Drie section of Drie Cons a reduction was achieved on an unchanged mill throughput The reason is something of a mystery It may have been achieved by cutting development rates — it is impossible to tell as the group has decided to cease disclosing development results on a quarterly basis

As I understand it, the group as a whole has become a lot tougher with its suppliers and is succeeding in squeezing better terms and keener prices out of suppliers of consumables In addition, costs have apparently been helped by lower training costs Black contract employees are now returning to the mines more quickly than in the past

Of course, the mines were not affected by administered cost increases nor wage rate hikes in the last quarter, so some slowing of cost increase rates was to be expected It now remains to be seen whether the GFSA cost experience is reflected by the rest of the industry If so, the break in cost increase rates, which for several quarters have been higher than general inflation rates, may have taken place

The GFSA mines have, as usual, paid interim dividends well below the level of first-half earnings As this is normal practice, it is not possible to tell whether it reflects management fears that capital spending programmes could be affected by substantially lower March and June quarter earnings Management will not be drawn on the likely dividend policy it will adopt when the finals are declared at mid-year

Deelkraal The next few quarters should be watched with a hyper-critical eye The mine's major problem is establishment of adequate ore reserves and that, judging by the last quarter's mill throughput reduction, may not be an easy matter In Deelkraal's case, full and detailed disclosure of development sampling results should be provided on a quarterly basis until operations are established in the longwall areas If good values are not disclosed in the deeper longwall mining zones, the mine can almost certainly be written off as a sound investment Investors should take that into consideration until ore reserves are finally proved

Drie Cons. Combined mill throughput has reached the full rate of 475 000 t/month Though recovery grade was slightly lower at the East Drie section — 12,6 g/t against 12,7 g/t in the September quarter — grades should soon start receiving support from the mining of the boundary pillar between the two properties

The interim dividend of 100c was very disappointing, though it is in line with the house's policy of low half-way payments First-half retentions were 50,2c a share which, even though the mine has a R224m unexpended balance of capital expenditure (equivalent to 236c a share), seems somewhat excessive Drie Cons should have no difficulty funding capital spending from current earnings and has no need to retain profits The final dividend should be at least 200c

Gold mining . . improving efficiencies and cost control

Kloof Unlikely though it might seem, the mill tonnage reduction because of an underground fire in the December quarter did not send unit costs through the roof The cost of milling each ton of ore rose by only 2,6% to R53,57 from R52,20 Apparently, resultant savings in timber, power and consumables costs were largely responsible for unit costs not galloping away This quarter production will again suffer some effects of the fire, but there should be a steady return to earlier average recovery grades of about 14,5 g/t

Despite the temporary setback, Kloof remains one of the soundest gold shares at this stage of the gold market And once the gold price starts to rise again, Kloof's inability to drastically reduce grades will ensure that the mine remains among the better dividend performers Capital spending appears to be lagging behind schedule, with R28m needed to be spent in the second half if the year's R43m planned total is to be met Even so, that should not unduly restrain the final dividend Following the 120c interim, first-half retentions were 51c a share

Venterspost Exploration is still being carried out in the Middelvlei area, but it remains to be seen how long it will continue Development sampling grades have been almost uniformly poor and have failed to confirm results from surface drilling For the present, unproductive development in Middelvlei is not having an insupportably adverse effect on unit costs By sharply boosting mill throughput in the December quarter, unit costs were cut to R43,89/t from R46,14/t There may well be room for further mill throughput increases, although the plant is operating at full rated capacity However, maintaining and improving recovery grade is now the most important factor in mine planning That will be particularly so if the gold price continues to perform dismally and the rand stabilises against the dollar

Libanon It seems unlikely that the R34m capital spending target slated for the current year will be met Only R12,7m had been spent by end-December though retentions after capex and dividends of R5,4m would seem to allow a rapid capital spending advance in the remaining two quarters

Operations are now steady, but it is unlikely that management will be overly generous with dividend declarations In this and the next four years, R132m is to be spent on capital projects pointing, perhaps, to dividend caution at the end of June Following the 80c interim, it is probably safest to estimate a final of not much more than 100c

Doornfontein Management appears to be taking advantage of the possibilities of mining lower-grade ore in the original lease area It resulted in a higher mill throughput, and slightly lower grade last quarter could allow some deferral of capital spending necessary to reach deeper ore in the lease area extension The 80c interim dividend appears to have erred on the cautious side as retentions at the halfway stage were 57,3c a share The final should be at least 120c

Vlakfontein. The December quarter saw a reversal of the September quarter's cutback on milling ore from the company's own dumps Switching to and from the company's own reserves will follow gold price shifts Management has nothing to say on the drilling programme to probe Kimberley reef on the property

Marking time

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FM 22/1/82

Gold's apparent stabilisation at $370 is being interpreted by some analysts as signalling the bottom of the market From now on, they believe, the gold price can do nothing but improve At these levels so the theory goes, central banks are buying and effectively putting a floor under the price

They were said to be doing that when gold was dithering at $400 The fact is that gold appears to be in a period of structural weakness And though central bank purchases may be made from time to time, they almost certainly form part of a buying programme which is based on long-term objectives In effect, gold's price continues to be determined by economic interplays in the market — it has long since ceased to be affected by political or security considerations

For investors, perhaps the most important consideration for the next few quarters will be how well the mines can maintain profit margins if, as seems possible, domestic economic measures succeed in stemming the rand's decline against the dollar Gold mines of the JCI, Anglovaal and Rand Mines groups have confirmed the December quarter trends indicated by those managed by GFSA Unit costs came under better control than has been seen all year despite gold's dollar price fall the steadily weakening rand meant that rand-denominated gold revenues generally improved

The question now is whether a repeat performance is possible On the face of things, it appears that this quarter will result in events beyond the mines' control cutting into revenues

If the rand dollar exchange rate remains at substantially the same level as at present and gold does no more than dither, gold revenues this quarter could be at least 10% lower than in the December quarter Pre-tax profits should be under even greater pressure, with losses likely at some of the marginal mines which cannot make rapid compensatory recovery grade adjustments The situation will probably be worsened by the round of administered steel, electricity and cement price increases which generally takes place this quarter That will be followed next quarter by the partial effect of wage increases to white mineworkers and, in the September quarter, by a full three months of higher wages for the industry s entire workforce

Though the December quarter resulted, in some cases, in reductions in unit costs, the general view among mining executives remains that working costs this year will continue to outpace inflation The rate expected is somewhere in the region of 16% over the current 12 months Escaping from this cost price squeeze is unlikely to be easy or rapid And even if gold starts to improve meaningfully in the current six months, at least part of the resultant earnings improvement could be absorbed by spending on previously delayed capital projects All in all, there seems to be little to get excited about

Harties The general trend of reducing gold recovery grade has been resumed Further cuts are in prospect in this and the June quarter as the average grade is planned at 9 8 g/t for the year to end-June Ore remaining on the mine is fully payable, which should permit a greater mining flexibility than at some other producers Because of this costs are apparently well under control — unit costs dropped by 2% to R56,23/t last quarter So though grade is set to fall further and the rand price of gold weaken over this and the June quarter, earnings should remain reasonably healthy Some catch-up capital spending is planned for the next two quarters, which will restrain dividends to an extent However, there should be no difficulty in paying a final dividend of at least 300c even if gold wallows at current levels

Loraine Gold recovery grade is rising slowly and it will be another year to 18 months before the mine reaches its planned recovery grade of 6 g/t This is expected to be achieved when exploitation of the higher-grade Elsburg reef in the northern part of the lease area is at full capacity In the meantime, grade is being helped by steadily reducing the amount of ore treated from low-grade surface stockpiles With revenue and costs per ton in close balance, deciding on which ore should be drawn involves some fine tuning This is all relatively academic as far as the share's investment merits are concerned There is no chance of a dividend for several years and certainly not until the present heavy capital spending programme is complete, loans have been repaid and the gold price is putting in a respectable performance

ET Cons Capital spending is building up presumably as an adjunct to increasing capacity at the Sheba mine The main problem in the remaining two quarters of the mine's current financial year will be containing cost increases Unit costs soared in the September quarter as the full impact of higher black wages was felt And though the rate of increase in the December quarter was much lower with a 1% advance to R41,56/t, the next two quarters will have to take into account higher power and consumable stores costs, as well as this year's white wage increases It is unlikely that mill throughput can be increased significantly as a means of containing costs per ton milled Once additional capacity is installed at Sheba, the next development could be addition of capacity at Agnes That could result in an increase in mill throughput to between 30 000 t and 35 000 t/month

Western Areas· This year will see a substantial reduction in gold recovery grade from last year's 4,1 g/t average Treatment of Middle Elsburg ore for uranium has started and should build up this year to a monthly rate of 80 000 t — equivalent to more than 20% of total mill throughput The result should be a drop in gold recovery grade to about 3,5 g/t as uranium treatment builds up to full capacity Ore reserves on the Middle Elsburgs average 2,8 g/t, while the average on the VCR and Upper Elsburgs is 6,1 g/t What now remains to be seen is whether uranium profits can compensate for loss of gold profits

Capital expenditure should start to decline now that the uranium plant has been commissioned, though the mine is engaged in a comprehensive programme of shaft sinking The SV3 sub-vertical shaft is being sunk to give access to deep ore in the southern part of the lease area As is the case with sister mine Randfontein, capital expenditure will be adjusted as far as possible to optimise tax saving possibilities Even so, the current year will be difficult from the cash flow point of view unless the gold price stages an unexpectedly strong recovery

Randfontein In the December quarter, a large increase in ore milled from surface stockpiles masked the underlying trend of operating cost increases Surface ore made up 37,3% of the quarter's total mill throughput against 25 8% in the September quarter The mine will continue to draw about 40% of its ore from these surface accumulations of sands, slimes and rock for another year or so This will result in some depression of recovery grades, with this year likely to see an average of less than the 5 g/t recorded in the last quarter of 1980

Western Areas . uranium up — gold down

Also contributing to the December quarter's 9,8% cut in unit costs to R29,22/t milled was a sharp reduction in development charged to working costs Only 10 162m of development was charged to working costs in the quarter against 12 063m in the September quarter Both these adjustments were one-off situations Development cannot be cut further if ore reserves are to be maintained at adequate levels, while a quantum increase in the milling of surface ore will not occur again This quarter, as increases in the administered prices of consumables affect operations, it will not be surprising if unit costs revert to the current pattern of increases at an annual rate of about 16%

Harmony. Gold recovery grade has been maintained at just over 4,1 g/t for the last two quarters, presumably because mining has concentrated on the higher grade Basal reef rather than the lower grade Leader reef It is unlikely that much of an improvement is possible if gold revenue declines over the next quarter or so That is particularly so as the mining plan envisages extension of Leader reef mining operations

Though the mine has fixed long-term uranium sales contracts, uranium revenue remains disappointingly low, with occasional fillips as deliveries bunch in one quarter There should be an improvement in uranium production once teething problems at the Merriespruit plant are sorted out There is a strong chance that the final dividend to be declared this quarter will be less than the 120c interim

Blyvoor The December quarter's recovery grade increase to 9,2 g/t was an aberration in what is a general long-term grade decline As mining moves westwards, grades decline on the Carbon Leader reef And with commissioning of the A5 sub-vertical shaft, which will improve mining facilities in the western part of the mine, the general tenor of declining grades should be apparent in this year's results Exploitation of the low-grade Main and North Leader reefs is becoming increasingly unattractive as the gold price slithers and costs continue their upward march

In the current quarter there should be an improvement in mill throughput which may do something to contain unit cost increases In the December quarter the cost of milling each ton rose by 7,8% to R52,41 Part of that increase is explained by the lower mill throughput, but it also underlines the fact that, as a whole, costs are in a strong structural upswing

ERPM Capital expenditure has exceeded after-tax earnings in each of the past four quarters And though the mine should have ended the year with net current assets of about R46m and capital commitments of R25,7m, management is taking no chances on funding this year's capital programme Last year's final dividend was passed The original intention was to spend about R300m over five years to both extend the mine's life and expand output That plan appears to be in some jeopardy unless, and until, the gold price improves sharply And particularly as far as the expansion programme is concerned, State aid will not be forthcoming

This year there will probably be no dividend payments The share, though, remains one of the better gold price speculations available Whether it should be bought at current levels is another matter

Durban Deep The drop in mill throughput and increase in recovery grade indicate that less ore was drawn from the Kimberley reef in the December quarter It is not clear, though, whether there was an increase in tonnages drawn from the Main and South reefs Had there been, better unit cost control should have been possible Unit costs rose by 5,7% to R38,22/t in a quarter in which there were no increases in price controlled consumables

As yet, no firm proposals have been put forward for exploiting the Main reef in the western part of the mine Doing so would call for additional shafts, surface facilities and, possibly, a new mill For the present the mine is not retaining cash to fund any capital spending programme Last year earnings were 182c a share and the dividend total 185c

Jim Jones

GOLD QUARTERLIES

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Improving trend?

FM 29/1/82

A change of sentiment appears to be developing in the gold market London brokers particularly, who until recently were recommending the sale of almost any gold share, are now saying that the market is oversold and that share prices are signalling an improvement in gold prices

On Wednesday this week gold was showing signs of life, but whether that provides sufficient grounds for believing that a change in price direction has taken place is another matter Certainly gold's demand-supply position seems to be in better balance than it has been for several months

Demand for bullion for industrial and jewellery usage is now strong and there is the expectation that some supply side tightness might be generated And, so the theory goes, Russia, which has had enough of sliding gold prices, is reducing its sales to the West and has even entered the market as a buyer as a means of bolstering the metal's price The gold market being what it is, such a development could easily swing sentiment back to a more bullish direction Of course a short-term reversal in the Soviet Union's gold sales policy would not be sufficient to change bullion's direction on its own Something more fundamental is needed if a sustained improvement is to be possible

The major factor affecting gold in the past year has been high American interest rates which have encouraged investment flows into dollar stocks and away from non-interest bearing gold This pattern of high interest rates — part of the Reagan administration's weaponry against inflation — has been accompanied by a slowing of the US economy and unemployment figures which, at the start of this year, threatened to become more pressing political problems And if unemployment takes over from inflation as Public Enemy No 1, the Reagan administration is likely to veer towards stimulatory economic measures, including lower interest rates At the very least that should remove some of the all-pervasive gloom which has surrounded gold for the past few months

This Wednesday some change in sentiment seemed to have taken place, though whether gold's $7 rise to $385 is merely due to market technicalities might only become clear in a week or so

For those investors willing to stick their necks out a bit further from the rest of the herd, this could well be the time to get back into the gold market

Vaal Reefs: The trend of declining gold recovery grades in the northern section and improvements in the southern section is continuing It will almost certainly end within the next few months, but it is resulting in a greater proportion of total profit heading Southvaal's way Development sampling on the VCR continues to give mediocre results and capital spending to establish operations on the reef was slated to cost about R20m last year A similar amount will probably be spent this year

In the December quarter, 22 000 t of VCR from the Nos 6 and 7 shafts were milled at the Afrikander Lease gold plant Eventually 60 000 t/month of VCR is to be treated That will reduce overall recovery grade but will be accompanied by a higher output of gold

Western Deep Levels: Exploitation of lower-grade ground near No 3 shaft is taking its toll of overall recovery grades There was a drop to 11,8 g/t in the December quarter and a further deterioration could take place over the next few months Lower development rates appear to have contributed to good cost control Unit costs fell to R53,55/t from R57,39/t in the September quarter — and that was despite a lower mill throughput There is no reasonable explanation for this and what probably has happened is that certain of the December quarter's costs were incurred in the September quarter Capital expenditure is unlikely to fall from last year's figure of almost R120m for a year or so This will be an increasing restraint on distributions unless and until gold starts to improve While gold is in the doldrums Western Deep shares are among the most comfortable to be invested in

Erfdeel: Sinking of the sub-vertical shaft continues, with the aim of gaining access to what is expected to be a block of relatively deep but higher grade ore in the southern part of the mine In the meantime, sampling on the upper levels continues to reveal nothing of any great merit The mine is incapable of generating sufficient funds to cover its own operating costs let alone capital expenditure at current gold prices And unless gold recovers strongly and soon, further cash will have to be found somewhere The share is not for the fainthearted It is one of the house's poorest investments, though some brokers are trying to generate some speculative appeal with talk that the mine is to be taken over by neighbouring Western Deep

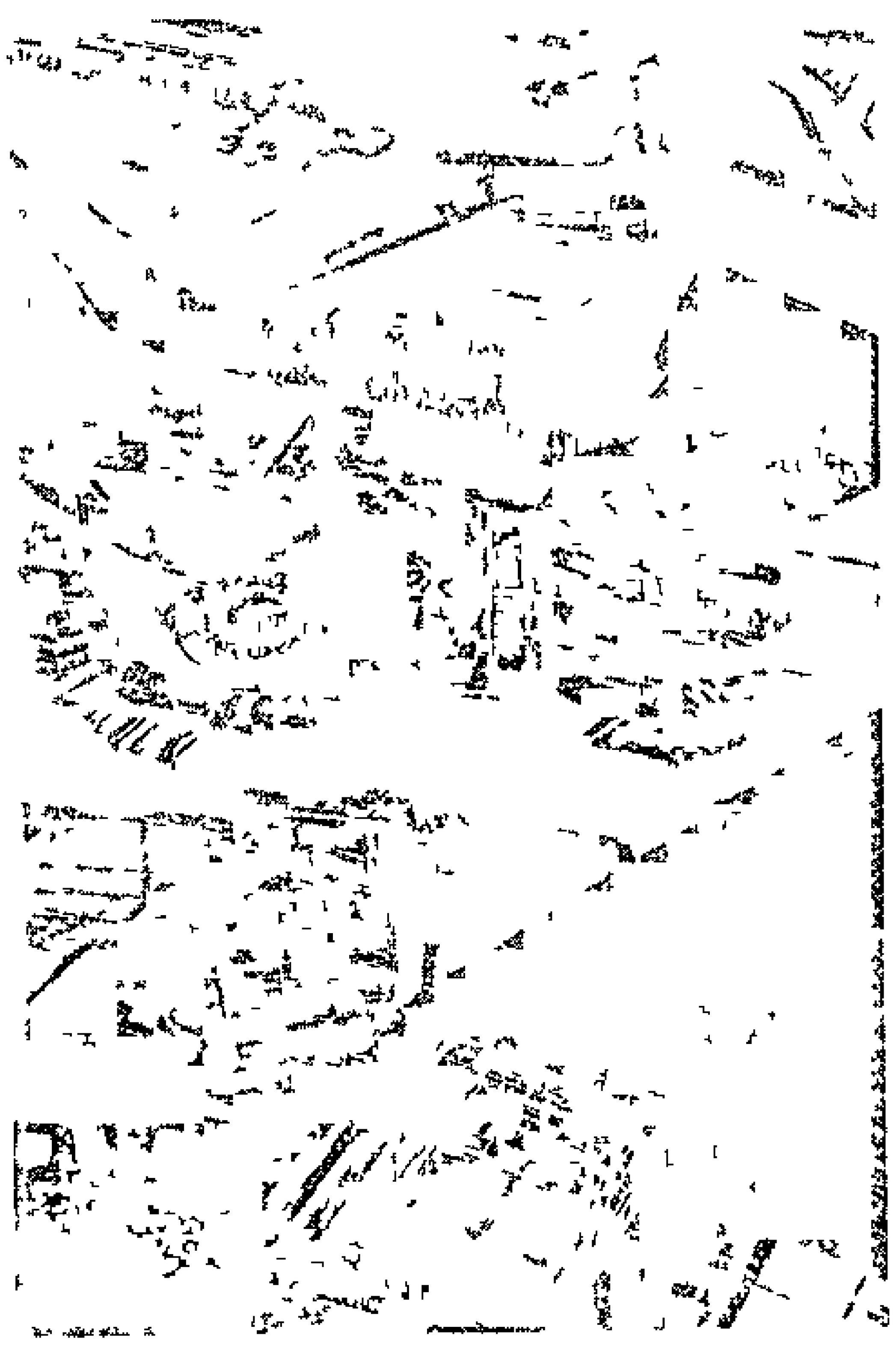
Ergo: Gold recovery grade should have fallen in the December quarter — it rose However, the trend over the next quarter or so should be downwards as a greater tonnage of lower-grade material is treated Capital spending will now start building up at Simmer & Jack The main equipment for the gold plant has been ordered Last quarter there was a sharp increase in costs per ton treated which cannot be explained entirely by the fact that a lower tonnage was milled Unit costs rose by 10,3% to R2,04 on the quarter A final dividend of 70c seems feasible after the 60c interim

Western Holdings: The annual report issued in December contained an estimate that the current financial year would result in an average gold recovery grade of 5,3 g/t In the first quarter it was 4,98 g/t which means that recovery has to average 5,4 g/t in this and the next two quarters if the annual report's target grade is to be met This level of recovery will, of course, not be maintained forever Once the low-grade Erfdeel division kicks in further grade drops should be expected

There has been a re-think of Erfdeel's viability The project was initially expected to cost R400m in unescalated terms and monthly mill throughput to be 200 000 t The revised cost is now reckoned at R524m and mill throughput 225 000 t The additional cost will have little effect on Western Holdings' distributable income — a little extra will have to be found to pay for the company's proportional contribution to East Hold's funding

President Brand: This year's capital expenditure was estimated at R51m in the annual report and to remain at that sort of level until 1986 when the No 5 shaft is completed In the first quarter capex was only R8,3m, indicating there will be a sharp increase in the final nine months of this financial year A lower mill throughput was accompanied by lower recovery grade in the December quarter and the mine operated slightly below the average grade planned for the whole year Next year a further grade reduction is in prospect

President Steyn This year's average recovery grade was estimated at 6,4 g/t in the annual report It was 7 g/t in the December quarter and, with exploitation of Video, the year's outcome might well be higher than expected The effects of the higher grade were, however, offset by greater costs Lower mill throughput contributed to a



Western Holdings ... looking to higher grades

10,2% unit cost increase to R46,83/t If the first quarter's capital spending is repeated in each of the remaining three quarters, management's capital estimate will be exceeded this year No let-up is in sight for at least three years

The mine is the largest contribution to the JMS but the share of profit is relatively low It is likely to stay that way for several years

Free State Geduld The annual report said that this year's gold recovery grade was planned to be little different from last year's 9,3 g/t So the December quarter's grade increase to 9,2 g/t should have come as no surprise The reason, perhaps, lies in the fact that profits had to be supported by higher recovery as costs were affected badly by preparations for stoping operations in the Nos 7 and 9 shaft areas As it was unit costs rose by 19,2% to R56,25/t during the quarter Presumably they will move against the industry trend and be better controlled this quarter Recovery grade is unlikely to remain at current levels for very long The northward shift of mining operations is leading the mine into lower grade ground But for the current year, while capital expenditure remains relatively high, it is probably best to expect pre-tax profits to be maximised

Stilfontein The investment in the uranium production facility Chemwes is starting to pay off Its profits seem strangely unaffected by the weakness of the world's uranium market As capital spending slows down and loans are repaid Stilfontein can expect a reasonably steady income from its 85% interest in the slimes retreatment venture

Gold recovery grade fell last quarter probably because of less selective mining as mill throughput was increased to contain cost advances Unit costs fell from R54,92/t to R53,29/t, but it is unlikely that this will be repeated Though the VCR has contributed some tonnage to ore reserves sampling grades on the reef are unattractive

Buffelsfontein Lower mill throughput contributed to a 4,8% increase in unit costs to R55,62/t in the December quarter Mining of the tribute areas is steadily increasing — last quarter royalties increased despite virtually unchanged revenue figures Capital expenditure is relatively heavy and set to rise to some extent The mine remains, however, a sound dividend payer

St Helena Development of Beisa is being hampered by water intersections The new mine's shaft has been sunk in an area of relatively high grade ore to give early access to this material This is being reflected in initial development sampling results which should not be construed as representative of the lease area as a whole Beisa is unlikely to have any effect on St Helena's earnings for several years The mine's own grade appears to have stabilised just above 7 g/t

Development sampling continues to reveal relatively low grade but payable gold values on the Leader reef This could mean additional Leader reef being included in this year's ore reserve calculations

Unisel Mill throughput is advancing steadily towards the 110 000 t/month planned for next year Sampling of the large area of potential interest on the Middle reef has started Initial sampling grades were 8,9 g/t and 1 030 cm g/t The sampling and development programme should continue for several quarters though extraction of the reef is not necessarily planned for the near future

Kinross. Development necessary to provide additional working places in the No 2 shaft area is showing no signs of slowing Similar rates can be expected for the rest of the year and until sufficient stope face has been established to allow an increase in mill throughput to 165 000 t/month in 1983 Once that is achieved, unit costs should be better controlled Capital spending got off to a slow start in the December quarter and the rate should increase as the year

GOLD QUARTERLIES

	Gold									Uranium				Profit		EPS after capex
	Cost			Revenue		Milled		Recovery		Milled		Recovery		Gold	Uranium & other	
	R/kg	$/oz *†		R/kg	$/oz †	*000 t		g/t*		*000 t		*kg/t		R 000	R 000	c
ANGLO AMERICAN																
Elandsrand	12 922	416	(418)	13 142	423	312	(325)	4,3	(4,2)					233	1 832	(8,1)
Ergo				13 080	421	4 578	(4 777)	0,3	(0,3)	4 578	(4 777)	0,15	(0 16)	17 278		14,1
Free State Geduld	6 114	197	(176)	13 257	427	735	(795)	9,2	(8,8)	§637	(648)	0,09	(0,09)	50 458	5 128	137,8
President Brand	5 896	190	(181)	13 203	425	815	(845)	7,6	(7,8)	§475	(389)	0,16	(0,15)	45 649	6 777	133,9
President Steyn	6 725	217	(219)	13 168	424	907	(967)	7,0	(6,4)	§2 874	(2 910)	0,09	(0,08)	40 180	10 153	120,1
Vaal Reefs	5 736	184	(168)	13 132	422	2 044	(2 160)	8,4	(8,8)	2 004	(2 119)	0,19	(0,20)	129 400	7 814	246,4
Western Deep	4 525	146	(153)	13 188	425	805	(825)	11 8	(12,4)	587	(609)	0,08	(0,10)	83 204	5 117	95,1
Western Holdings	7 869	253	(244)	13 200	425	1 922	(1 972)	5,0	(5,2)	§2 149	(2 222)	0,11	(0,12)	50 565	6 231	135,6
ANGLOVAAL																
ET Cons	5 595	181	(181)	12 916	418	78	(77)	7,4	(7,5)					4 255	186	40,4
Hartebeestfontein	5 680	184	(186)	13 194	427	759	(750)	9,9	(10,2)	759	(750)	0,14	(0,15)	56 452	3 564	196,3
Loraine	12 112	392	(404)	13 110	424	410	(411)	4,5	(4,4)					1 847	679‡	(7,5)
GENCOR																
Bracken	8 954	287	(265)	13 172	425	260	(255)	3,3	(3,5)					3 721	211	10,2
Buffelsfontein	6 377	206	(203)	13 154	425	816	(840)	8,7	(8,6)	773	(788)	0,21	(0,19)	48 441	3 614	161,0
Grootvlei	7 372	235	(237)	13 107	423	435	(435)	3,8	(3,8)					9 737	(59)	57,5
Kinross	5 749	186	(175)	13 207	426	420	(420)	5,8	(6,0)					17 998	761	38,2
Leslie	9 878	316	(281)	13 174	424	300	(305)	3,1	(3,4)					3 175	95	8,0
Marievale	9 761	316	(336)	13 522	438	165	(174)	1,8	(1,7)					1 119	12	15,9
St Helena	4 809	155	(151)	13 104	425	540	(540)	7,3	(7,4)					32 812	4 921	223,0
Stilfontein	7 052	227	(235)	12 692	410	495	(485)	7,6	(7,8)	860	(886)	0,19	(0,19)	21 265	2 372	100,0
Unisel	4 811	155	(172)	13 083	423	300	(270)	7,2	(6,9)					17 923	191	29,9
WR Cons	17 034	551	(823)	13 212	427	532	(484)	1,5	(1,3)	—	(133)	—	(0,18)	(2 947)	5 488‡	44,2
Winkelhaak	4 355	140	(138)	13 126	423	535	(535)	6,5	(6,5)					30 619	1 645	93,2
GFSA																
Deelkraal	10 853	351	(340)	13 310	431	306	(320)	4,6	(4,6)					3 432	849	(0,5)
Doornfontein	6 278	203	(207)	13 286	430	366	(360)	8,0	(8,1)					20 580	2 572	68,5
Drie Cons	3 429	111	(112)	13 237	428	1 425	(1 420)	13,3	(13,3)	340	(336)	0,17	(0,19)	191 865	15 121	78,4
Kloof	3 589	116	(118)	13 276	429	485	(520)	14,9	(14,6)					70 135	5 286	83,9
Libanon	6 768	219	(217)	13 281	430	420	(420)	6,1	(6,1)					16 719	2 009	73,5
Venterspost	11 401	369	(373)	13 271	429	375	(349)	3,8	(4,1)					2 701	1 302‡	33,2
Vlakfontein	11 445	370	(356)	13 151	425	192	(180)	1,2	(1,2)					397	393	8,3
JCI																
Randfontein	5 846	177	(207)	13 566	439	1 283	(1 198)	5,0	(5,2)	778	(862)	0,16	(0,18)	49 499	7 760	212,4
Western Areas	11 159	361	(343)	13 477	436	1 061	(1 070)	3,9	(4,1)					9 589	1 812	(2,2)
RAND MINES																
Blyvoor	5 683	184	(181)	13 152	426	515	(555)	9,2	(8,9)	429	(503)	0,17	(0,16)	35 477	(1 398)	52,2
Durban Deep	9 587	310	(318)	13 159	425	560	(602)	4,0	(3,8)					7 976	821	44,8
ERPM	12 785	410	(383)	13 126	421	635	(657)	4,3	(4,4)					922	7 885‡	(124,7)
Harmony				13 190	427	1 862	(1 941)	4,1	(4,2)	1 622	(1 742)	0,09	(0,09)	41 140	—	57,4
INDEPENDENT																
South Rood	18 985	614	(817)	12863	416	52	(60)	2,5	(2,2)					(772)	49	(46,3)
Wit Nigel			(493)				(76)		(3,6)							

*Figures in parentheses refer to previous quarter †Calculated at R1=$1 04 when figure not given by mine
‡Includes State Assistance §Deliveries to Joint Metallurgical Scheme

wears on The interim dividend could be as low as 50c

Winkelhaak. For the present grade appears to be holding up but it is likely to fall especially when the higher milling rate is achieved next year Development rates are relatively high in preparation for the production increase The interim dividend should come in at about 150c as management is not being unduly cautious over retentions

Bracken· The mine is at a stage where sustained gold price weakness could tilt the balance in favour of premature closure There would be no justification for State aid at this point in the mine's life Though gold recovery slipped to 3,3 g/t last quarter, there is probably room for an improvement if that is necessary on gold price considerations But the effect on life expectancy could be pretty drastic

Leslie The annual report's prediction that grade would slip slightly this year has been confirmed by the December quarter's results State assistance may well be received this year, particularly if the gold price weakens further The outlook for the interim dividend is not particularly bright

West Rand Cons· Uranium production has ceased and the plants are treating only ore from the mine's gold sections Even that was insufficient to provide an operating profit in the December quarter A profit is still being made from uranium as material is being bought from other producers to honour sales contracts The gold recovery grade was lowered because some 35% of the ore treated came from surface dumps Some improvement may take place if it is possible to provide a greater proportion of mill throughput from underground sources That, however, could be limited by available shaft capacity, and the strong possibility that underground mining is unattractive as far as profit generation is concerned One broker has recently been recommending the share as a break-up proposition

Grootvlei This year capital expenditure will be high as the facilities are provided to allow mill throughput to be increased from a monthly 145 000 t to 160 000 t in 1983 And if the gold price continues its present performance, that could mean a fairly hefty restraint on distributable earnings even though the tax bill should be minimal Recovery grade should be maintained at the 3,8 g/t of the December quarter Limited development sampling on the Black reef has indicated attractive values, but more sampling is needed before anything certain can be said of the reef's potential The better the Black reef, the more attractive become mineral rights on the old East Geduld and East Dagga properties

Marievale The mine is now very vulnerable to a further gold price decline Main reef reserves are exhausted and those on the Kimberley reef are sufficient for only a couple more quarters' operations At current gold prices there is no justification for opening new underground areas and the future must now depend almost entirely on what tonnages are available in surface dumps Buying the shares would be an act of faith in the gold price

South Rood The mine's future is hanging on a fine thread At current gold prices it is impossible to operate profitably, let alone fund the necessary capital spending needed to refurbish plant and equipment and establish mining places in payable areas London stockbrokers Laing & Cruickshank, who may have to underwrite any further fund raising by the mine, are examining a new geological appraisal of the property At this stage the shares should not be in other than speculative portfolios Management is planning to sell some freehold property to raise funds for development

Jim Jones

Falling gold — the first victim

ADM 4/2/82

214

By JOHN MULCAHY

THE gold-price slump has claimed its first victim East Rand marginal producer Witwatersrand Nigel is curtailing its operations "forthwith", and the winding-down will be measured in months not years

The 43-year-old independent low-grade producer is the last surviving mine in the immediate vicinity of Heidelberg, and has leaned heavily on the State assistance scheme over the past year

The mine's fortunes declined rapidly in the second half of 1981, and the taxed loss for the six months to December 31 was R953 364, effectively wiping out the R750 000 in net current assets at June 30 last year

Compounding Wit Nigel's problems late last year was a change in the State aid payment procedure Where previously quarterly payments were received, based on the cumulative results at the end of each quarter the new policy allowed for payment only once a year

The revised State aid procedure placed a strain on the mine's financial resources, and the directors warned in the quarterly report last week that if results for the second half of the year did not show an early marked improvement in cash flow, losses for the year would be greater than recoupment through State aid

However, the directors said that R1 860 000 in State aid had accrued for the six months to December, and would not be paid before the end of June

The mine's total loss after capital expenditure for the six months was R2 107 790, showing that even if the State aid was paid in full the mine would have a negative cash flow

One theory expressed by an analyst yesterday was that the Government Mining Engineer and the Department of Inland Revenue had decided to adopt a stronger line on State aid for Wit Nigel, and had withdrawn its qualification in terms of the Gold Mines Assistance Act

The Government Mining Engineer was unavailable for comment yesterday, and the mine's directors refused to add to their closure announcement

The directors say it is impossible to forecast with any accuracy the length of time the mine will be operational before total closure

However, a cash-flow analysis of a variety of mining possibilities has shown that there is "no way" Wit Nigel can operate at its present rate without falling short of expenditure by the end of June this year

Most of the easily mined ore has been exploited, and the directors say the historical protracted run-down of closing mines will probably not apply

They add that within the limits prescribed by positive liquidity, operations will be carried out to limit total withdrawal to as few areas as possible to take advantage of any improved gold price

The directors have estimated that for the year to June 30 Wit Nigel will require an average gold price of R14 965 a kg (with State aid) or $484 an ounce to break even, or $548 an oz without assistance

COMMENT In spite of the downward trend over the past six months, the severe action taken comes as a surprise, particularly if viewed against statements made as recently as September 1981

In the annual report published on September 30 Wit Nigel's chairman, Mr G Abdinor, said if the improvement in fortunes did not materialise by the third quarter of the current financial year "the capital projects will be shelved or only partially implemented until more propitious times"

In announcing the suspension of the R10-million shaft-sinking programme, the directors said resumption of the project could not be deferred beyond 2½ years in advance of the estimated depletion of reserves that could be economically mined

This statement carried no portent of imminent closure, although it was qualified by a warning that an increasing gold price was a crucial aspect of continuing operations

Assuming that the curtailment does lead to closure, and with gold-price expectations flat it seems inevitable, thoughts must turn to the mine's break-up value.

Wit Nigel started milling in 1939, and in its life has treated about 8-million tons, so a reasonable amount of gold should be recovered in a clean-up of the mill

There is also the surface property, totalling 4 690 hectares, on the borders of Heidelberg, which could be sold off as farming land, but it is impossible to assess the likely market value

The equipment at the mine is old, and would probably not raise much

The market took a sufficiently bearish attitude to the announcement to slash the share price by 30% yesterday to 100c from 143c

Wit Nigel still in red as tonnage rises

Mining Editor

Wit Nigel loses battle of costs

By JOHN MULCAHY

INDEPENDENT mar...

Shape of things to come . . . Business Mail headlines January 28, 1982 (above) and October 27, 1981 (below)

NBS offer to elderly

THE Natal Building Society is offering people over the age of 60 an extra 1% interest on the full range of fixed deposits

- 13½% for 12 to 17 months
- 14 % for 18 to 23 months
- 14½% for 24 months and over

SA's gold output lowest in 22 years

(214)

RDM 17/2/82

By ADAM PAYNE

SOUTH Africa's gold output last year at 21 120 000 oz compared with 21 670 000 oz in 1980 was the lowest for 22 years

And the first figures for 1982 show that January's production at 1 680 000 oz was down from last January's 1 730 000oz

If this trend continues the total for 1982 will be the lowest for 23 years but people in the industry expect production to be marginally up

The 1981 total, equal to 656,9 tons, compares with 674 tons in 1980 showing a decline of 3%

It is the lowest since 1959 when 624 tons were produced The peak production was 1 000 tons in 1970

The fall in production has been brought about by rises in the gold price which have brought lower-grade ore into payability

The gold price averaged only $125 an oz in 1976 when gold production was 697 tons when payability was limited to higher grade ores resulting in greater output although milling capacity was not as great as it is now

The price was only a little better in 1977 but rose by $45 to an average of $193 in 1978 and was then on the escalator, before easing to $457 last year

Last year the average gold grade of ore milled fell to just under 7 g/t compared with 9,22 g/t in 1977

South Africa's production of 656,9 tons last year compares with estimated Russian production of 300 tons

Russian sales to the West fell from an estimated 200 tons in 1979 to only 90 tons in 1980 but they rose to possibly as much as 300 tons last year

Total supplies of gold to the West in 1979, including official sales by the US Treasury and the IMF, totalled 1 704 tons After allowing for central bank purchases, the total fell to 803 tons in 1980 and is thought to have been lower last year

Sales of Russian gold to the West this year are likely to remain at high levels because of the Soviet need for foreign exchange to pay for grain purchases

On the demand side, sales of gold for jewellery and industrial purposes are rising

They more than halved in 1980 to 521 tons because of the high price but could have risen to 900 tons last year

With the price now in the $370-$380 range demand is expected to remain strong, particularly from the Middle and Far East

Japan last year imported 167 tons of gold, excluding coins, compared with 31,8 tons in 1980 The previous peak was 127,8 tons in 1973

Overall, buying for industrial purposes could rise this year to 1 000 tons

These figures have given rise to comment in London that because of the basic situation the fall in the gold price could have run its course.

Mr Peter Fells, Consolidated Gold Fields executive director for economic research, told an international conference in Rome that South African gold production was likely to be about 675 tons a year by 1985 but could decline to 350 tons a year by the end of the century.

Outside South Africa, production in other non-Communist countries was likely to rise by about 170 tons a year in the four years ending in 1985, he said

(274)

RDM 25/2/82

SOLUTION TO: GL5

No bath so they wash in the river

From Page 9

They have no fridge — not even an ice-box So they mainly eat fresh fruit and vegetables, tinned food and boerewors, which, Peta says, can last for a number of days without going bad.

Food is cooked over an open fire or on a tiny primus stove.

There are no bathing facilities, so Peta and Daniel wash in the nearby river.

Without electricity, lighting is another problem — so it's off to bed as soon as the sun goes down.

Of course, they have very little social life, though they do come across some very interesting people — gold men of the old school with tales that inspire them to carry on working when the going gets tough

And because of their modern dredge, offers coming pouring in — for work on other claims, for the dredge, for their services.

But Daniel and Peta have other plans.

They'd love to be able to buy a claim of their own "But this isn't very easy, as all the claims here are taken — and they're passed down through the family on a 99-year lease basis," Daniel explains

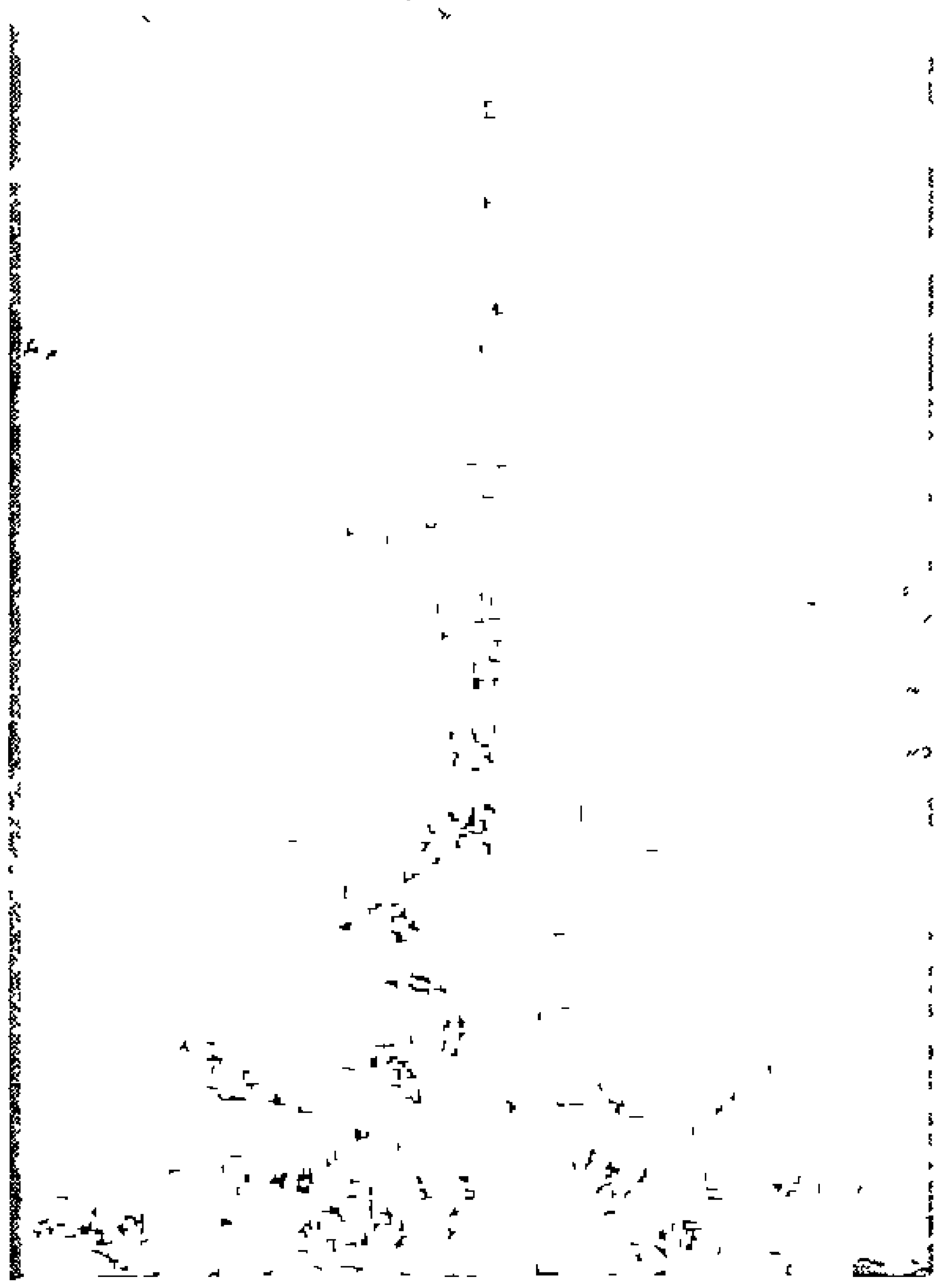
"However, we do have a slight chance The only money an owner pays on his claim is 20 cents rent a month. If he forgets to pay that 'rent' for three months, someone else can buy his claim "

If that doesn't happen, the Fowlers hope to go back to Argentina, buy land and prospect for gold there

They have youth, a sense of adventure and an amazing ability to adapt to any situation.

There's no going back now.

They've got gold in their veins.



CLAIM TO FAME AND FORTUNE... And a gold claim like this could be yours for only 20 cents a month!

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RDM 25/2/82 (214)

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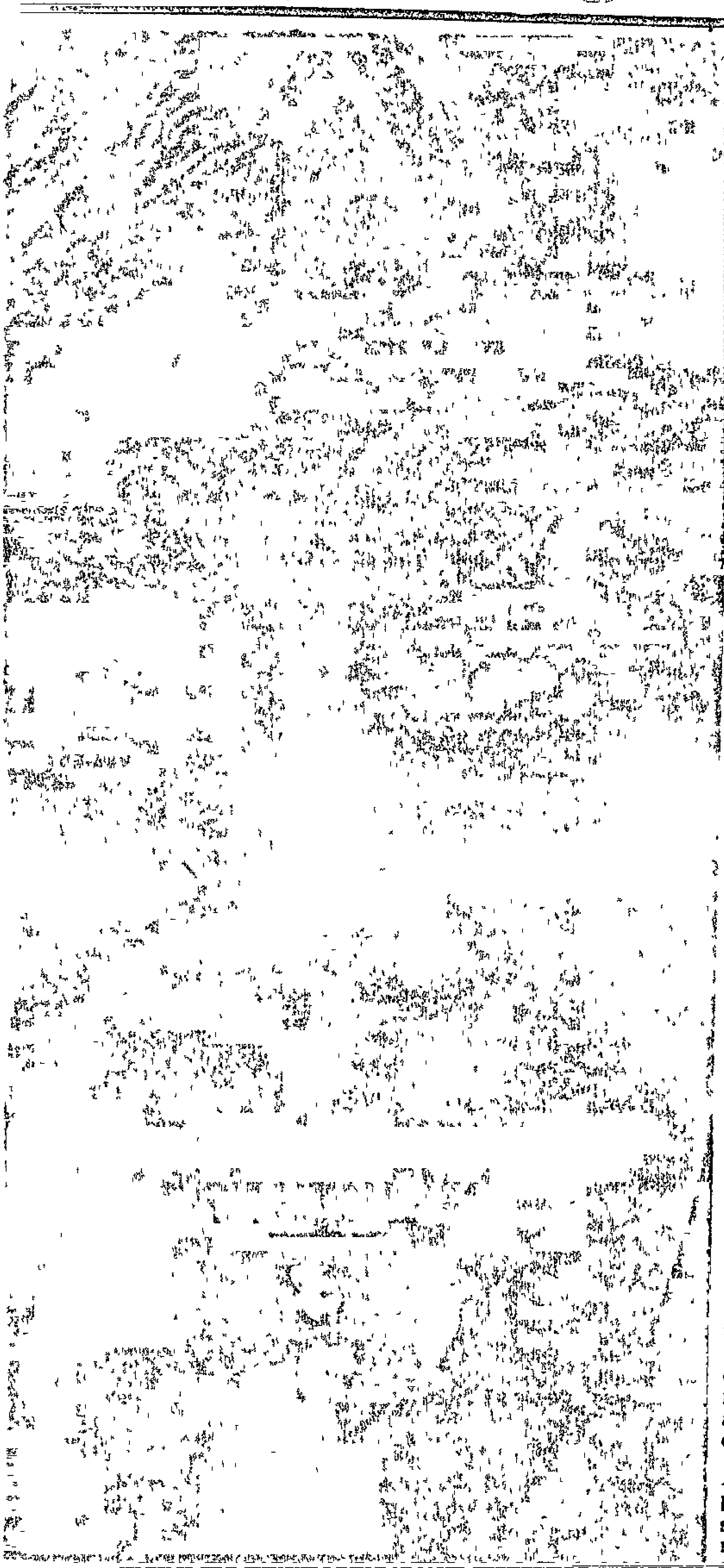

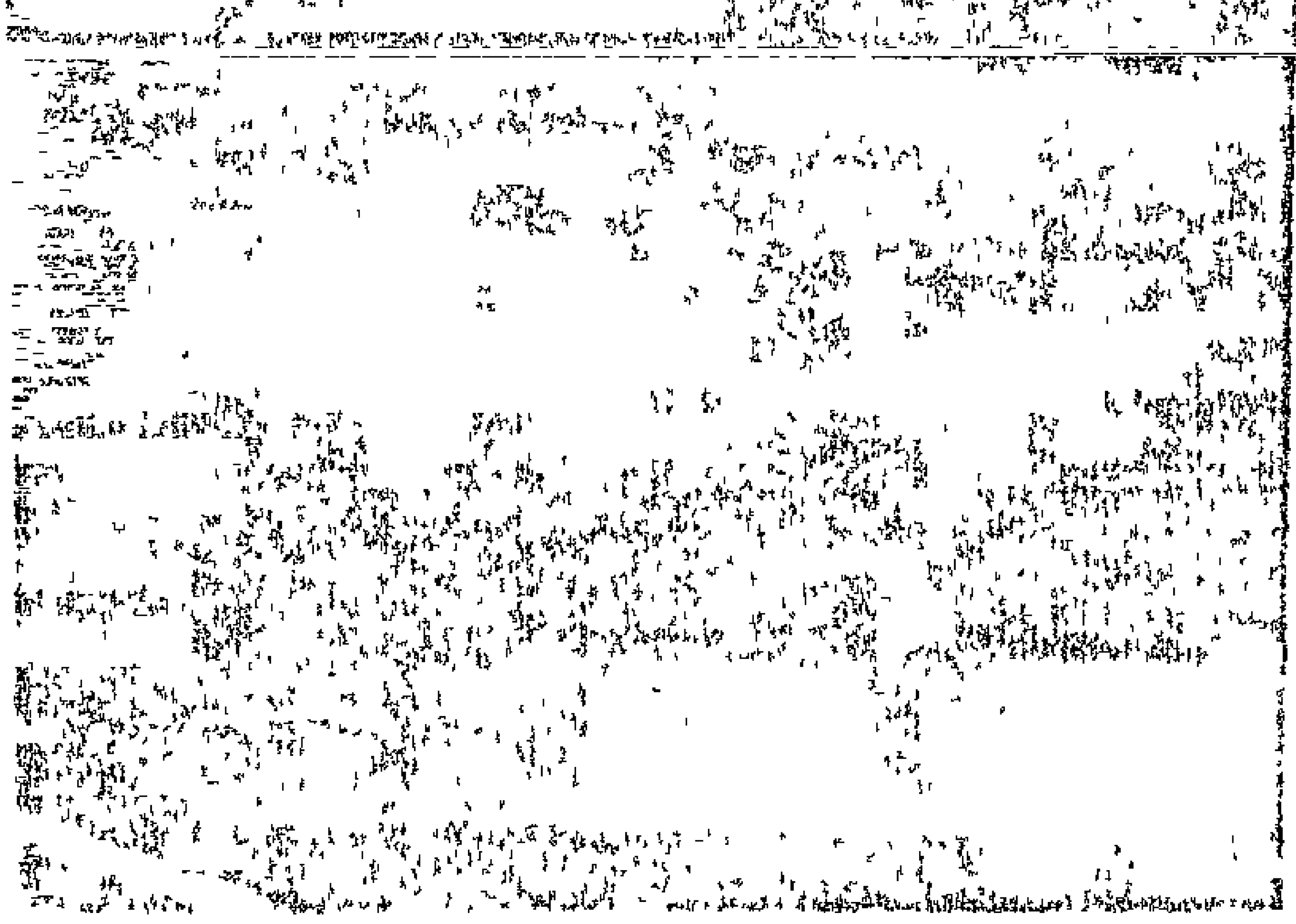

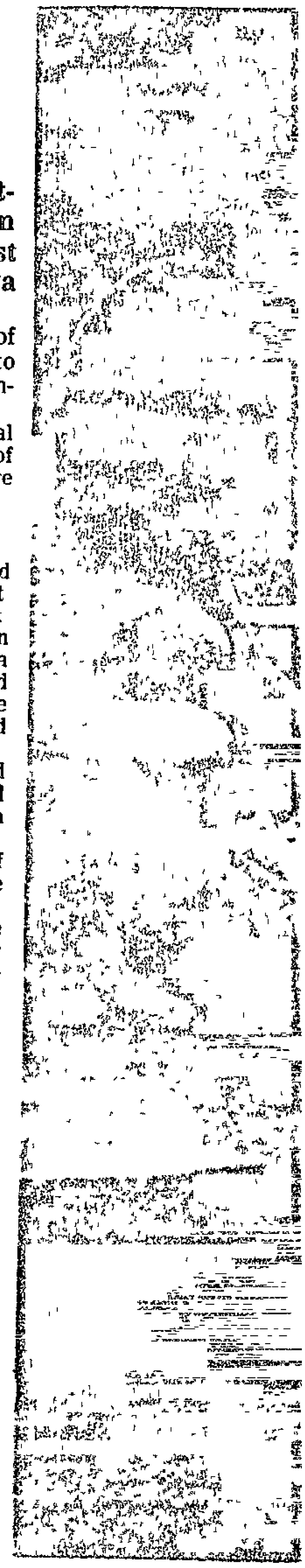

"ABOUT 5km down a pot-holed dirt road 15 km from Barberton," is the nearest thing to an address that Peta and Daniel Fowler can give.

Their only neighbours are piles of stones topped by pieces of tin tied to sticks They are claims, their owners' proudest possessions

Underneath the beautiful, subtropical vegetation in this wild spot is lots of lovely gold And Peta and Daniel are working to find it

River bend

At the end of the road is an enclosed area with a wide river bed alongside it This is where the Fowlers live and work

There's a weird contraption settled on the murky water It looks a little like a blue raft resting on huge tires and makes a whirring engine noise It is the dredge the couple use to collect the gold from the river bed

Peta, tall and beautiful in shorts and T-shirt, sits on the raft with an old steel wok-shaped pot, collecting sand from water pouring out of three sluices

A frogman weilding a pick rises out of the water and waves The engine noise stops, and he wades out

Peta and Daniel are employed by the owner of a claim to prospect his area for alluvial gold using a modern dredge brought from America Panning for gold underwater is a technique new to this country

Experimenting

"Right now we're still experimenting," Daniel explains

"We haven't yet come up with the perfect area to dredge in, so we aren't picking up as much gold as we'd like."

How much gold do they manage to collect in a day?

"It depends," he explains "It's just luck of the draw, though we do usually find at least three reasonably sized nuggets"

The Fowlers work at the creek for six hours a day six days a week using the dredge which is something like a vacuum cleaner, picking up everything on the creek bed

Daniel's job is to go underwater with the suction hose and direct it and to remove clay from the bed to get to the gold underneath it

Crevices

"Basically there's still a lot of gold hidden in little crevices beneath the rocks and underneath the clay," he explains

"The prospectors who work this area use bulldozers on dry land But they've never been able to get at the gold beneath the river beds before — that's where we come in"

The dredge can suck five cubic metres of gravel an hour The water and gravel it sucks up from the creek bed goes into a header box where it is classified according to the size of the gravel

That comes out through three sluices — the middle sluice gets rid of larger boulders and debris and the two side sluices have special ridges in them to retain any gold or small stones while ... picks up any nuggets and pans the black sand for gold dust

The lifestyle of a gold prospector is a far cry from the one the pair have been leading up to now

Travelled

They've travelled round the world on yachts as crew members, lived in primitive Argentina where they bought vintage cars, fixed them up and sold them in the States and they have sailed round the Caribbean collecting salvage from wrecks

They came back to South Africa in April last year, stayed on a beautiful wine farm in the Cape — and then headed up to Barberton for another adventure

Life is very simple at the edge of the river The couple go into Barberton 15

ABOVE PROSPECTORS A
Daniel takes a breather
how Peta is managing on

LEFT GOLD FEVER! ...
tongue are two gold nugg
Daniel dredged up from th
we were photographing th

ABOVE LEFT LIKE THE SW
CALIBUR Daniel's pick
ly from the water He uses
the ... from the river bed
gold underneath it

COVER PICTURE BATHTI
...his her tiny tin tub with ...
... (it's ...
used on the dredge)

By Sharon L...
Pix: Raymon...
Preston

Gold price bad news for mines

(214). S. Times 7/2/82

By Andrew McNulty

THE profitability of gold mines will slump during the first quarter and probably also the second and third quarters of 1982.

This has already been made virtually certain by the lower gold price, which by this week, three weeks from the end of first quarter, had averaged $378,28

This is $42,72, or 10%, lower than the average price of $421 for the December quarter and 17,5% lower than the $458,80 for 1981.

Most analysts expect that the gold price will remain at or below present levels at least until mid-year

And when an improvement does come, there may be no more than a mild rise This suggests a gloomy scenario for gold shares over at least the next six months

Other factors — costs, grades, capital expenditure, exchange-rate prospcts — strengthen the bearish view

Some mines reported better earnings from uranium in the December quarter but there are no sound reasons for seeing an upturn in the dismal uranium market — rather the reverse.

The result will be substantially lower dividends Annual payouts will be lower by upwards of 20% at most mines, while some will pay nothing this year

Costs are expected to continue rising at a pace above the inflation rate

In 1981, working costs showed an average increase of about 18% on 1980, and little significant improvement can be expected in the short term

Although some mining houses (GFSA, for example) contained costs impressively in the December quarter, from next month this year's rounds of administered price increases for commodities such as coal and power will start tightening the pressures on costs

During last year, when the gold price dropped from an average price of $614 an ounce, the mines were protected partly by the lower rand parity, with the weakening rand moving from $1,34 at the beginning of January to just under $1,05 at the end

The Reserve Bank has indicated that, barring unexpected developments, the rand parity will not be allowed to fall any lower

So mines — and their shareholders — will probably have to forgo the exchange-rate shield this year unless the gold price sinks to levels that create intolerable strains on the balance of payments

With few exceptions, recovery grades are unlikely to rise much this year, although the London Mining Journal notes that "if gold prices were to rise very sharply then the mines would have no option but to limit their operations to higher-grade areas, but this would reduce mine life and further increase working costs, and is not an option that would be considered except in extreme circumstances"

Some of the quality mines such as GFSA's Kloof, Driefontein, Doornfontein and Libanon or Gencor's Winkels, Anglo's Steyn, Vaal Reef and Southvaal will probably improve their grades during the year

Marginals and near-marginals are more likely to drop their grades

Those that do increase grade will be the best performers in the short term

These are the fundamentals of the gold outlook, which to some extent have been confounded by the relative strength of gold-share prices, particularly marginals

A stockbrokers' mining analyst is advising investors to sell or stay out of marginal to middleweight golds and buy better-grade mines during a sell-off or a move in the gold price to much below $360

SA top shipping trade route

By Elizabeth Rouse

SOUTH Africa remained one of the few lucrative trading routes for shipping lines in 1981 as imports continued to pour into the country

Harbours handled a record 6 630 ocean-going vessels, which landed 42,5% more tons of imports — 14,4-million tons compared with 10-million tons in 1980.

Export tonnage (mainly ores and agricultural products) was down a mere 2% at 63,6-million tons from 65-million tons, proving that South Africa maintained its position in export markets in spite of a slump in major industrial economies

However, exports were shipped at much lower prices because of the slump in world metal and mineral prices — which accounts for the big trade deficit

A fall in coastal traffic and transhipment cargo, plus the small decline in export tonnage, set off the jump in import cargo, and the overall increase in total tonnage handled at the ports was a relatively small 5% to 83-million compared with 79-million tons in 1980

Durban was the busiest port, handling more than 19-million tons of imports and exports and a total shipping tonnage of almost 22-million tons

Port Elizabeth handled 6,6-million tons (including ore exports) with Cape Town harbour following with just over 6-million tons

Naturally, the bulk carrier port, Richards Bay, shipped out the biggest tonnage — more than 30-million tons of ores Saldanha Bay handled a little less in 1981 — 14,8-million tons against just over 13-million tons in 1980

Container docks at Durban, Port Elizabeth and Durban shipped and loaded 24,3% more containers at 708 249 TEUs (6m equivalent units)

Total tonnage contained in the TEUs was up over 22% at 11,5-million tons. Container import tonnage leapt by 51,3% to 5,6-million tons while exports were down just over 8% to 3,1-million tons.

15 mines now in danger

(214)

RDM 9/3/82

By JOHN MULCAHY

THE gold price has sunk to a level below the breakeven point for 10 South African gold mines, and five other producers are in the danger area.

Based on costs for the December quarter, and assuming a rand exchange rate of $1,02, the gold price for producers has fallen to R324 an ounce

The 15 affected mines, with costs an ounce, are

Bracken — R283
Cons Modder — R480
Deelkraal — R345
Durban Deep — R305
Elandsrand — R410
ERPM — R406
Harmony — R304
Leslie — R314
Loraine — R384
Marievale — R310
South Roodepoort — R579
Venterspost — R363
Vlakfontein — R364
Western Areas — R352
Wit Nigel — R469

The declining rand-dollar exchange rate last year almost negated the drop in the gold price While the average London fixing fell from an average of $519 an ounce in the first quarter to $421 in the fourth quarter — a drop of 18,9% — the rand receipts by gold mines rose to R13 200 a kg in the December quarter from R13 110 in the first quarter

This substantial protection is unlikely to be repeated, however, and the mines are having to look at capital expenditure programmes and cost-cutting exercises to improve profitability

The rand was effectively devalued last year, but the implications of a further substantial devaluation for sectors other than gold mining have to be considered

Durban Deep, ERPM, Venterspost and Wit Nigel all qualify for State assistance in terms of the Gold Mines Assistance Act, and are eligible for a certain amount of cushioning, but they are nevertheless committed to reducing costs and improving profitability

All mining houses have embarked on "management in terms of a low gold price", which is one of three broad areas of development, the other two being geared to a "reasonable" gold price and to fairly optimistic projections

Ironically, mining houses with a record of good housekeeping — good cost control — have little scope for additional cost curtailment while those with a less impressive cost record have a greater facility for improvement

The two main cost items in gold production are labour and electricity, which together contributed R1 921-million of the industry's total working costs of R3 438-million in 1981

Immediate reductions in costs can be achieved by reducing the labour complement on a mine to a minimum, either by natural wastage or by retrenchment

There is no evidence of retrenchment, but many producers have dispensed with employing contract artisans from third parties

The skills shortage led to small contractors supplying artisans to the mines at a premium to the cost of employing staff tradesmen

Although this system was undesirable there was often no alternative to using contractors to complete an essential job, especially with development the prime objective

Any reduction in labour must be carefully considered, however, and Mr Peter Janisch, chairman of Venterspost and Vlakfontein, says it must be borne in mind what the consequences are of reducing manpower

"Manpower is not used only in present production but in preparing for future production through development"

If development is neglected now, the consequences can be serious

Significant savings can be achieved in the cost of electricity, for which mines pay in terms of a special tariff system under which Escom bases its unit cost of power on peak use in any month

While little can be done about overall power use, it is possible to reduce the tariff by controlling peak-period use

This is a highly complicated engineering exercise, and mines can generally control peak use effectively only by using a computer

Mr Janisch says one GFSA mine has reduced its tariff by 19%

The three areas of development strategy relate also to capital expenditure, and one mining analyst describes the three categories of capital expenditure as expansion, improvement and survival

The industry last year spent more than R1 000-million on capital works, and many mines are sinking or planning to sink shafts involving large sums of capital over the next few years

While there may be cuts in expenditure which may in the short term be regarded as non-essential, most of the shaft-sinking and major expansion plans have been based on long-term requirements, and assume a later improvement in the gold price

Of the 10 mines operating at below breakeven levels, ERPM has the most extensive expansion programme — R300-million — but expenditure related to increasing the mine's production capacity is being delayed, and the whole project is under continuous review

Mr Janisch says GFSA has been criticised for its conservative dividend policy, but its mines have built up considerable reserves, so that their capital expenditure programmes can continue through gold-price weakness

The group may trim expenditure on some items, but its programme will be largely unaffected by the gold slump

A popular misapprehension is that gold mines can quickly switch grades when the gold price demands

While those mines with fluctuating pay limits can change grades within weeks, not all mines operate on a fluctuating pay limit basis, and even if they do it is not always practical to shift stoping operations

In addition, with the shift to longwalling at many of the bigger mines, it is out of the question to re-establish a stope in an area with a slightly higher grade

In the final analysis, cost reductions can have only a limited impact, and without a gold-price improvement more than a third of the Johannesburg Stock Exchange's gold board will start reporting losses

Dividend prospects over horizon

ERPM scuttles R300m capex

(214) RDM 18/3/82

Financial Reporter

ERPM gold mine is postponing most of its R300-million modernisation programme — and there is virtually no chance of any dividend this year.

The final dividend was passed last year and the total was slashed from 370c to 50c.

Durban Deep also looks certain not to make any interim payment

The two marginal mines, which are in the Barlow Rand group, are particularly vulnerable to the gold-price slump

Mr D T Watt, who is chairmen of both, says in the annual reports that he does not expect any significant improvement in the gold market over the next six months

"Forecasting the future trend in gold prices has become an entirely new exercise with confusing features that have caused even the so-called experts to make predictions which have proved to be inaccurate

"Considerable caution must, therefore, be observed in the light of indications that Soviet gold sales could continue at a substantial rate in 1982"

The directors of ERPM are seeking an increase in borrowing powers from R6-million to R30-million

An accompanying statement says, however, that the move is a contingency plan to give access to funds as a last resort

It says the directors would "probably opt for delaying aspects of the capital programme rather than borrow at current at high interest rates"

In his ERPM report Mr Watt says "Unless there is a dramatic and most unexpected increase in the price of gold I believe that in the immediate future capital expenditure appropriations will have to be severely limited and that only the most important projects can be allowed to proceed unchanged"

This follows the announcement last September that R50-million of the R300-million expansion and modernisation programme was to be postponed

Mr Watt explains that the full programme was started in 1980 and was based on the assumption of an average gold price of $600 (or its equivalent when the rand depreciation is allowed for) would continue in the first eight years of the plan

In 1980 ERPM raised more than R47-million through a rights issue, but the gold slide since has again put the mine's finances under severe pressure

Mr Watt says "The expansion phase of the capital expenditure programme was terminated during the year as the first step in the conservation of financial resources

"This has, however, not reduced the cash outflow sufficiently It might become necessary to curtail the modernisation phase of the programme in the near future"

Mr Watt's statement is dated March 3 when gold was in the $360-$370 range

The further sharp fall since then suggests that the probable cutback must now be a certainty

Looking at Durban Deep Mr Watt says that should the gold price continue depressed "there is little prospect of a dividend distribution in June 1982"

Extracts from the Chairman's Statements

Durban Roodepoort Deep, Limited
East Rand Proprietary Mines, Limited

(Both companies incorporated in the Republic of South Africa)
Members of the Barlow Rand Group

Rand Daily Mail, Thursday, March 18, 1982

***"The working profit achieved by both companies, for the year ended 31st December 1981, was adversely affected by the lower gold prices received and escalations in working costs. Bullion markets are in a state of acute flux and it is impossible to predict how the price of gold will vary in the immediate future."* – D. T. Watt.**

Gold

Bullion markets are in a state of acute flux and it is impossible to predict how the price of gold will vary in the immediate future At the time of writing, gold was trading in the region of U S $340 per ounce which, in terms of the prevailing U S Dollar/Rand exchange rate corresponds to a Rand price of approximately R10 700 per kilogram

The high interest rates in the United States, introduced as a key component of the U S Administration s anti-inflation package, coinciding with a large increase in the volume of gold sales emanating from the Soviet Union are currently considered to be the most important factors influencing the gold market Moreover, gold trading recently has become relatively insensitive to major political events which would have had a destabilising effect in preceding years Considerable caution should be observed in the light of these conditions and the indications that Soviet gold sales could continue at a substantial rate in 1982 It would be unwise to expect any significant real growth in the gold price in the short term

Personnel

The long awaited report on the mining industry by the Wiehahn Commission was published in the second half of 1981 The recommendations contained in this report will, when implemented, have a significant and beneficial effect on the mining industry in that it will then be possible to make greater use of all suitably qualified persons regardless of racial classification However, the Government's acceptance of these recommendations has not unexpectedly, been very cautious and guarded Employer organisations and trade unions have been directed to take the initiative to reach a compromise, "within a reasonable period of time", on the implementation of the recommendations As yet no new legislation has been introduced It is the duration of this "reasonable period of time" which is now the critical factor Early signs of the stand most likely to be taken by trade unions would seem to indicate that agreement on the introduction of the recommended new labour dispensation may not be achieved in the near future It is hoped that negotiations will not be so prolonged as to require the intervention of the Government

Durban Roodepoort Deep, Limited

	Year ended 31st December 1981	1980
Operating results		
Ore milled tons	**2 245 000**	2 139 000
Gold produced – kilograms	**8 248**	7 278
Yield – grams per ton	**3,67**	3,40
Financial results		
Working revenue	**R107 460 000**	R112 446 000
Working revenue per ton milled	**R47,87**	R52,57
Working expenditure	**R83 374 000**	R68 237 000
Working expenditure per ton milled	**R37,14**	R31,90
Working profit	**R24 086 000**	R44 209 000
Working profit per ton milled	**R10,73**	R20,67
Pyrite revenue	**R20 000**	R185 000
Total working profit	**R24 106 000**	R44 394 000
Other income (net)	**R2 130 000**	R629 000
Taxation	**R985 000**	R15 782 000
Profit after taxation	**R25 251 000**	R29 241 000
Profit appropriations		
Mining assets (net)	**R21 823 000**	R14 933 000
Dividends	**4 302 000**	10 695 000
No 115 of 85 cents per share	**1 977 000**	—
No 116 of 100 cents per share	**2 325 000**	—
No 113 of 160 cents per share	—	3 720 000
No 114 of 300 cents per share	—	6 975 000
Transfer to general reserve	**7 000**	—
Retained surplus at 31st December 1981	**R11 271 000**	R12 152 000

The earnings for the year ended 31st December 1981 compare unfavourably with the previous year mainly because of the decline in the gold price and the increase in working costs The company's very essential capital expenditure programme had to be continually reviewed against such decreasing earnings and the prospect of further decreases in the gold price in the short term On the other hand, it is gratifying to note that the adverse effect of the lower gold price and higher costs were to some extent offset by the improved gold output achieved by the mine Further relief was obtained as a result of the lower tax charge incurred this year The effect of the change in the Rand/U S Dollar exchange rate also had a favourable effect on financial results

Operations

Total ore milled for the year was 2 245 000 tons, whcih was 106 000 tons more than the previous year During October, 1981 217 000 tons were milled which is the highest monthly production ever achieved in the history of the mine As a result of the increased tonnage milled together with the improved yield, the company was able to increase gold production by 13 per cent from 7 278 kilograms in 1980 to 8 248 kilograms in 1981 This improvement in the yield is expected to continue during 1982 as operations on Kimberley Reef are further reduced and correspondingly operations on Main and South Reef are expanded Members can therefore expect the average yield to increase to approximately 3,8 grams per ton this year

Financial results

The average gold price received by your company for the year under review was 25 per cent lower at U S $460 per fine ounce compared with U S $617 per fine ounce in 1980 However, the averge price received in Rand terms dropped by only 16 per cent from R15 393 per kilogram received in 1980 to R12 997 per kilogram in 1981 due in a weakening in the average Rand/U S Dollar exchange rate from R1 = 1,2879 to R1 = $1,1371 This movement in the Rand/Dollar exchange rate together with the increase in ore milled at an improved average yield helped to reduce the disparity in revenue between 1980 and 1981, so that working revenue for 1981 at R107,5 million was only slightly lower than the record figure of R112,4 million achieved during the previous year

Working costs rose from R31,90 per ton milled in 1980 to R37,14 per ton milled in 1981, an increase of 16 per cent While the increase in tonnage milled assisted in keeping the unit cost increase down to this figure it is doubtful whether substantial further relief can be obtained from this source because of the limited capacity of the treatment plant Cost escalations continue to be a major problem and curbing the rate of increase in costs remains one of management's most important challenges

The large increase in working expenditure from R68,2 million in 1980 to R83,4 million in 1981 was significantly influenced by the larger proportion of higher cost ore being mined from the Main and South Reef horizons

Total working profit for the year amounted to R24 1 million compared with R44,4 million in 1980 Other income rose substantially over the previous year to R2,1 million mainly as a result of the higher interest received on deposits with financial institutions The company's tax liability dropped to R1,0 million compared to R15,8 million in 1980, as a result of the lower working profit and the relatively high rate of capital expenditure Net profit after taxation was R25,2 million compared with R29,2 million in 1980

Appropriations for net expenditure on mining assets amounted to R21,8 million compared with R14,9 million during 1980 Dividends absorbed R4,3 million compared to R10,7 million during 1980 The retained surplus at the year end was R11,3 million, as compared with R12,2 million at the end of 1980

State assistance

The company did not qualify for assistance in terms of the Gold Mines Assistance Act for the year under consideration in view of the very limited proportion of the company's capital expenditure programme which has been allowed to rank as a cost for State assistance purposes

Capital expenditure

In accordance with the policy adopted in 1980 to modernise and refurbish the mine to ensure its future operations, capital expenditure increased to R21,8 million during the year under review

Capital expenditure to ensure the continuation of mining operations in the future will continue during 1982 However, it is important to note that the rate of spending is critically dependent on financial resources and the capital expenditure programme will be continually reviewed against the gold price received from time to time together with projected future trends This is obviously unsatisfactory when one is concerned with long term projects but is unavoidable, given the company s present financial resources

Personnel

The availability of labour, both black and white, was generally satisfactory during the year However, shortages were experienced in certain engineering trades A general shortage of trained artisans continues to plague the mining industry and the country as a whole and in our efforts to alleviate this problem the average number of apprentices employed was further increased from 29 in 1980 to 40 in 1981 In collaboration with other mines in the Barlow Rand Group it is hoped to commence with the training of a limited number of black apprentices in 1982 This will be achieved via the new Group Apprentice's Training Centre which will become operational in the near future

During 1981, the management and staff at the mine continued to give effect to the Barlow Rand Group Code of Employment Practice, which applies equally to all racial groups To this end the quality of life of our employees will be enhanced by new hostels and houses now under construction The Consultative Committees established some time ago have functioned well during the year and the lines of communication and personnel contact will be further improved during 1982 by the appointment of a senior industrial relations officer

Gold

The gold prices received by the company, averaged on a quarterly basis, were as follows

	Gold price U S $ per fine ounce	Approximate exchange rate U S $ per R	Gold price R per kilogram
1st Quarter	524	1,29	13 040
2nd Quarter	478	1,19	12 878
3rd Quarter	429	1 07	12 908
4th Quarter	425	1,04	13 159

This table illustrates how the weakening U S Dollar/Rand exchange rate resulted in the gold price in Rand terms remaining relatively constant in spite of the marked decrease in the price of gold in U S Dollar terms To a large extent the company was thereby insulated against the fall in the gold price in U S Dollar terms

Dividends

A final dividend of 100 cents per share was declared in December 1981, making a total distribution for the year of 185 cents per share The average gold price received in Rand terms remains the single most important factor in forecasting the company's performance in the year ahead and of course in the longer term Members should also note that capital expenditure will also have a significant effect on dividends, particularly at low gold prices Capital expenditure on enhancing the quality of life of our unskilled employees must also be accorded a high priority rating but appropriations on this account will have to be considered in relation to profitability and the financial resources of the company

Should the gold price continue, in Rand terms, at the level of R10 700 per kilogram, which prevailed at the time of writing and in the absence of any unforeseen developments, there is little prospect of a dividend distribution in June 1982

East Rand Proprietary Mines, Limited

	Year ended 31st December 1981	1980
Operating results		
Tons milled	**2 624 000**	2 378 000
Gold produced – kilograms	**11 632,3**	11 772,3
Yield – grams per ton	**4,43**	4,95
Financial results		
Working revenue	**R151 165 000**	R184 412 000
Working revenue per ton milled	**R57,61**	R77,55
Working expenditure	**R132 549 000**	R108 375 000
Working expenditure per ton milled	**R50,52**	R45,57
Working profit	**R18 616 000**	R76 037 000
Working profit per ton milled	**R7,09**	R31,98
State assistance receivable	**R8 409 000**	—
Other income net	**R10 047 000**	R1 160 000
Taxation and State's share of profit	**R146 000**	R21 928 000
Profit after taxation, State's share of profit and forfeited dividends	**R36 926 000**	R55 269 000
Profit appropriations		
Mining assets	**R46 322 000**	R35 566 000
Mining assets – net	**R49 609 000**	R35 566 000
Deduct Capital expenditure not appropriated	**R3 287 000**	—
General reserve	**R8 000**	—
Dividends	**R2 772 000**	R17 741 000
No 119 of 50 cents per share, June	**R2 772 000**	—
No 118 of 195 cents per share, December	—	R10 811 000
No 117 of 175 cents per share, June	—	R6 930 000
Retained suplus at 31st December	—	R12 176 000

The most important feature of operations for the year is that capital expenditure exceeded working profit by a significant amount The deficit between capital expenditure and profits has been financed from retained profits and the proceeds of the rights issue in 1980 resulting in a severe and unexpected drain on the company's cash resources

The expansion and modernisation programme commenced in 1980 was based on the assumption that an average gold price equivalent to U S $600 per ounce in mid-1980 terms would continue to be received during the first eight years of the programme The 1980 rights issue was designed to raise sufficient additional cash resources to allow the expansion programme to proceed unhindered in the event of temporary down-turns in the price of gold The average gold price was slightly above U S $500 per ounce for the past twelve months in mid-1980 Dollar terms and the company's cash resources could soon be completely eroded at current gold prices unless the modernisation programme is now revised

The expansion phase of the capital expenditure programme was terminated during the year as the first step in the conservation of financial resources This has, however, not reduced the cash outflow sufficiently It might become necessary to curtail the modernisation phase of the programme in the near future Unless there is a dramatic and most unexpected increase in the price of gold I believe that for the immediate future capital expenditure appropriations will have to be severely limited and that only the most important projects can be allowed to proceed unchanged

Operations

The ore milled improved by 246 000 tons on last year to 2 624 000 tons but this was insufficient to offset the lower grade of ore milled Consequently, 11 632 kilograms of gold were sold giving a yield of 4,43 grams per ton milled, compared with 11 772 kilograms sold in 1980 at a yield of 4,95 grams per ton milled The additional ore milled was derived mainly from the newly reopened low grade upper workings The mix of ore milled should have contained a greater proportion of higher grade material from "K" shaft, which would have resulted in a higher average grade for the year, but unfortunately, mining operations in this area were hampered by the effects of an underground fire

Financial results

Working revenue at R151,1 million was down by R33,2 million compared with 1980

The average price received for gold during the year was R12 971 per kilogram (U S $463 per ounce at R1 = U S $1,15), some R2 651 per kilogram lower than the previous year, and this accounted for a decrease in revenue of R31 million for the year The decrease in gold production accounted for a further drop in revenue of about R2 million

Total working expenditure increased on average by 22 per cent during the year to R132,5 million The increase, however, was offset to some extent by the milling of an additional tonnage of ore and consequently unit costs increased by only 11 per cent

Working profit was thus R18,6 million for the year under review compared with R76 million the year before In addition the company claimed R8,4 million in the form of State assistance

Other income of R10 million included R2,4 million claimed from the insurers as a result of underground fires and R6,6 million interest received on funds invested

Profit after taxation, State's share of profits and forfeited dividends for the year amounted to R36,9 million which, when added to the retained surplus of R12,2 million, made R49,1 million available for appropriation R2,8 million was appropriated for dividends and the balance of R46,3 million was appropriated for the major part of the capital expenditure incurred during the year

Because of the company's deteriorating cash position no final dividend for 1981 was declared

Borrowing powers, modernisation and expansion programmes

As a result of the low gold price and the resultant inability to generate surplus cash sufficient to fund the full capital expansion and modernisation projects the board of directors took a decision in September 1981 to stop all further expenditure related to the increase in mine capacity from 245 000 to 325 000 tons milled per month This decision will hold until such time as an improved gold price and an adequate cash flow to fund the expansion are obtained At the time of this decision it was considered correct to continue with the programme related to the modernisation of the mine

The subsequent further decline in the gold price has necessitated a more drastic slow-down in capital expenditure which has since been restricted to work related to the most essential aspects of the programme In might, however, become necessary to borrow money to provide funds so that this work may proceed at a steady and unbroken pace To this end members will be asked at the forthcoming annual general meeting to increase the directors' borrowing powers from R6 million to an amount of R30 million in total

Personnel

Plans are under way to extend the existing five consultative councils on the mine during 1982, to include all employees irrespective of race, in the council system The company continues to be constrained in pursuing its industrial relations objectives by certain legislation and legally enforceable industrial agreements

The rates of pay for black employees were increased on average by 17 per cent at the beginning of July 1981 Wages and benefits paid to our white employees were also increased during the year It is pleasing to note that our unskilled employees are tending on average to work longer periods on the mine than they did in the past This, together with other recent developments, would seem to indicate the acceptance of mining as a career on the part of these employees

Gold

The gold prices received by the company, averaged on a quarterly basis, were as follows

	Gold price U S $ per fine ounce	Approximate exchange rate U S $ per R	Gold price R per kilogram
1st Quarter	525	1,31	12 918
2nd Quarter	485	1,19	13 084
3rd Quarter	422	1,06	12 768
4th Quarter	421	1,03	13 126

This table illustrates how the weakening U S Dollar/Rand exchange rate resulted in the gold price in Rand terms remaining relatively constant in spite of the marked decrease in the price of gold in U S Dollar terms To a large extent the company was thereby insulated against the fall in gold prices in U S Dollar terms

Dividends

The interim dividend of 50 cents per share was the only dividend declared during the year ended 31st December 1981

The gold price received in Rand terms remains the single most important factor in forecasting the company's performance and profits in the year ahead

Appropriations for capital expenditure will be determined in the light of the gold price received and it can be assumed that they will fully absorb any profit generated at the gold price levels currently indicated

Thus, unless there is a very significant and sustained increase in the price of gold received, I can see little prospect of any dividends being declared in 1982

The annual financial statements and chairman's statements may be obtained from Rand Registrars Limited, 49 Jorissen Street, Braamfontein, 2001 or Charter Consolidated PLC, P O Box 102, Charter House, Park Street, Ashford, Kent TN 24 8EQ

State aid denial poses money query

Cash crunch for Western Areas

(214)

RDM 20/3/82

By JOHN MULCAHY

WESTERN Areas Gold Mines has denied that it has applied for State aid, and has raised questions on how the mine intends to fund continuing operations.

London brokers this week speculated that Western Areas had applied for State aid, and that the application had been turned down.

But a spokesman for Johannesburg Consolidated Investments said yesterday this was incorrect

The spokesman could not comment on the possibility of an application being made because an official announcement would be made if such a decision was taken

Western Areas is facing severe cash flow problems with the gold price below its breakeven level, and the mine's management has several options

In the December quarter the mine suffered a loss of R886 000 after capital expenditure, and working costs were equivalent to $359 for every ounce of gold produced

Converting this breakeven level back to rands at the prevailing exchange rate of $1,04, it cost R345 to produce an ounce of gold

Yesterday's $316 gold price is equivalent to R329 an ounce at the current exchange rate of 96 US cents to the rand, reflecting a loss of R16 an ounce before capital expenditure

The options open to Western Areas are

- State aid
- A rights issue
- Amalgamation with Randfontein Estates
- Loan financing, either from JCI or from banks
- Immediate suspension of capital expenditure
- Mothball the uranium operation
- Closing the mine

Starting with the final option, closure must at this stage be inconceivable as almost R200-million has been spent on the mine in the past four years, and the inordinately low gold price must be temporary

Under the 1968 State Assistance Act, the Government Mining Engineer (GME) can decide, within certain parameters, whether a mine qualifies for aid

It is impossible to predict whether the GME would allow aid for Western Areas Many factors must be considered by his department before a decision is made

There are restrictions on the categories of capital expenditure qualifying for assistance, and it is unlikely that Western Areas current programme would be accepted in its entirety

In addition, State aid would take some time to work through the official channels, and would be of little benefit to the mine in coping with its immediate difficulties

As a low-grade producer, Western Areas has no flexibility on grade, unlike various producers which can switch to higher grade material when the gold price demands

A rights issue in the current climate would have scant chance of success As there are already 40-million shares in issue, and the underwriters would probably be left with most of the new shares, defeating the object of the exercise

A merger with Randfontein has been the subject of speculation for some time, and given different circumstances could be feasible

Those circumstances would, however, be a high gold price and a relatively strong uranium market, where Western Areas could provide Randfontein with an element of tax relief

As things stand, Randfontein is certainly not looking for tax relief now, and any attempt to shift Western Areas into Randfontein would have Randfontein's shareholders screaming in opposition

Johnnies must also be unwilling to tamper with the flagship of its gold and uranium division at this stage

Another factor militating against a merger must be the Inland Revenue Department's concern about the loss of income from gold mines

Apart from the unavoidable impact of the low gold price on taxes, the Erfdeel-Dankbaarheid, Driefontein and St Helena-Beisa mergers last year cost the receiver more than R100-million in revenue, and there is little doubt that any further merger attempts will be met with opposition from the tax authorities

It is possible that Western Areas will raise a short-term loan from either Johnnies or from a bank

While bank financing of gold-mining has been confined mainly to plant and other saleable assets, it is believed that some banks have seen the present predicament of some mines as a lucrative business opportunity, especially with interest rates at record levels

An extreme but effective measure would be to stop all capital expenditure immediately in the hope that it could be resumed soon

The mine is desperately short of stope face, and the major sinking programme to open up deeper sections to ease the shortage is regarded as a priority

However, this priority may well be overtaken by cash requirements, and sinking delayed until the gold price improves

Given the current state of the uranium market, and the substantial stockpiles held by many producers, Western Areas should be able to buy enough material to fulfil its contractual requirements at prices ensuring profitability

There would be a saving in the cost of running the new uranium plant, and mining in the uranium-rich Middle Elsburgs could then be suspended while efforts were concentrated on extracting the highest possible gold grades

Western Areas is a marginal mine, and what is true of all marginals is also true of this mine Highly sensitive to gold-price fluctuations, it can turn around sharply when the price starts moving upward

Funds must be found to finance day-to-day operations, and while none of them is pleasant, it seems that one of the options must be selected

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Total profit of gold mines fell by 33,3% last year

By JOHN MULCAHY

JOHANNESBURG. — The value of gold exports in 1981 was R8 557m, down 17,6% from the previous year's R10 370m, while the total value of mineral exports last year fell 11,7% to R11 655m from R13 204m

The Minerals Bureau commodity summary for 1981 shows that the volume of diamond production rose to 9 525 876 carats from 8 420 000 carats, but the collapse in the market over the past year reduced the value of these exports to R340m from R560m in 1980

Minerals Bureau figures reflect 1981 gold production of 655,7 tons, compared with 1980's 674 tons

That 1981 was a difficult year for gold mines emerges clearly from a Chamber of Mines survey of gold mines last year, released yesterday, in which total profit for the industry is given as R4 890m, a 33,3% fall from the R7 335m earned in 1980

The chamber notes that 1981 was only the second year in the last 10 years — the other was 1976 — when the gold price dropped in nominal rand terms

The gold price averaged R402,61 an ounce last year, compared with R479,57 in 1980, a fall of 16%

The dollar price fell 25% to $462,15 an ounce from $615,89, highlighting the buffer of the rand's depreciation since the beginning of 1981

The gold mining industry's capacity expanded again last year, with total tonnage milled 2,2% higher at 91 680m tons compared with 89 915m tons in 1980

The capacity expansion was partially responsible for the 32,5% increase in capital expenditure by gold mines last year, to R1 222m from R922m

However, average grade slid by 5% to 6,92 g/t from 7,28 g/t, reflecting the increasing number of South African mines which now have only low grade reserves, says the chamber

It is also a result of the industry's policy of mining the lowest economically payable grades to extend the life of the mines and the "inevitable time lag before mining can be shifted to higher grades of ore to compensate for lower gold prices"

The upward trend in the gold price over the past 10 years has allowed the industry to switch from mining ores of an average grade of 13,11 g/t in 1971 to last year's 6,92 g/t

According to the chamber this has significantly enhanced the utilization of SA's most valuable resource, but the increased capacity last year was not enough to fully compensate for lower grades, and production fell by 17 tons

The industry's working revenues fell to R8 301m last year from R10 193m in 1980, and the impact of the gold price plunge was compounded by a 17,9% hike in average working costs to R41,89 a ton milled from R35,53

The high inflation rate was the main contributor to the working cost increase, and the higher cost of mining lower grade ores and at greater depths added to overall costs

Tax and State's share of profits in calendar 1981 plummetted 45% to R2 099m from R3 838m the year before, and the State's contribution to marginals in the form of aid surged to R26 900 000 from R1 500 000

Total outflows, through tax, capital expenditure and dividends amounted to R5 006m, which resulted in a net depletion of R115m in the industry's capital reserves

State aid was claimed by five mines, and the total claimed represented 1,2% of the industry's tax bill, while the mines claiming assistance produced 27 tons of gold, worth R362m

Shareholders did not escape the effects of the gold price decline, and dividends were 26,1% lower at R1 685m compared with R2 279m

Meanwhile, the Minerals Bureau notes that coal exports rose last year to R977m from R688m in 1980, a 42% increase which partly offset the tumble in gold revenue

Coal production rose to 130m tons from 115m tons, but exports were only marginally higher, at 29 900 000 tons against 29 200 000 tons in 1980

In a recent forecast for 1982 the Minerals Bureau estimated gold production of 670 tons this year and diamond production about 5% lower than last year

Coal exports are set to exceed R1 000m for the first time this year, as unit exports are expected to increase by a million tons, and the small increase in negotiated contract prices, together with the lower rand, should add around R150m to the total export value

Overall, the Minerals Bureau estimates that the value of mineral exports will rise to R11 857m, which indicates a real decline of around 12% if inflation continues at its present level

25/3/82 EDOM

Gold exports fall 17%, all minerals 11%

(214)

By JOHN MULCAHY

THE value of gold exports in 1981 was R8 557-million — down 17,6% from the previous year's R10 370-million — and the value of all mineral exports last year fell 11,7% to R11 655-million from R13 204-million.

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The dollar price fell 25% to $462,15 an ounce from $615,89, highlighting the buffer of the rand's depreciation since the beginning of 1981

The gold-mining industry's capacity expanded again last year, with tonnage milled 2,2% higher at 91 680-million compared with 89 915-million in 1980

The capacity expansion was partially responsible for the 32,5% increase in capital expenditure by gold mines last year to R1 222-million from R922-million

However, average grade slid by 5% to 6,92 g/t from 7,28 g/t, reflecting the increasing number of mines which now have only low-grade reserves, says the chamber

It is also a result of the industry's policy of mining the lowest economically payable grades to extend the life of the mines and the "inevitable time lag before mining can be shifted to higher grades of ore to compensate for lower gold prices"

The upward trend in the gold price over the past 10 years has allowed the industry to switch from mining ores of an average grade of 13,11 g/t in 1971 to last year's 6,92 g/t

According to the chamber this has significantly enhanced SA's most valuable resource, but the increased capacity last year was not enough to fully compensate for lower grades, and gold production fell by 17 tons

The industry's working revenues fell to R8 301-million last year from R10 193-million in 1980, and the impact of the gold price plunge was compounded by a 17,9% increase in average working costs to R41,89 a ton milled from R35,53

Inflation was the main contributor to the working cost increase, and the higher cost of mining lower grade ores and at greater depths added to overall costs

Tax and State's share of profits in calendar 1981 plummeted 45% to R2 099-million from R3 838-million the year before, and the State's contribution to marginals in aid surged to R26 900 000 from R1 500 000

Total outflows, through tax, capital expenditure and dividends amounted to R5 006-million, which resulted in a net depletion of R115-million in the industry's capital reserves

State aid was claimed by five mines, and the total claimed represented 1,2% of the industry's tax bill Mines claiming assistance produced 27 tons of gold worth R362-million

Shareholders did not escape the effects of the gold-price decline, and dividends were 26,1% lower at R1 685-million compared with R2 279-million

The Minerals Bureau says coal exports rose last year to R977-million from R688-million in 1980 — a 42% increase which partly offset the tumble in gold revenue

Coal production rose to 130-million tons from 115-million tons, but exports were only marginally higher at 29 900 000 tons against 29 200 000 tons in 1980

In a recent forecast for 1982 the Minerals Bureau estimated gold production of 670 tons this year and diamond production about 5% lower than last year

Coal exports are set to exceed R1 000-million for the first time this year as unit exports are expected to increase by a million tons, and the small increase in negotiated contract prices, together with the lower rand, should add R150-million to the export value

The Minerals Bureau estimates that the value of mineral exports will rise to R11 857-million, which indicates a real decline of around 12% if inflation continues at its present level

Chamber of Mines on extra burden

By JOHN MULCAHY

JOHANNESBURG — Already reeling from the devastating slump in mineral markets, the gold and diamond industries have received another body blow from Finance Minister, Mr Owen Horwood

The increase in the tax surcharge to 15% from 5% announced in yesterday's Budget will have a significant impact on all gold and diamond producers, and some mining analysts forecast a 5% to 10% softening in gold and diamond share prices on the Johannesburg Stock Exchange

Reacting to the Budget shock, the president of the Chamber of Mines, Mr Lynne van den Bosch, said the Chamber was concerned that in these difficult times the minister found it necessary to place an additional burden on the gold mining industry

"The gold mining industry is under severe pressure, as a result of the substantial fall in the gold price, a depressed uranium market and continuing escalation of mining costs

"Furthermore, immediate prospects for any really significant improvement in the gold price are not favourable," said Mr Van den Bosch

At a gold price of $325 an ounce gold mines' distributable earnings will be slashed by between 10% and 14% as a result of the increased surcharge, with direct implications for dividends

While market sources expected some form of additional tax, the manner chosen in raising mining tax has come as a surprise, as it penalizes the 'good' mines and is less harsh on high cost producers

Dissension with the existing state assistance scheme has arisen in the past because of its impact on the tax liability of low cost producers

It has been suggested that marginal producers be allowed to suffer the consequences of gold price declines, and avoid the "rob Peter to pay Paul" syndrome

While it could be argued that the Budget burden had been placed on all companies, Mr van den Bosch said the mining industry was such a sensitive nerve in the economy that the increased tax on gold and diamond mines would have disproportionately adverse effects

Had the 15% surcharge been in effect last year, De Beers Consolidated Mines tax bill would have been about R10m higher, and distributable earnings would have been around 3c lower

One analyst expressed the fear that the increased tax bill could be a decisive factor when the De Beers board comes to an assessment of the interim dividend

The diamond market is as weak as ever, and with no immediate signs of an upturn the interim dividend may have to be passed

De Beers last year paid an interim of 25c a share, and analysts suggest that the interim may be passed and the final left at 25c

The surcharge will have the most serious impact on the low cost producers, and analysts estimate that at a $325 gold price Driefontein's distributable earnings could fall 14% as a direct result of the additional tax

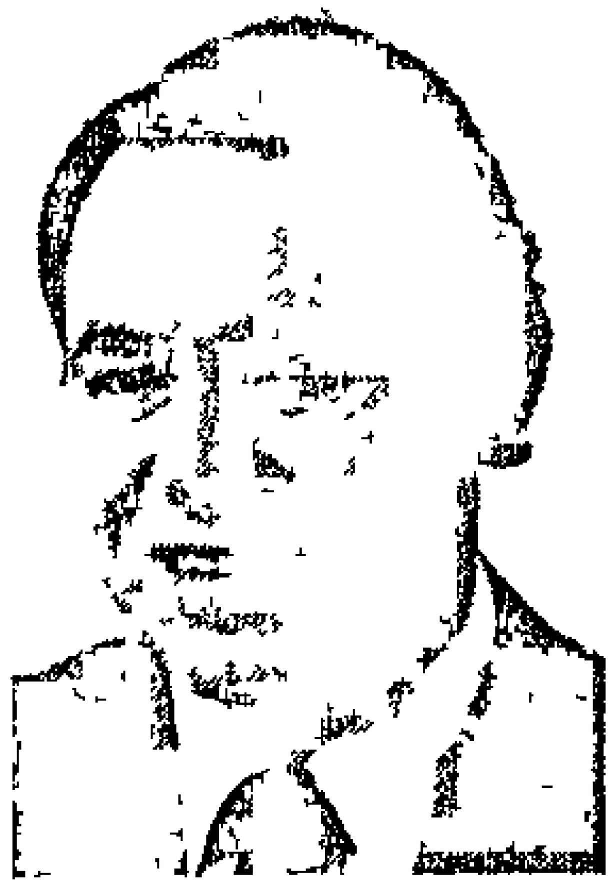
Total gold mining tax in calendar 1981 dropped to R1 685m from R2 279m the year before, and Mr Horwood estimated additional revenue of R115m to flow from the higher surcharge

One industry source said the increased burden would have a retarding effect on the gold and diamond industries's ability to stage a recovery when the markets improved

The two industries were already struggling to cope with immense market and cost problems, the source said, and some producers already on the brink of losses would find great difficulty in operating at a profit

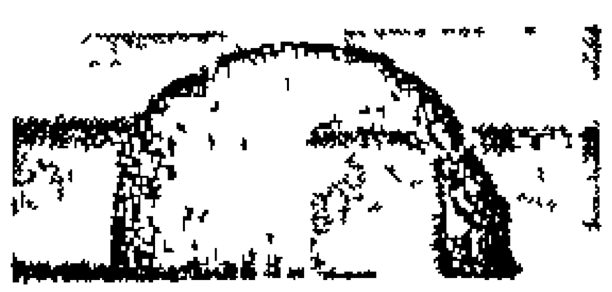
Another view is that the gold and diamond industries contribute a lower proportion of earnings when profits are under pressure and it was to be expected that they would be called on to assume more of the burden

However some analysts contend that the industry is ill equipped to cope with this setback and the authorities should be ware of "killing the goose



Old Mutual's Mr Peter Bieber

Sanlam's Marinus Daling



Business reactions varied

JOHANNESBURG — Responsible, realistic, disappointing, surprising — these were only some of descriptions of the Budget by business leaders

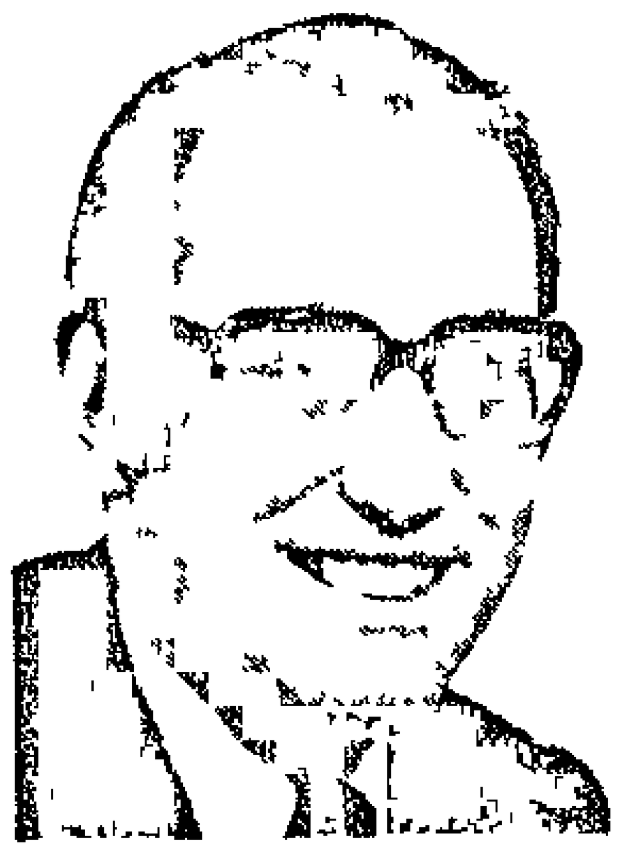
Surprise centered upon the cutback in government expenditure and the avoidance of direct taxation on the man-in-the-street, save a five percent loan levy, previously expected by most commentators to be at least that, or more

Disappointment was expressed in most quarters on increased company taxation in the form of loan levies, and particularly on the gold and silver mining industries

In these cases, with turnover and profits down and the gold price at a 30-month low, it was felt that "below the belt" tactics had been employed

The president of the SA Federated Chamber of Industries, Mr C H W du Toit, said the minister had succeeded in achieving a sound balance of tax and financial measures, through constraint over government expenditure and by financing the deficit in a rigidly non-inflationary way He added that the Budget would have only a moderately dampening effect on the economy, which was necessary

In Cape Town, however, chairman of the Life Offices'



Mr R "Ralph" Roseman, assistant general manager of Old Mutual, has been elected president of the Insurance Institute of the Cape of Good Hope

US business inventories

WASHINGTON — United States business inventories fell $2,08-billion, or 0,4%, to a seasonally adjusted $509 67-billion in January, the commerce department said

The January drop followed a revised 0,7% drop in November and left inventories 6,3% higher than a year earlier

on the JSE

Own Correspondent

JOHANNESBURG. — "A total non-event" was how one broker aptly described trading on the stock exchange yesterday when investors took time-out to await the Budget

Turnover was well down and not even a firming bullion price could inject much enthusiasm

ue to grapple with a serious recession and stubbornly high interest rates

A few economists had believed prices in February might actually decline for the first time since 1965, but food, housing and medical care showed little change, while clothing costs increased during the month. — Sapa-Reuter

SA inflation rate

(R14,700 m) to 140 000-million francs (R22 000m) foreign exchange dealers are worried about accelerating inflation, which is currently near 14 percent

"The franc was already suspect well before the February, have burdened the French franc The currency has tumbled to its lower limit of 2,62 against the mark and efforts to support it have in turn whipsawed other currencies, especially the

(214)

RDM 29/3/82

3m oz already unprofitable

Crisis looms for gold mines

AT a gold price of $325 and a rand exchange rate of $0,96 about 3-million ounces of South Africa's annual gold production is unprofitable.

Below this price the profitable proportion drops dramatically

Gold production capacity of major SA gold mines — those managed by mining houses — is 21-million ounces a year, and at an income of R350 an ounce, working costs and capital expenditure would render 14,3% (3-million oz) of this output unprofitable

If the gold price dropped to $300, the exchange rate would have to fall to $0,85 to ensure receipts to the gold mines of R350 an oz

At a gold price of $240, which at an exchange rate of $0,96 is R250 an ounce, only 13-million oz of total production would be profitable.

These figures indicate that the gold-mining industry is on the brink of a crisis

Research by a Johannesburg mining analyst has shown that at an effective gold price of R600 an ounce the entire output would be payable

The profitable quantity tails off gradually as the gold price falls — until below R350 it plummets

The predicament is exacerbated by the general state of the South African economy as balance of payments problems and inflation have caused a serious slowdown

Any intentional and substantial manipulation of the exchange rate, while benefiting the gold mines, would only twist the inflation screw further, with serious repercussions for the rest of the economy

The figures for gold include capital expenditure, which last year soared to R1 222-million as preparations were made for large-scale expansion

An immediate measure, which has been applied by a number of producers, is suspension of all capital expenditure, and there is no doubt that in the absence of an early surge in the gold price ERPM will be only one example of expansion cutbacks

The unexpected jolt from the Budget only served to push gold mines closer to the brink. Although it is argued that the marginals are not affected, and the low-cost producers are still well above breakeven, more production will become unprofitable

Low gold prices and rising costs are almost certain to continue, and as cash reserves dwindle the plight of the gold mines will grow to proportions dwarfing those of the agricultural sector

By JOHN MULCAHY

While it is within the power of the authorities to vary the tax rate for gold mines, the Budget had a message that there were to be no exceptions when applying the big squeeze

The gold price is the key to the outlook for the mining industry and for the SA economy, and experts are hope that there will not be a further fall

Dr Joep de Loor, the Director-General of Finance, said on Friday the gold price could be within 10% of the bottom, and Budget estimates were based on this

The gold price on Friday was $322, showing that the Department of Finance was looking for a floor of about $300 an oz

Dr De Loor said the gold price could be expected to move sideways for some time, at least until there were real signs of an emergence from the world recession

High real interest rates and severe balance of payments problems being experienced by Eastern bloc, European and Middle Eastern countries were bringing gold into the market, and there was little prospect of an improvement before 1983, he said

Gold mines are being forced to cut back in every direction, and any further downward movement in the gold price could precipitate a real danger of retrenchments

If last week's Budget was seen to have a distinct aura of electioneering, it would be nothing compared with the political depth-charge that could be dropped if employment were threatened

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2 Candidates are not to communicate with other candidates or with any person except the invigilator.

3 No part of an answer book is to be torn out

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Hedging debacle for gold mines

RDM 2.14 30/3/82

By NEIL BEHRMANN

LONDON — The gold-mining industry is paying the penalty for failing to hedge some of its production on the futures market

Had the mines hedged against falling prices in the bear market that has now lasted for 26 months there would have been far more money in the State's coffers So much so that increased gold-mining tax would have been unnecessary In fact, depending on the proportion of gold hedging, the overall effects of last week's Budget would have been less onerous on the mines than they are

In June 1980, the senior Deputy Governor of the Reserve Bank, Dr Chris Stals, said gold mines could insure themselves by selling production forward

In the second half of that year, gold rose from $600 to a peak of $720 In that time the mines could have sold gold up to 24 months forward at high prices

Here is what could have happened had the mines hedged only 15% of their production to insure high-cost marginal producers in an uncertain gold market. The 15%, or 3 500 000 ounces, of SA production would have covered about a dozen of the highest-cost producers The average price of gold was $638 in the second half of 1980 and the average premium for one-year forward sales on the US markets was about 14% This means the mines could have sold one-year gold futures in Chicago or New York at an average price of $727 They could have sold 24 months forward at $817 an ounce It was easy then to arrange sales because the markets were active

The current gold price is about $320 In the two years the mines could have covered their hedge at a profit of anywhere between $400 to $500 an ounce depending on the time scale of the contracts

Assuming the profit on the hedge transaction was $400 an ounce, the hedge sales on only 15% of South Africa's production would have generated about R1 400-million Analysts estimate that the tax take would have been R900-million

Many people, including mining-house executives, still appear to be confused about hedging For some odd reason, they believe it to be speculation It is insurance

Dr Fred Collender, mining consultant of Strauss Turnbull, estimates that ERPM produces about 385 000 ounces of gold a year

It could have hedged 300 000 ounces by selling two years forward

Say, the transaction was carried out in August 1980 when the mine announced a capital expenditure programme of R300-million The spot price in August 1980 was $650, so the 24-month futures price was about $830 with the gold due to be delivered in August 1982 By selling gold at $830, ERPM could have guaranteed its production at a price well above cost of output

If ERPM covered this hedge and bought back August 1982 futures at $350, the profit on the sale would have been $480 an ounce, or R144-million

ERPM would have sold the physical gold to the Reserve Bank at $320 an ounce and because the cash price of gold has fallen by $330 from the August 1980 level of $650, the loss in revenue from this transaction would have been R99-million

The profit on the futures transaction would have more than offset the lower revenue resulting from the falling gold price because the August 1982 futures price was at a 28% premium over the August 1980 price

This premium reflects the interest factor and it works in favour of a producer, especially during times of high interest rates because it is a seller

Had gold shot up to $1 000 and stayed there, the mine would have lost on the futures transaction But it would have made higher profits from sales of physical gold to the Reserve Bank

The hedging transaction ensures a profit

In practice, the mines would have hedged their production at monthly intervals

And in this bear market, prices could have been lower But the principle remains The mines would have been locked in at a certain price and profit

The mining houses became more and more reluctant to hedge on a falling market, fearing that it would soon bottom out

The market is still uncertain, so mines can hedge if they are assured a profit

It is more difficult to assess whether unprofitable mines should hedge

Dr Collender believes it is now pointless and the Government should close the mines which are receiving State aid He does not believe that the taxpayer should finance mines such as ERPM Their labour could be diverted to the rest of the industry and this would improve the overall cost structure Struggling mines could be merged with stronger producers

For example, Western Areas could be combined with Kloof, Loraine with Free State Geduld and Ventersdorp with Libanon

All these problems could have been postponed if the mines had guaranteed themselves a profit by hedging

An abridgement of the annual review by Mr J Ogilvie Thompson, chairman of Anglo American Gold Investment Company Limited

Chairman's review

AMGOLD

While the price may languish in the near future, gold's ultimate role remains unchallenged

In the meantime there are grounds for believing that gold will regain its importance among other forms of wealth

(214) ROH 31/3/82

The dollar price of gold declined more or less continuously throughout 1981, confirming the trend that was established during the latter half of 1980 As the financial year opened, the gold price stood at $470 per ounce, but it decreased by 22,8 per cent to $363 at the year end Over calendar 1981 the average price was $460, some 25 per cent below 1980's average price The impact on the industry of this substantial fall in the dollar price of gold was cushioned by the average depreciation of the rand against the dollar of 10,6 per cent, so that the rand price received by the industry was R400 per ounce compared with R477 in 1980 and R258 in 1979 Consequently, neither the gold mining industry, nor the company, repeated the spectacular results achieved in the previous period

Amgold's equity earnings at R246,3 million were 21,8 per cent below the record level of the financial year to February 1981 However, the company's profits, while only about three-quarters of the previous year's, were still almost double those achieved in 1980 As foreshadowed last year, a higher proportion of earnings was distributed so that dividends totalling 1 000 cents were declared, a reduction of only 13 per cent on the previous year

Investment income declined from R321,4 million to R249,9 million, but interest earned increased to R9,4 million from R4,2 million in 1981 Administration, donations, prospecting, interest and other charges were R8,6 million (R8,0 million) so that pre-tax profit amounted to R250,7 million compared with R317,6 million Whereas no tax was payable in 1981, a tax charge of R2,3 million was incurred this year Preference dividends reduced to R2,1 million (R2,6 million), as a result of the redemption of a portion of the preference shares, leaving equity earnings of R246,3 million or 1 122,2 cents per share of which R219,5 million or 1 000 cents per share was declared as ordinary dividends Retained earnings for the year amounted to R26,8 million (R62,5 million)

Over the year there was a net increase in the book cost of investments of R48,3 million resulting mainly from subscriptions for shares in Elandsrand Gold Mining Company Limited and The South African Land & Exploration Company Limited, Western Deep Levels Limited convertible debentures and also from further investment in Vaal Reefs Exploration and Mining Company Limited The value of investments declined from R2 335 million at the beginning of the financial year to R1 892 million at the year end The company's net asset value at February 28 1982 was 8 712 cents a share compared with 10 829 cents a share last year

GOLD

The gold price, which had ended 1980 at $589, slipped relatively quickly to $500 and below in the first quarter of 1981, before rallying briefly to around $530 late in March and early April Thereafter, the slide was resumed and the price moved down quite sharply to hold at around $400 in the middle of the year Subsequently, the market rallied and gold recovered to touch $460 towards the end of September The price held within the $420-$450 range until November when it subsided once more and the $400 level was tested again Although some firmness was apparent during December, gold closed the year at precisely $400 and then dropped to below $370 in mid-January A subsequent rally proved to be short-lived and a new wave of selling from the end of February forced the price down to $323 at the time of writing

The fleeting revivals in the market that have been noted are not without significance They represent periods when there were expectations that the world economy would not remain depressed, or that financial conditions would not continue to be as tight as they have proved to be However, the dollar remained very strong, dollar interest rates in both real and nominal terms persisted at unprecedented levels and projections of world economic recovery were continuously shifted forward into 1982-83

The frustration of beliefs that the worst of the monetary squeeze in the United States was over, in addition to a significant increase in Soviet gold sales, was seen towards the end of 1981 and in the early weeks of this year Prior to this the gold price had responded to the renewed downward movement of US interest rates and to the decline in the dollar that occurred in the fourth quarter of last year But the greater flow of Russian gold to the market in November and December, and then the sharp resurgence, once again, of real interest rates in the US became overwhelming These factors have reasserted themselves recently and have been compounded by other unfavourable influences The impact has been felt particularly in the investment segment of the market, with the consequence that the price has sagged to a 30 month low

It is clear that economic and financial influences dominated the gold market during the period under review, completely overshadowing disturbing political events which included, for example, the assassination of President Sadat, continued tension in the Middle East and the Polish crisis with all its adverse implications for east-west detente The inimical effects of the non-political factors can be seen by taking a broad perspective of developments over the past 10 years Over this decade the oil price increased sevenfold in real terms as a result of sharp adjustments to posted prices in 1973-4 and 1979-80 These events in themselves helped to take the gold price to new peaks in 1974 and 1980 However, before the first oil price shock, and in the intervening years, the oil price remained on a relatively stable or slightly declining trend In most of these years conditions had been favourable for gold, either for fabrication usage or investment purposes This was so because of accelerating economic growth in the OECD countries against a background of a weakening real oil price, with inflation within politically tolerable levels (as in 1971-3 and 1976-9) Only in 1974-6 was there a combination of a falling real oil price and deep economic recession, together with an eventual rise in real interest rates, albeit from a substantially negative position In this period the gold price fell to its relative low of $103 in September 1976, but the economic adjustment prior to that, and comparatively accommodating official policies, led to a sharp recovery from 1976-9

The most recent phase has been very different Although industrial production in the OECD area since 1979 has not decreased nearly as much as it did in 1975-6, stagflation has become the crucial issue The beneficial impact of another decline in the real oil price, which reflects on this occasion the loosening of the previously strong link between economic activity and energy consumption, could, in other circumstances, have led by now to a resurgence of real growth However, in this episode much more determined anti-inflationary policies have been pursued, especially in the United States, and the weak recovery in output has not been maintained While real growth in GNP remained marginally positive on average during these past two years, the slowdown in wealth creation, the reduced Opec surplus and the conspicuously attractive returns on financial assets were hardly conducive to investment in commodities, including precious metals and gold in particular

Yet despite this increasingly hostile environment, which dampened speculative activity and encouraged bearish positions on the futures markets, approximately the same physical quantity of gold was absorbed in 1981 as in 1980 While prices were generally declining, the average dollar price was nevertheless 50 per cent higher than in 1979 But total supply was much less Furthermore, in comparing 1981 with the previous year's out-turn, the underlying improvement in the statistical position is seen in the reaction of flows of scrap gold on the supply side, and jewellery fabrication on the demand side, to the lower price Preliminary estimates are that the sharp fall in secondary recovery, given a slight reduction in mine production, compensated to a considerable extent for the surge in sales from the communist bloc The broadly similar total supply was absorbed largely because the demand from the jewellery industry is thought to have almost doubled from the 1980 low, although other fabrication usage remained roughly the same Offtake for official coins improved somewhat as Krugerrand sales absorbed 3 559 518 ounces compared with 3 142 500 ounces in the previous year Central banks apparently remained net buyers of gold, although on a reduced scale, and the major drop occurred in the area of net hoarding and investment

In assessing the outlook for the gold market, it appears that supplies are likely to remain relatively tight at around 1981 levels, allowing for the maintenance of strong Russian sales but excluding the possibility of swap transactions from this source One must assume also that major central banks in the West and the IMF will abstain from selling This seems to accord with the attitude expressed by the majority of members of the US Gold Commission and authoritative international opinion Indeed, the distribution of monetary gold holdings is still very uneven In the light of this scenario, the price will be determined largely by the impact of fabrication and investment demand

Perseverance by the US Administration to finance the mounting budget deficit without excessive money creation will mean a further reduction in inflation, and the maintenance of relatively high real interest rates The technical and other difficulties that this significant readjustment, with its inevitably delayed 'supply-side' response, implies for the US and European economies are well known and are the subject of intense debate It could be that success will be assured in the longer term if Western electorates perceive this to be to their advantage In one sense, such an outcome is not propitious for gold But to the extent that it will place the Western economies back on the path of sustained growth, it will have positive effects on fabrication demand and result ultimately in lower real interest rates which should make gold more attractive as an investment medium

However, success is by no means certain and political strains are becoming more evident In any case, if past patterns are a guide, some improvement in growth and a less buoyant dollar can be expected later this year, although a permanent abatement of inflation may require structural adjustments of much longer duration Policy options are complex and confused but it is not unrealistic to hope that present conditions will not remain as difficult for the gold market While the price may languish in the near future, gold's ultimate role remains unchallenged, irrespective of arguments for or against any return to a gold standard In a world likely to be marked by political, economic and financial uncertainties, there are grounds for believing that gold will regain its importance among other forms of wealth

URANIUM

The uranium market weakened further during the year although the dramatic decline in spot prices seen during 1980 eased markedly and it is possible that they are at or near their lows South African producers sell almost exclusively under long-term contracts but contract prices have also come under pressure The depreciation of the rand relative to the US dollar, the currency in which most contracts are denominated, has, however, alleviated the drop in prices

MINING OPERATIONS

Working costs continued to rise at a high rate during 1981, increasing on average for the gold mining industry by 17,9 per cent compared with 17,7 per cent the previous year The increase over the production price index, which rose by 13,6 per cent for the year, was greater than the previous year A number of factors contributed to this the increasing depths of mining operations, the growing distance of working areas from shafts on the older mines and, therefore, the rising cost of transporting materials and rock, and the steadily rising costs of stores, in particular timber and steel Efforts to close the wage gap also contributed significantly earnings of black workers which constitute 28,5 per cent of the costs, went up by 22 per cent

The shortage of skilled labour remains a problem although the situation has improved slightly with the recruitment of skilled workers from abroad As the real solution to this problem lies in the maximum development of our own manpower resources, training programmes are being reviewed and a major new aspect, the Employee Development Programme, has been introduced to enable employees to achieve greater proficiency in their work

The final report of the Wiehahn Commission which was devoted to the mining industry has given greater urgency to the need for the mining industry and the trade unions to develop a structure for industrial relations which will be able to cope with rapidly changing circumstances Discussions are proceeding between the Chamber of Mines and the officials associations and trade unions to this end

NEW DEVELOPMENTS

The industry is involved in a major capital expenditure programme with more shafts being sunk or commissioned than at any other time over the last few decades In view of the current gold price, which is lower than when many of these programmes were embarked upon, capital projects are being kept under constant review and some may well be deferred

During the year, Amgold participated in Australian Anglo American's acquisition of a 40 per cent interest in a tailings reclamation project at Mount Morgan, Queensland About 35 million tons of tailings will be processed over a period of 10 years at a capital cost estimated at A$25 million

EXPLORATION AND DEVELOPMENT

Expenditure on gold prospecting was higher than in 1981 and it is likely that this trend will continue in the future Uranium prospecting has, however, been reduced to a minimum in view of the weak market

The gold exploration programme is most intensive in the Doornrivier area of the Orange Free State As mentioned last year, sufficiently encouraging results had been obtained in two blocks in this area to justify embarking on closer-spaced drilling to define reserves Detailed drilling is now in progress to the north of Beatrix mine and the results continue to be promising but additional drilling is required to evaluate this area fully Results from close-spaced drilling to the north of Beisa mine remain encouraging, particularly with respect to uranium, but this area is unlikely to be exploited before the uranium market improves Exploration has also commenced in a third area and the initial results are interesting

In the Klerksdorp area exploratory drilling south-west of Vaal Reefs mine has delineated limited reserves which may be exploited in due course, and deep drilling in a structurally complex area south of the mine has confirmed the high gold and uranium grades encountered in previous boreholes A low grade deposit occurring at shallow depth has been outlined to the north of Klerksdorp and drilling to determine extensions is under way Prospecting for uranium farther to the north has been discontinued

Results in the block south of Western Areas mine continue to show promise but much more fill-in drilling will be necessary to confirm the gold values as the gold reefs are located at substantial depths Further afield, in the Barberton district, follow-up searches for gold anomalies have so far yielded disappointing results

Gold prospecting has been extended to many areas of South Africa and deep drilling is in progress on the Far West Rand, West Rand and East Rand but at this stage it is too early to comment on the potential of these ventures Joint prospecting programmes have been undertaken with other mining houses but results to date have been mixed Outside of the Witwatersrand Basin, uranium exploration has been substantially curtailed

In Brazil, where we participate through Mineracao Morro Velho, drilling to delineate additional reserves within the mining leases is continuing and a study to evaluate the feasibility of a major increase in production is nearing completion Satisfactory progress, both underground and in construction, has been achieved in the opening up of the Jacobina mine in the state of Bahia

In Australia and New Zealand our gold exploration activities have been stepped up and we are participating with Charter Consolidated P L C in evaluating a gold deposit in Spain The prospecting programmes in Chile and Argentina are continuing

CONCLUSION

The rising gold price over the last decade led the mining industry into embarking on substantial capital expenditure as it brought into payability lower grades of ore both within and outside current lease areas so that the lives of many of the mines have been prolonged However, the United States has continued to pursue tight monetary policies in its endeavours to reduce the rate of inflation so that the gold price is presently being subjected to tremendous pressures The lower gold price will call for regular review of capital expenditure programmes, continued attention to working costs and productivity and, wherever possible, an increase in the grade of ore mined The average rand price of gold so far this year is R363 per ounce compared with R400 for the whole of last year so that with continuing inflation the combined impact on profits and dividends is self evident

It is to be hoped that the problem of world-wide inflation will at least partly be solved so that interest rates can come down and satisfactory economic growth can resume In this event I believe that stability will return to the gold market and confidence will be restored in this ultimate investment medium

J Ogilvie Thompson
March 12 1982

The annual general meeting of members will be held at 44 Main Street, Johannesburg on Friday, April 23 1982 at 09h00

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

Amgold warns on gold mining costs

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RDM 31/3/84

By JOHN MULCAHY

THE lower gold price will call for regular review of capital expenditure programmes, continued attention to working costs and productivity and, where possible, an increase in the grade of ore mined

Mr Julian Ogilvie Thompson, chairman of Anglo American Gold Investment Company (Amgold) notes in his annual review that "the average rand price for gold so far this year (to March 12) is R363 an ounce compared with R400 for the whole of last year so that with continuing inflation the combined impact on profits and dividends is self-evident"

He says the mining industry is involved in a major capital expenditure programme with more shafts being sunk or commissioned than at any other time over the last few decades

"In view of the current gold price, which is lower than when many of these projects were embarked upon, capital projects are being kept under constant review and some may well be deferred"

In assessing the outlook for the gold market, says Mr Ogilvie Thompson, it appears that supplies are likely to remain relatively tight around 1981 levels, allowing for the maintenance of strong Russian sales, but excluding the possibility of swop transactions from this source

"One must assume also that major central banks in the West and the IMF will abstain from selling," which accords with the attitude expressed by most members of the US Gold Commission and authoritative international opinion

The distribution of monetary gold holdings is still very uneven, says Mr Ogilvie Thompson, and the price will be determined largely by the impact of fabrication and investment demand

If the US Government perseveres with its policy to finance the budget without excessive money creation there will be a further reduction in inflation and a maintenance of high real interest rates

"While the price may languish in the near future, gold's ultimate role remains unchallenged, irrespective of arguments for or against any return to a gold standard

"In a world likely to be marked by political, economic and financial uncertainties, there are grounds for believing that gold will regain its importance among other forms of wealth"

Amgold goes on searching

By JOHN MULCAHY

ANGLO American's concerted exploration effort in the Orange Free State and in the Klerksdorp area is still showing positive results, and the higher trend in gold prospecting expenditure is likely to continue.

Anglo American Gold Investment Company's chairman, Mr Julian Ogilvie Thompson, says in his annual review the group's gold exploration programme is most intensive in the Doornrivier area of the Free State

In last year's annual report Mr Ogilvie Thompson said sufficiently encouraging results had been obtained in two blocks in the area to justify embarking on closer-spaced drilling to define reserves

He now says detailed drilling is in progress to the north of Beatrix mine, and results are still promising, but additional drilling is required to fully evaluate the area

"Results from close-spaced drilling to the north of Beisa mine remain encouraging, particularly with respect to uranium, but this area is unlikely to be exploited before the uranium market improves"

Exploration has also commenced in a third area, says Mr Ogilvie Thompson, and the initial results are encouraging

In the Klerksdorp area drilling south-west of Vaal Reefs has indicated limited reserves, which may be exploited in due course, and deep drilling south of the mine has confirmed the high gold and uranium grades encountered in previous boreholes

A low grade deposit at shallow depth has been found north of Klerksdorp and drilling to determine extensions is under way

Promising results have been achieved south of Western Areas mine, but more fill-in drilling will be necessary to confirm the gold values, as the gold reefs are at substantial depths, says Mr Ogilvie Thompson

Disappointing results have been found in the Barberton area, where follow-up searches for gold anomalies were carried out

Meanwhile, gold prospecting has been extended to many areas of South Africa, says Mr Ogilvie Thompson, and deep drilling is in progress on the Far West Rand, West Rand and East Rand,

Capex high, so Egoli passes payment

Cape Times 19/4/82

By JOHN MULCAHY (214)

JOHANNESBURG. — Egoli Consolidated Mines is not paying a dividend for the year ended February 28, but the "preliminary, unaudited operating results" do not include an income statement.

In a review of the East Rand operations the directors say working profit a ton for this section was R2,08, and 696 961 tons were treated during the year, indicating total working profit of R1 449 679 for the year.

The average grade at the East Rand operations — which is SA Lands reduction plant — fell to 1,10 g/t from 1,36 the previous year and recovery fell to 79,16% from 83,37%, but the higher tonnage pushed gold production up to 607 kg from 569 kg.

The average gold price received during the year was R12 752 a kg against R14 491 in the year to February, 1981, and gold revenue dropped to R7 739 711 from R8 170 498.

The new West Rand operation started milling in October, and the monthly throughput rose steadily from 21 800 tons in the first month to 48 266 tons in February, while grades climbed to 0,94 g/t from 0,75 g/t over the same time.

In the first three months of the West Rand operation there were net pre-commissioning operating costs of R375 128, while January and February produced a total working profit of R29 326.

The directors say there is a high percentage gold lock-up during the first year of operation of any new plant. "The amount of gold should, however, decrease over the next six months and it is anticipated that the percentage recovery will steadily increase."

Although there is some detail of operating results the announcement gives no indication of bottom line profits or losses, other than the decision to pass the dividend.

Last year Egoli paid dividends totalling 12c a share, consisting of a 7c interim and a 5c final.

The directors say the decision to pass the dividend was based on the uncertain trend in the gold price "and the fact that due to a high rate of inflation and the provision of additional and improved facilities at the new plant over and above those originally planned for, capital expenditure has been greater than that budgeted for."

They add, however, that the increased expenditure has enabled the plant to handle increased tonnage and to handle slimes as well as sand.

"The effect of the aforegoing is that this plant will have an improved level of profitability in the future."

OC

SA mines earning more from gold as rand value slides

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Financial Editor 20M 20/4/82

SOUTH Africa's gold mines are earning as much an ounce produced as they were at the beginning of February last year when the price was just below $500

This is because of the huge devaluation of the rand against the dollar — more than 30% — in the past 15 months

When gold was fixed at $493,50 at the beginning of February 1981 the rand was worth $1,317

That gave the South African mines a price of R374,70 an ounce

Gold was fixed at $362,75 in London on April 16

By then, however, the sustained slide in the rand had taken it down to a value of only 94,55 US cents

The result of the rand's crash was that an ounce of gold was worth R383,60 to the mines

In other words, the effective price of gold went up by nearly R10 an ounce to the mines although the formal international price had tumbled by more than $130

● See Page 15

Policeman

(214) RDM 26/4/82

Mines head for 18% annual lift

Haywire rise in gold costs

WHERE has all the cost control gone? That is the question investors are asking after the latest round of gold quarterlies.

Working costs for the gold mines rose by 4,5% to R1 056-million in the March quarter from R1 010-million in December — 18% annualised. This bodes ill for the industry for 1982

By JOHN MULCAHY

Analysts describe the lack of adequate control in a depressed gold-price climate as disappointing, and question whether gold mines have managed to adjust from the free spending days of 1980 when the gold price averaged more than $600 an ounce

The financial results were not at great variance to what the market had been expecting as the impact of the sharply lower gold price could be foreseen

Taxed profit for the industry fell by 31,5% to R505 339 000 from R737 688 000, but distributable earnings plummeted 43,3% to R218 042 000 from R384 557 000, a reflection of proportionately higher capital expenditure

The overall impact of the increased tax surcharge is difficult to assess, as only two groups — Gold Fields and Rand Mines — quantified the effect

The higher tax is expected to cost Gold Fields R33-million for the year, and at Rand Mines the effect is felt only at Blyvoor and Harmony, the group's two taxpayers

The cost spiral was clearly uppermost in analysts' minds, and one had been forecasting overall cost increases of between 12% and 14% for the industry this year, but said he had been forced to adjust his estimate upwards to between 16% and 20%

Some mining house executives have expressed some relief at the gold-price weakness — "It gives us a chance to get control of our mines again," said one last week

The figures, however, paint a different picture, and if they are a reflection of the best that can be achieved when the belts are tight the industry is in for a rougher ride this year than expected

It is said that the March quarter is less productive than later periods in the year as mines take some time to get back into gear after the Christmas season, but total throughput actually increased from the December quarter, which tends to dispute this maxim

Mill production rose by 1,3% to 23 714 000 tons from 23 407 000 tons, with the result that average unit working costs for the industry were 3,2% higher at R44,52 a ton milled against R43,15

Another area for concern — there were few bright spots in the March quarter — is the apparent inability of most mines to adjust grades upwards to offset lower gold prices

It would have been surprising if grades were static in the past quarter as the gold price received fell by about 11,5% from R13 000 a kg to R11 500, but the widespread reduction in grades is puzzling, to say the least

A stunning example is St Helena, which had its average grade chopped to 6,0 g/t from 7,3 g/t The figures are combined for the first time with input from Beisa, which is obviously at a far lower grade than St Helena, but total gold production from the combined operation was lower than output from St Helena alone in the December quarter

Another example of apparent lack of grade control was at President Steyn, where average yield over the past four quarters has gone from 6 g/t to 6,4 g/t, then up to 6,96 g/t and back to 6,4 g/t

There has been a welcome reversion at Hartebeestfontein to a high level of sorting, which has lifted the grade to 10,4 g/t from 9,9 g/t.

Inordinate pressure on cost control in the December quarter brought about a reduction in the sorting rate, which had a favourable impact on costs, but at the expense of grades

What is clear from the March quarter's results is that the mine has recognised grade as a priority While cost control is to be encouraged, ore sorting is not an area with which to tamper

Switching to higher-grade areas cannot be carried out overnight as the logistics are considerable, but at least one would have expected to see a pattern of grades creeping higher

Libanon is a good example of mining according to pay limit, and in the latest quarter yield rose slightly to 6,2 g/t from 6,1 g/t, after 6 g/t in the June quarter last year

One analyst believes the gold mines made little attempt to put across to investors the seriousness of their predicament, and at marginal producers there appeared to have been only a token attempt at reducing spending

While there are penalties involved in stopping contracts in mid-stream, the outflows (and cash depletion) resulting from the relatively high level of capital expenditure in the March quarter were of some consequence.

There is one group which seems to be taking the gold-price slump in its stride, and that is Gold Fields Strongly criticised for its conservative (some say mean) dividend policy last year, GFSA is now reaping the benefits of this wisdom

Its producers not only have sufficient cash — even lowly Vlakfontein earned more from interest than from gold — and as such can continue with all shaft sinking, but the group's moving pay limit system is proving to be a great advantage

Before introducing the moving pay limit GFSA's mines performed abysmally when the gold price fluctuated

Total capital expenditure from the 35 producers (including Ergo) fell to R287 297 000 in the March quarter from R353 131 000 in the previous quarter, and indications are that spending will drop again in the current quarter

However, only Anglo American has quantified its planned spending reduction — by R82-million spread over mines in the Free State and the Transvaal — and some of the other houses have indicated that spending will be confined to essential projects

An Anglo critic says mines in the group will be strapped for cash, and this results from a liberal mining policy in the past

He says the Anglo mines have mined excessively high grades, optimising these deposits without undertaking enough development to replenish the high-grade reserves

One view is that the mines should continue their heavy spending pattern because of the increased tax surcharge "Why pay the additional tax when the money will have to be spent at some stage anyway?"

However, this policy can only be applied to those mines with cash reserves and the tax liability that will justify spending at this time For most producers the immediate need is to reduce outflows to the minimum

Wage increases are looming, and the inflation rate is at a new high, so the pressure on costs will be even greater this quarter In the absence of a significant improvement in the gold price producers will have to pull out all stops to slow spending

(214) D Dispatch 30/4/82

E Dagga surprise: Anglo out, foreign group takes over

From JOHN MULCAHY

JOHANNESBURG — Only hours before East Daggafontein Mines annual general meeting yesterday morning an announcement to shareholders appeared in South African newspapers

The notice was significant it told of the resignation of all directors nominated by Anglo American Corporation, to be replaced by a Swiss businessman Mr Adolf H Lundin and his associates

Annual shareholders' meetings are traditionally mere formalities and the business at hand is dealt with in a matter of minutes, as shareholders seldom attend to raise queries

There was nothing contentious in East Dagga s annual report for 1981 nor any obvious points likely to be raised by shareholders

However on Wednesday — almost eight weeks after the annual report was published — all of East Dagga s directors resigned and were replaced by six new board members

The meeting was presided over by Mr Gerald Langton managing director and chief executive of Anglo s gold and uranium division, and a director of East Dagga until Wednesday, who opened proceedings by relating the extraordinary events of the previous day

Saying that he was still a shareholder in East Dagga being the holder of 200 shares Mr Langton added that the new chairman Mr Lundin, had asked him to chair the meeting and the shareholders agreed

The meeting immediately proceeded to confirm the appointment of the six new directors being Mr Lundin whose nationality is given as Swedish, although he operates out of Geneva in Switzerland Mr E W Bazinet (Canadian) Mr J H Craig (Canadian) Mr L Klingman (German) Mr O S Redfern (British) and Mr F Bentley who is financial director of Anglo s gold and uranium division

Shareholders who do not read newspapers or who possibly did not notice the advertisement yesterday may be surprised to learn that the entire executive structure of East Dagga has changed since the date of the annual report and that the change has formally been ratified by general meeting

Mr Lundin is believed to own 510 000 East Dagga shares or 13,7% of the company while he and his associates have a total of 34% of the issued share capital which compares with the 13% held by Anglo and its associates

Anglo insists that there was nothing sinister in the deal and Mr Dennis Etheredge, chairman of Anglo's gold division and a former director of East Dagga, told me the change in the board came about because the consortium headed by Mr Lundin had a far bigger interest in East Dagga than Anglo and was intent on using East Dagga as a vehicle for diversified activities

Anglo s tenure as technical advisers and secretaries to East Dagga has been terminated Mr Lundin has entered into an agreement with the auditors Arthur Young and Company to provide secretarial services while new technical advisers will be appointed shortly

Mr Etheredge said the change was not sudden and had been under discussion for some time "It was quite amicable — there was no rough and tumble he said

Little is known about Mr Lundin or his associates but he is believed to be involved in the oil business

One of East Dagga's new alternate directors, Mr S de C O'Grady, would not comment on the identities of companies now associated with East Dagga, but said Mr Lundin would visit South Africa in a few weeks

The official announcement says the new board intends continuing East Dagga s current undertakings in the same way in which they have been conducted up to now and also to investigate new sources of financing and possible diversification into the exploration and development of other natural resources

Yesterday s annual meeting was East Dagga's forty-ninth and the company enters its 50th year under new unknown and foreign direction with most minority shareholders blissfully unaware of developments

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FM 30.4.82

GOLD QUARTERLIES

Capital crunched

As soon as Britain and Argentina start acting sensibly over the Falklands, a little more sanity should return to the gold market.

For the present the gold price is reacting to every little piece of rhetoric or imagined whiff of cordite. But it is not putting in a sufficiently volatile performance to convince analysts that the gold price is ready [illegible] move out of its trough. If [illegible] the [illegible] we would almost certainly be [illegible] the price perform as it did when the [illegible] hostage crisis broke.

No-one in the gold mining in[illegible] is prepared to stake everything on an early improvement in the gold price. Rather the [illegible]tude is to take cover and conserve as [illegible] cash as possible. So difficult have [illegible]tters become, that several projects are [illegible]eatened, let alone being deferred.

Erfdeel is a case in point. Only capital projects which cannot be stopped are con[illegible]ing. For the rest, and this involves the [illegible]ing of the new mine's main shaft, they [illegible] being put on ice for six months. The [illegible] project will be reassessed in September.

Presumably if the gold price is show[illegible] signs of life then the whole venture will [illegible] ahead.

Reading between the lines, of course, it [illegible] clear that managing house Anglo is [illegible] a pretty dim view of gold's medium-[illegible] prospects, let alone its short-term po[illegible]. The present decision has, of course, [illegible] coloured by a deterioration in the tax [illegible] possibilities on which the whole [illegible]ject was based. But it also says a lot [illegible] the way in which the house has been caught on the hop over gold.

Erfdeel is not the only capital project to be affected. The list of those being deferred is almost as long as that of the industry itself. The outlook for the next quarter or so is not particularly entrancing. Operating costs are now at the structurally higher levels they reached with the inflation induced by the last gold boom. And bringing unit costs down is not so much difficult as impossible. We have probably seen the end of possible gold recovery grade improvements. And here, if anything, the trend is more likely to be down rather than level.

Investment for the remainder of this year will have to be a highly selective exercise, particularly for those hoping to maintain dividend incomes.

Western Holdings: In view of gold's price performance the enlarged operation has decided to chop this year's capital spending to R87m from an earlier estimated R127m. Half of the R40m cutback will be at Erfdeel. It should be remembered that Erfdeel's viability depends on tax saving possibilities before the project gets to the production stage. It was for this reason Erfdeel is to be established as part of an enlarged Western Holdings, Welkom and Free State Saai mining operation. Gold's price drop has lessened immediate tax savings, making the present value of Erfdeel that much less attractive and placing an additional and unexpected immediate finance burden on the participants in East Hold.

Apart from this there are some other worrying factors. The company as a whole appears to be having difficulties maintaining gold recovery grades. The annual report estimated this year's recovery would average 5,4 g/t. In the first two quar[illegible]

[illegible] It is not cle[illegible] grade [illegible] could [illegible] possibility has led to speculation that eventual recoveries at Erfdeel will be less than originally expected. Now that Western Holdings is a large tonnage, low grade operation rather than a high grade, low tonnage producer its market rating has deteriorated. There are better investments available.

Free State Geduld: This quarter's results will be a shambles. Grade will deteriorate because the few remaining high-grade workings are temporarily inaccessible following the damage to the Nos 1 and 4

Erfdeel ... project down the tube?

shafts. Mill throughput will be lower which will result in substantially higher unit costs. All this, of course, will conceal the mine's basic trend — towards substantially lower grades as operations move towards lower grade areas in the northern part of the lease area. Within four or five years gold recovery grade will be somewhere in the region of 6 g/t against 9 g/t at present. Once the No 5 shaft system is completed, capital spending should fall sharply unless it is decided to establish the No 10 shaft complex at a cost of some R400m. A positive decision on this will depend on higher gold prices. But it could mean that distributable earnings will be restrained if the gold price falls and if it rises.

President Brand: Capital spending is building up as the No 5 shaft project progresses. It should be fully operational by 1986 by which time it will be possible to exploit the [illegible] are substantially [illegible] on the Basal reef while uranium grades are higher.

While capital spending on the No 5 shaft is rising, other less essential capital spending amounting to R7m has been deferred.

President Steyn: The higher grades on Video are starting to have an effect on overall results. The main capital spending item is for completion of the No 4 sub-vertical shaft system which will give complete access to Video. Once this is completed, capital spending should drop to much lower levels and there should be no further major spending programmes for the remainder of the mine's life. The average recovery grade for the year to end-September should be higher than the 6,4 g/t estimated in the last annual report.

Vaal Reefs: The March quarter report has nothing to say about prospects for exploiting the VCR. Sampling results of the reef are not particularly encouraging. Capital expenditure on the No 9 shaft system in the south lease area is continuing and the shaft should be commissioned later this year, with full production being reached in 1984. Completion of the No 9 shaft will be followed by a start to sinking the No 10 shaft to exploit the southern part of the lease area. In other words, there is unlikely to be any let-up in capital expenditure for some years. There seems little prospect that the Afrikander Lease operation will come to anything for many years, if ever.

Gold recovery grades in the north lease area are continuing to drop while, apart from temporary aberrations as in the last quarter, the south lease area's grade is steady. While the gold price remains depressed, Southvaal is, perhaps, a better investment than Vaal Reefs itself.

Western Deep: Even this mine which is among the industry's soundest profit generators and highest grade producers is having to pull in its horns over capital spending. Gold's price weakness has led to the revision of this year's capital spending down to R120m from an original R140m. It makes sense to defer inessential capital projects until the gold price improves and thus, indirectly, enhance tax saving possibilities.

Despite the cutback, this year's spending will be high as development of deeper areas progresses and production capacity increases.

Elandsrand: Despite steadily improving development sampling results, Elandsrand failed to improve recovery grade in the last quarter. And though a higher mill throughput contributed to a 5,8% reduction in unit costs to R51,74/t, a lower average gold price pushed the mine into an operating loss. This sort of performance is likely to be the pattern of the next couple of years, at least until the sub-vertical shaft gives access to deep-lying, higher-grade ore As an investment the share is terrible and only suited to out and out gold price speculators or those with the patience of Job and a deeper pocket.

Ergo: The current financial year which started on April 1 will be the first to bear the full brunt of tax. This will combine with a lower gold recovery grade as virtually all of the high-grade dumps are now exhausted And profits will be further affected by the weakness of the uranium and sulphuric acid markets. The Simmer & Jack project can more or less be ignored in valuing the share. The gold price will need to improve strongly if a total dividend matching last year's 110c is to be paid this year.

Buffelsfontein: March quarter results were, to say the least, awful Recovery grade slithered, mill throughput fell and unit costs rose 7,3% to R59,67/t. This, coupled with substantially lower uranium income because of irregular quarterly sales, meant that after-tax profit fell by 53% to R12,8m. The last quarter's results should, however, prove to be an aberration and production and grades recover.

Stilfontein: Management is apparently implementing a sophisticated exercise to maximise the mine's remaining present value The remaining life of underground operations is relatively short. So it can pay to defer exploitation of ore while the gold price is poor and extend the life of operations to take advantage of expected higher gold prices some years from now Though this is a reasonable approach, it plays havoc with quarter on quarter figures In the quarter just ended, unit costs rocketed by 14,7% to R61,13/t — about the highest in the industry — while an accompanying recovery grade drop shoved the cost of producing each kilo of gold up by a hair-raising 19,7% (in one quarter, don't forget)

As far as the 85%-owned uranium facility Chemwes is concerned, recovery grades are now on a downward track with near exhaustion of the limited tonnages of slimes available from Buffelsfontein

St Helena: Perhaps it is simply an oversight, but there is no separate report of Beisa's production figures. It is particularly important that results from St Helena itself and Beisa are shown separately if investors are to make any meaningful estimates of the share's worth. Of Beisa's profits, 15% are attributable to St Helena's ordinary shareholders and 85% to the pref shareholders — essentially Gencor, UCI and Anglo

For the present, it is not clear if St Helena's profits are being used to fund the preliminary operating losses at Beisa Certainly St Helena is supposed to spend no more on Beisa than its tax savings on capital spending. It is not obliged to fund any of Beisa's operating losses. This is why I find it hard to understand why St Helena's March quarter profits were reduced by a R1,27m loss on uranium production arising from operations at Beisa. Of course, this is probably simply the result of build-up operations in the first quarter Presumably Beisa is expected to be profitable over the year as a whole and St Helena will collect its profit percentage.

This simply underlines the difficulty of completely analysing the results without the benefit of separate reporting.

Unisel: The mine continues to be among the most attractive in the industry. Prospects have been enhanced by development sampling results on the Middle reef which gives the impression of being a better prospect, at least over limited areas, than the Leader reef. Recovery grade is steady and mill throughput should reach 110 000 t/month next year. Capital spending is unlikely to be large for the rest of the mine's life and the share merits inclusion in all long-term portfolios

Kinross: Development sampling results in the No 2 shaft area continue to show better grades than are met elsewhere on the mine This indicates that when the plant expansion programme is completed next year, gold production could be higher than indicated simply by the increase in mill throughput In the interim, however, high capital spending will restrain dividend distributions while recovery grades show no signs of increasing in response to gold's price fall. It could lead to the share becoming relatively underpriced.

GOLD QUARTERLIES

	Cost			Revenue		Milled		Recovery		Uranium Milled*		Uranium Recovery*				
	R/kg	$/oz*†		R/kg	$/oz	'000 t		g/t*		000 t		kg/t		R 000	R	c
ANGLO AMERICAN																
Elandsrand	12 764	397	(416)	11 704	364	336	(312)	4,1	(4,3)					(2 157)	1 728	(4,9)
Ergo				12 019	381	4 817	(4 578)	0,3	(0,3)	4 817	(4 575)	0,14	(0,15)	15 389		6,7
Free State Geduld	6 962	218	(197)	11 727	367	721	(735)	9,0	(9,2)	§629	(637)	0,09	(0,09)	36 075	4 790	63,6
President Brand	5 956	186	(190)	11 760	368	860	(815)	7,4	(7,6)	§471	(475)	0,16	(0,16)	38 405	10 140	107,2
President Steyn	7 429	233	(217)	11 738	368	908	(907)	6,4	(7,0)	§2 859	(2 874)	0,10	(0,09)	25 032	8 509	63,6
Vaal Reefs	5 565	174	(184)	11 634	364	2 268	(2 044)	7,9	(8,4)	1 748	(2 004)	0,20	(0,19)	107 789	12 168	165,9
Western Deep	5 908	185	(146)	11 692	367	843	(805)	10,7	(11,8)	596	(587)	0,08	(0,08)	51 251	5 178	57,9
Western Holdings	8 039	251	(253)	11 754	367	1 926	(1 922)	5,0	(5,0)	§2 078	(2 149)	0,11	(0,11)	34 461	5 159	39,6
ANGLOVAAL																
ET Cons	5 762	179	(181)	11 091	345	76	(78)	7,8	(7,4)					3 117	(425)	6,8
Hartebeestfontein	5 776	180	(184)	11 361	353	697	(759)	10,4	(9,9)	697	(759)	0,16	(0,14)	40 484	9 155	51,6
Loraine	12 149	378	(392)	11 444	356	392	(410)	4,6	(4,5)					(1 266)	4 278‡	(17,4)
GENCOR																
Bracken	9 927	317	(287)	11 751	380	255	(260)	3,1	(3,3)					1 592	315	4,9
Buffelsfontein	7 160	229	(206)	11 436	367	793	(816)	8,3	(8,7)	758	(773)	0,19	(0,21)	28 374	24	41,2
Grootvlei	7 778	243	(235)	11 384	357	435	(435)	3,8	(3,8)					5 990	(100)	14,1
Kinross	6 161	194	(186)	11 478	363	420	(420)	5,8	(5,8)					12 944	310	21,2
Leslie	10 023	328	(316)	11 593	380	298	(300)	3,2	(3,1)					1 539	(17)	4,7
Marievale	10 961	346	(316)	11 616	367	165	(165)	1,7	(1,8)					186	83	3,5
St Helena	5 175	163	(155)	11 513	363	641	(540)	6,0	(7,3)					24 292	694	91,7
Stilfontein	8 441	263	(227)	11 580	362	443	(495)	7,2	(7,6)	875	(860)	0,17	(0,19)	10 121	(553)	35,0
Unisel	4 875	153	(155)	11 467	360	300	(300)	7,2	(7,2)					14 285	136	18,6
WR Cons	17 569	557	(551)	11 698	371	536	(532)	1,5	(1,5)					(4 797)	3 361	(59,3)
Winkelhaak	4 682	148	(140)	11 701	371	520	(535)	6,4	(6,5)					23 515	635	57,2
GFSA																
Deelkraal	10 556	328	(351)	11 803	367	315	(306)	4,7	(4,6)					1 855	829	(1,7)
Doornfontein	6 366	198	(203)	11 825	368	366	(366)	8,0	(8,0)					16 011	2 817	68,0
Drie Cons	3 475	108	(111)	11 843	368	1 425	(1 425)	13,5	(13,3)	322	(340)	0,18	(0,17)	160 667	22 722	69,0
Kloof	4 403	137	(116)	11 814	367	424	(485)	14,8	(14,9)					46 718	9380	60,0
Libanon	6 876	214	(219)	11 756	366	420	(420)	6,2	(6,1)					12 832	2 258	59,6
Venterspost	11 025	343	(369)	11 979	373	375	(375)	4,1	(3,8)					1 468	2 217‡	36,7
Vlakfontein	7 993	249	(370)	12 200	379	192	(192)	1,2	(1,2)					366	426	9,3
JCI																
Randfontein	5 934	187	(190)	11 519	363	1 329	(1 283)	5,0	(5,0)	755	(778)	0,15	(0,16)	34 724	6 747	297,5
Western Areas	12 578	393	(359)	11 572	362	992	(1 061)	3,9	(3,9)	154	(—)	0,17	(—)	(3 387)	1 747	(24,0)
RAND MINES																
Blyvoor	5 600	175	(184)	11 436	358	549	(515)	9,2	(9,2)	445	(429)	0,17	(0,17)	29 542	6 507	49,1
Durban Deep	10 840	341	(310)	11 663	367	559	(560)	3,8	(4,0)					1 737	829	(106,8)
ERPM	14 992	467	(410)	11 644	363	611	(635)	3,9	(4,3)					(8 067)	1 276	(254,5)
Harmony				11 594	365	1 927	(1 862)	4,0	(4,1)	1 668	(1 622)	0,09	(0,09)	34 470		43,1
INDEPENDENT																
South Rood			(614)				(52)		(2,5)							
Wit Nigel	12 265	381	(478)	11 667	363	78	(83)		(3,6)					(169)	1 240†	8,5

*Figures in parentheses refer to previous quarter
†Calculated at R1=$1 when dollar figure not given by mine
§Deliveries to Joint Metallurgical Scheme
‡Includes State assistance

Winkelhaak: Poor development sampling results of the past few quarters have, it seems, been reversed. The March quarter's recovery grade reduction is surprising, particularly as it was accompanied by a drop in mill throughput. Capital spending on the expansion programme is continuing and is well within the mine's profit generating capacity The programme will be completed next year, though the increase in mill throughput could be accompanied by some recovery grade deterioration Even so, the share remains among the soundest available.

Bracken: With almost complete depletion of the few remaining blocks of relatively high grade ore, the mine is in no position to respond to deteriorating gold prices Recovery grade probably has further to fall Though the mine's remaining life was put at four to five years in the last annual report and necessary capital spending is being incurred, gold's price performance must make the decision on closure or continuing operations something of a toss-up. The mine must increasingly be seen as a break-up proposition with the possibility of selling plant and equipment to one or other of the Gencor group's longer-life Evander mines.

Leslie: Development sampling continues to disclose pretty unattractive grades Like Bracken, Leslie is having to incur capital expenditure which is greatly affecting the generation of distributable profits. The life of the mine is probably greater than the eight years estimated in the last annual report. But unless gold starts to improve soon, they will not be particularly profitable years

Grootvlei: This year's capital spending will be relatively high as the programme to increase mill throughput and instal carbon in pulp recovery plant continues. Development sampling on the Black reef is limited compared with that on the Kimberley reef. But the grades being disclosed are most promising If these grades persist and there are large tonnages of the reef on the mine itself and the rights held on the old East Geduld and East Dagga properties, there could be something of a transformation of Grootvlei's grade prospects. The share remains one of the better speculative stocks available

Marievale: The operation's vulnerability to gold price weakness was clearly demonstrated in the March quarter. There is no point in expecting a continuation of underground operations much beyond the present quarter. The future lies in availability of ore from surface dumps

Wit Nigel: The mine's sharp reduction in unit costs to R44,90/t from R52,85/t in the December quarter should be no cause for relief It is part of the production cutbacks announced earlier this year and has been achieved by reducing development rates below those needed to maintain ore reserves. To put it another way, the mine is living off its development capital and could, fairly soon, reach a stage of rapid deterioration in mill tonnages. For the present, State aid is expected to make good any operating shortfalls in the year to end-June, so presumably the Government Mining Engineer is happy that the mine has a reasonable life expectancy once the present gold price trough is over Shareholders should not be quite so optimistic nor should they believe rumours that the mine is to be taken over

Jim Jones

Lucrative management contracts at stake

From JOHN MULCAHY

JOHANNESBURG — Last week's coup d'etat on East Daggafontein Mines by "foreign invaders" was orchestrated by the London stockbroker, James Capel and Company.

After tipping East Dagga as a good speculative buy some months ago, Capel is believed to have bought a large number of East Dagga shares for a small number of its clients.

Negotiations between these clients and Anglo-American were then initiated by Capel, and the complete change in the board of directors last week was the result.

The new chairman, a Swiss businessman, Mr Adolf Lundin, is said to have 510 000 shares, or 13,7 per cent of the company.

The most surprising aspect of the East Dagga coup was the fact that Anglo so placidly gave up its management contract.

While the East Dagga contract was not significant in the huge Anglo empire, this questions the durability of management contracts generally, and in theory opens the way for raids on other minory-controlled mines.

One Johannesburg broker said there was little doubt that events at East Dagga would have South African mining houses taking a careful look at their contracts, and those with loopholes would soon be tightened up.

In the ordinary course of events, mining houses holding about 20 per cent of a mine would feel quite confident about their control position.

The management contracts are a lucrative source of revenue for the houses, as they ensure a steady income flow independent of dividends from the mines.

It is impossible to put a figure to the amounts involved in management fees, but one widely accepted estimate is that mining house fees account for as much as 10 per cent of working costs.

Acquisition of control of a mine would be pointless without acquiring management control, and this must be a major factor militating against further bids for board control.

A study by a Johannesburg firm of stockbrokers earlier this year showed that in 1981 foreign ownership in South African gold mines totalled 39,87 per cent of issued share capital, and ten mines had foreign ownership in excess of 50 per cent.

A significant stumbling block to anyone attempting to stage a coup is, however, the lack of cohesion among outside shareholders.

While foreign shareholding in a particular mine may be over 50 per cent — this holding is usually spread among numerous shareholders.

However, if East Dagga is seen as a test case, the possibility of similar action at other mines cannot be ignored.

While East Dagga was probably not considered by Anglo to be worth a protracted battle for control, any advances made on a profitable operating mine are likely to be met with fierce opposition, and meanwhile contracts held by the mining houses will be under close scrutiny.

JEWELLERS AND GOLDSMITHS UNION

Year	Membership			
	African	Asian and Coloured	White	Total
1970				
1971				
1972				
1973		98	320	418 x
1974		28	294	322 x
1975		26	305	331 x
1976		21	201	222 x
1977		30	347	377 x

NEWS

R50-m gold plant now in production

By Wren Mast-Ingle

A R50-MILLION sand retreatment plant officially opened last week by former Rand Mines chairman Tony Petersen has created 350 jobs and will recover about 12 t of gold over the next five years.

The new plant at Crown Mines will treat 4,5 million tons of sand and slime a year At an average yield of 5 grams a ton this will yield between 200 and 250 kg of gold a month according to the general manager of Rand Mines Milling and Mining Company, Tom Brown

The operation, which will see the disappearance of one of Johannesburg's familiar landmarks — the dump on the confluence of the M1 and M2 motorways — will be undertaken in two phases with the help of two electric shovels which feed the sand into the plant by conveyor belt.

The slime will be monitored with the use of high pressure water guns and pumped into the plant which operates on a three-shift basis.

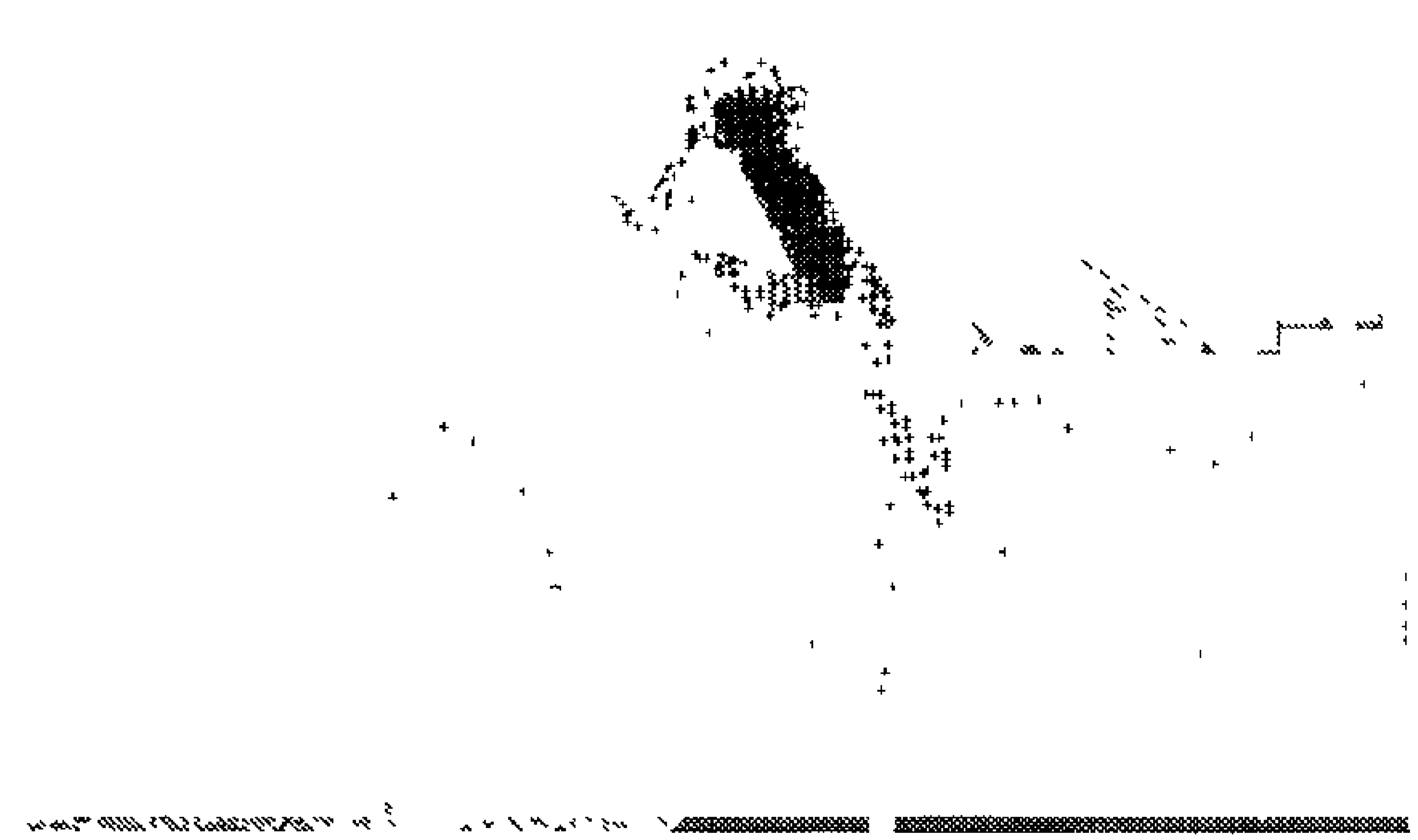
Brown points out that the sand retreatment programme has generated about 350 jobs and that many of the 280 Blacks are housed in a modern hostel on the property

Others have moved into a new housing scheme in Soweto

In addition, more than R1,5-million will be spent on controlling the environment and dust.

Sophisticated equipment has been set up at a number of observation stations in the Crown Mines area where a variety of measurements and samples are being taken on a weekly basis.

This programme started in January 1981," says Brown.



Electric power shovels load dump sand onto conveyor belts which transport it to the new Crown Mines' retreatment plant where gold, silver and iron pyrites are extracted.

Gold mines' capex slows

214

RDM 11/6/82

By JOHN MULCAHY

CAPITAL expenditure by gold mines slowed considerably in the March quarter, but spending was still well above that for the same period in 1981.

Figures from the Chamber of Mines show that gold and uranium-producing members of the chamber spent R276 689 000 in capital expenditure in the March quarter against R343 092 000 in the December quarter and R199 437 000 in the March 1981 quarter

Many mines decided to expand after the extraordinary gold prices received in 1980, and most of these projects began last year

The industry spent R1 222-million on capital projects in 1981, and although attention is now being directed at reducing capital expenditure at most mines, the reductions will probably be reflected in the June quarter's results, due early next month

Working profit for the industry fell 27,2% to R877 247 000 in the March quarter from R1 206-million in the previous quarter, and 30,8% from the working profit of R1 267-million earned in the March quarter last year

Dividend distributions show an even greater decline — from R326 329 352 in the three months to March last year to R172 861 975 in the March quarter this year

The chamber's figures show a 15,9% increase in average working costs over the year to R45,49 a ton milled in the March quarter from R39,26 in the first quarter of last year

Unit working costs averaged R44,52 a ton milled in the December quarter, and the rise to R45,49 in the following quarter was an annualised 8,7%

A pointer to the more difficult times faced by the gold mines in recent months is the level of State aid granted

In the March 1981 quarter State aid amounted to R3 315 000, and more than doubled to R7 092 000 in the March quarter this year State aid reached R8 413 000 in the December quarter

Tax has also suffered from the gold price slump, and in the March quarter this year tax and State's share of profit was R384 563 000 compared with R470 861 000 in the December quarter and R637 878 000 in the March 1981 quarter

West Rand Cons to lose State aid

(214)

RDM 22/6/82

By ADAM PAYNE

WEST Rand Consolidated gold mine, which has been a gold producer since 1908, will lose its State aid from January next year and is threatened with closure if the gold price continues to slide

State aid is being terminated by the Government because of the mine's loss-making situation, its low grade and its short life expectancy

About 3 100 black mineworkers and 420 whites will be displaced but every effort will be made by the controlling group, Gencor, to find employment for these men and the prospects of doing so are favourable

State aid in the past four quarters has totalled more than R13-million

The mine will cut production from 177 000 tons a month to about 70 000 tons a month, depending on the profitability of the ore

Several shafts will be closed and production will be centred on the most modern reduction works — the West plant.

Gold Fields Properties, which has a profit-sharing agreement with West Rand Cons covering the exploitation of Luipaardsvlei mining area, will be affected because a lower tonnage of ore will be mined from Luipaardsvlei

However, the Luipaardsvlei venture has yet to produce profits because of the assessed loss incurred in re-equipping the underground workings

West Rand Cons is the first mine in recent years to have its State aid cut, although Wit Nigel has suffered because the arrangements for payment of its aid have been changed and it is threatened with closure

Other mines receiving aid at present such as ERPM, Durban Deep, Venterspost and Loraine are unlikely to suffer the same fate as West Rand Cons because of their better grades and longer life expectancies

Gencor recalls that the chairman of West Rand Cons, Mr Johann Fritz, warned shareholders three months ago that the future of the mine should be viewed with the utmost caution because of the combination of the low gold price, the unadvoidably low recovery grade, financial sensitivity and particularly the mine's dependence on State aid.

Mr Fritz told me yesterday "Although the withdrawal of State aid will not be effective until January next, we shall start immediately on cutting back production

"The mine's future will depend on the gold price so it is difficult to predict whether it will be able to continue operations indefinitely

"We stopped uranium production last August and are concentrating now on gold

"When uranium production was stopped men were displaced but we were able to find employment for most of them in the group

"There is a 6% shortage of white skilled workers and miners in the industry and a high turnover of black mineworkers, so we are optimistic about finding alternative employment for displaced workers"

Asked if the mine would be permanently lost if forced to stop operations because of a further fall in the gold price, Mr Fritz said it would be difficult to keep it on a care-and-maintenance basis because of the pumping problem

"However, in the past in similar cases the Government has assisted in pumping and we are investigating that possibility

"Studies show that the processing of the sands dump remains promising and arrangements to treat the dump will start as soon as economic conditions become profitable

"However, the grade is low and the economics of the project will be marginal With the gold price declining as fast as it has done recently the project could become unprofitable.

"Surplus assets will be sold but these will not be of great significance because in these days of slump in the mining industry people are not looking for second-hand equipment"

West Rand Cons which has been receiving State aid for more than 10 years, has been fighting for its existence since the gold price declined to low levels in the second half of last year

In the September quarter it showed a loss before tax and State aid of R3 494 000 but the aid changed this to a paltry profit of R51 000

It fared better in the December quarter with a profit of R2 541 000 after aid of R2 576 000 and in the March quarter this year it incurred a loss of R1 436 000 after State aid of R2 451 000

Many mines now running at big loss

214 Star 23/6/82

The fall in the gold price yesterday to the lowest in 34 months and below 300 dollars an ounce has dealt another blow to the national mining industry

It means more than a quarter of the 47 mines are now operating at a loss according to gold share analysts

RECESSION

The prospects for the producers, who account for almost 70 percent of the non-communist world's gold output, are gloomy and many mines will have to consider closure should the price not rise in the next six months the analysts said

Gold has become a victim of the current world economic climate in which the dollar has attracted money from many quarters because of the firmness of US interest rates, while world inflation is generally declining at a time of recession

After a temporary boost from the Falklands crisis and the recent fighting in Lebanon, the bullion price is on a downward path because few investors see a need to hedge against uncertainty by holding a commodity that pays no interest

Since hitting a record 850 dollars in January, 1980 gold has fallen steadily, except for occasional limited rallies It was slightly below 400 dollars at the start of this year, closed last week at 307,5 dollars and was fixed in London yesterday at 297

The average break-even price for the national industry stands at 213 dollars, given current exchange rates, but 13 mines now have costs exceeding that level

The worst of these is West Rand Consolidated Mines, with a current break-even price of 554 dollars, and analysts speculate that the mine may not be able to continue much longer

The position is being viewed with great concern by the mining industry but it is not entirely new Last year 12 mines, accounting for 60 percent of South African gold output, operated below the average break-even for the year of 211 dollars, the analysts said

STATE COFFERS

Six mines are already making use of financial aid from the Government but, with State coffers already stretched to their limit because of the country's worsening trade deficit and internal economic recession, many applications for help in the coming months may well be refused

The Government expects to receive only R960 million from gold mine taxes in 1982-83, after R2 200 million in 1981-82 and R3,630 million in 1980-81

To be eligible for state aid a mine has to prove that it has a life of at least eight years

Several of the marginal producers, notably Marievale Consolidated Mines, will have exhausted their resources within eight years and because of the low gold price could be forced to close prematurely without additional financing

Another option open to some mines is to merge with more profitable neighbours but, in most cases, this step would have more drawbacks than advantages, analysts said

The mines were also under pressure last year because of the deteriorating gold price but much of this was offset by the depreciation of the rand against the dollar

The average London gold fix fell from 519 dollars in the first quarter of 1981 to 421 dollars in the fourth, but the rand receipts by the gold mines rose to R13 200 a kilogram in the December quarter from R13 100 in the first three months

This year the rand has continued to deteriorate, to yesterday's 87 9 US cents from 1,03 dollars at the beginning of 1982 and compared with 1,35 dollars at the start of 1981, but this time it has been outpaced by the fall in the gold price

PRICE OUTLOOK

The immediate price outlook for the mines is not encouraging Analysts and dealers polled in London say that the price looks set to drift down to perhaps 250 dollars or less, sharing the weakness of other precious metals, until a mild economic recovery begins in the US this year — Reuter

WR Cons cuts operations

West Rand Consolidated Mines, having been advised that from January 1 next it will no longer be classified as a state-assisted mine, yesterday announced an all-round curtailment of gold mining operations

In a statement, Gencor says that in an effort not to place the mineral resources of the company in jeopardy, the mine will

- Reduce underground operations to treat about 70 000 tons a month in the West Plant
- Arrange to treat sand dumps as soon as economic conditions become favourable
- Dispose of surplus assets
- Find alternative employment for all employees who may become redundant — Sapa

Gold price affects jobs of thousands

(214) Star 22/6/82

By Staff Reporters

At least 12 gold mines employing a total of about 100 000 workers are being threatened with the world price of gold hovering around 300 dollars an ounce

The first mine to suffer was West Rand Consolidated, where Gencor has ordered immediate 'cutbacks' in production.

Both the Anglo American Corporation and Anglovaal are also being forced to review the problems being encountered at marginal mines Observers said action at West Rand Cons had been inevitable because of production costs soaring as high as 500 dollars for every ounce mined

However, a Chamber of Mines official underlined there was no immediate threat to all 12 marginal mines. Cutbacks were likely here and there but there was no suggestion of wholesale closures because of State assistance programmes.

"Problems are arising but there is no cause for panic in every one of the mines," he said

A statement from West Rand Consolidated did not reveal the precise number of miners involved but made plain that there may be redundancies

In addition to any redundancies, about 3 340 employees would have to be placed elsewhere in the group.

Mr J C Fritz, chief executive of Gencor's gold and uranium division, said that shareholders had already been warned in the March annual report that the future of the mine "should be viewed with the utmost caution."

As a result of the low gold price and high level of State assistance, State assistance will be withdrawn from January Underground operations will be reduced to treat about 70 000 tons a month with the throughput [illegible]termined by the profitability of the ore

ERPM, Elandsrand, Bracken, Leslie, Deelkraal, Marievale, Venterspost, Wit Nigel, Western Areas, Village, Loraine, Durban Deep all operate with working costs higher than 300 dollars an ounce

These mines represent more than a third of the 35 operating gold mines which are members of the Chamber of Mines

Six mines are already making use of financial aid from Government but many applications for help may be refused in the coming months as the economic recession worsens

To be eligible for State aid a mine has to prove that it has a life of at least eight years

At 300 dollars an ounce, the gold price is now at its lowest since August 1979 and is little more than a third as high as the peak it touched in 1981.

● See Page 21.

Analysts' fall confidence in mine managers

Star 23/6/82 (214)

By Mervyn Harris

If the gold price remained for one year at its current level of 300 dollars an ounce, 22 mines would not be making a profit, says a group of mining analysts

They say that some of the 22 mines would be able to correct their position within the present economic framework.

Others would not have the means to do so However, provided the downturn in the gold price was not too long, it would not be damaging for these mines.

COLLEAGUES

The group is headed by Mr Cyril Heever, a former mine manager who runs a firm providing technical advice for mines and financial institutions.

With his colleagues Mr Brian Spratley, a mining engineer, and Mr Andrew Phillips, a mining geologist, Mr Heever has prepared a comprehensive study on the performance, earnings and potential of gold shares quoted on the Johannesburg Stock Exchange.

LABOUR DECLINE

"We do not expect mines to reduce staff They will allow natural wastage to take place and concentrate labour in areas which give a good return," said Mr Heever

He estimated that natural wastage could result in a decline in labour of about 10 percent

People must credit mine managers with some intelligence Mining is not a game in which you can implement quick decisions.

"Mine management will adjust to current conditions by improving capital expenditure and working costs

"Capital will be trimmed where it is not likely to affect the future of mines This is likely to be in excavation, shaftsinking and orders for machinery

"One danger of closing mines is that it is more expensive to reopen an existing mine than to start a mine"

Mr Heever said that the effects of the lower gold price were already being felt by industry, particularly firms supplying items of a capital nature

"Industrial firms connected to the mining industry are in a precarious position in relation to their continued existence

"They are being hit by high interest rates and low turnover which results in poor cash flows"

PREDICTION

Mr Heever is predicting that the bottom of gold would be about 280 dollars and the top-side over the next year would be not higher than 400 dollars

"People are now relating the gold price more to economic factors than to political events or disasters"

'Utmost faith' of two major mining houses

By David Braun

Anglo American and Anglovaal, two major mining houses, said today they had "utmost faith" in gold and were confident that the price would rebound soon

"Anglo is constantly looking at capital-expenditure programmes and we have to look most carefully at low-grade areas, but we do not believe the gold price will stay at these levels," said an Anglo spokesman

NO DOUBTS

Anglovaal, through its spokesman, said it had no doubts that in due course the price of the metal would rebound

"The Government is clearly taking the correct action in allowing the rand to drop against the dollar which, in any event, is probably overvalued in that South Africa's inflation rate is nearly three times that of the US

"The devaluation of the rand therefore has the effect of cushioning the drop in the price of gold in rand-a-kilogram terms"

Anglovaal said it was not impossible that in the short term some mines would be caught in a working cost-gold price relationship squeeze

Mr Ian Lamont, chairman of the Joint Assocom/JCC Economic Affairs Committee, said that there might be a limit as to how far the Government would let the rand devalue The steady fall of the rand was highly inflationary If it was allowed to go too low it could cause more serious problems

A likely solution would be to increase General Sales Tax to make up for the loss of revenue from the mines

Mr Lamont said that the gold price would start to become a big problem if it dipped below R300 an ounce (at the moment it is well above R300 because of the strong dollar)

At the R300 level about 13 mines would not be able to make a profit If gold fell to R275 another seven mines would join the list These seven would include major producers such as Randfontein, Free State Geduld, Stilfontein and Harmony

ANNUAL OUTPUT

At R300 18 million ounces of South Africa's total annual 21 million ounce gold production would be profitable At R250 only 14 million ounces would be profitable, meaning four million ounces would become unprofitable to mine.

Star 23/6/82

(214)

Mines' future in the balance

By Pieter de Vos

As the price of bullion hovers around the 300-dollar an ounce mark, the future of many South African mines seems to be in the balance

Expansion is being heavily cut as the mines, with capital expenditure of about R3 600 million planned for this decade, revise their programmes

In about three weeks the quarterly results of the big mining groups — Anglo American, Anglo-vaal, Gencor, JCI, Rand Mines and Gold Fields — are expected to reveal the impact of the bullion price drop

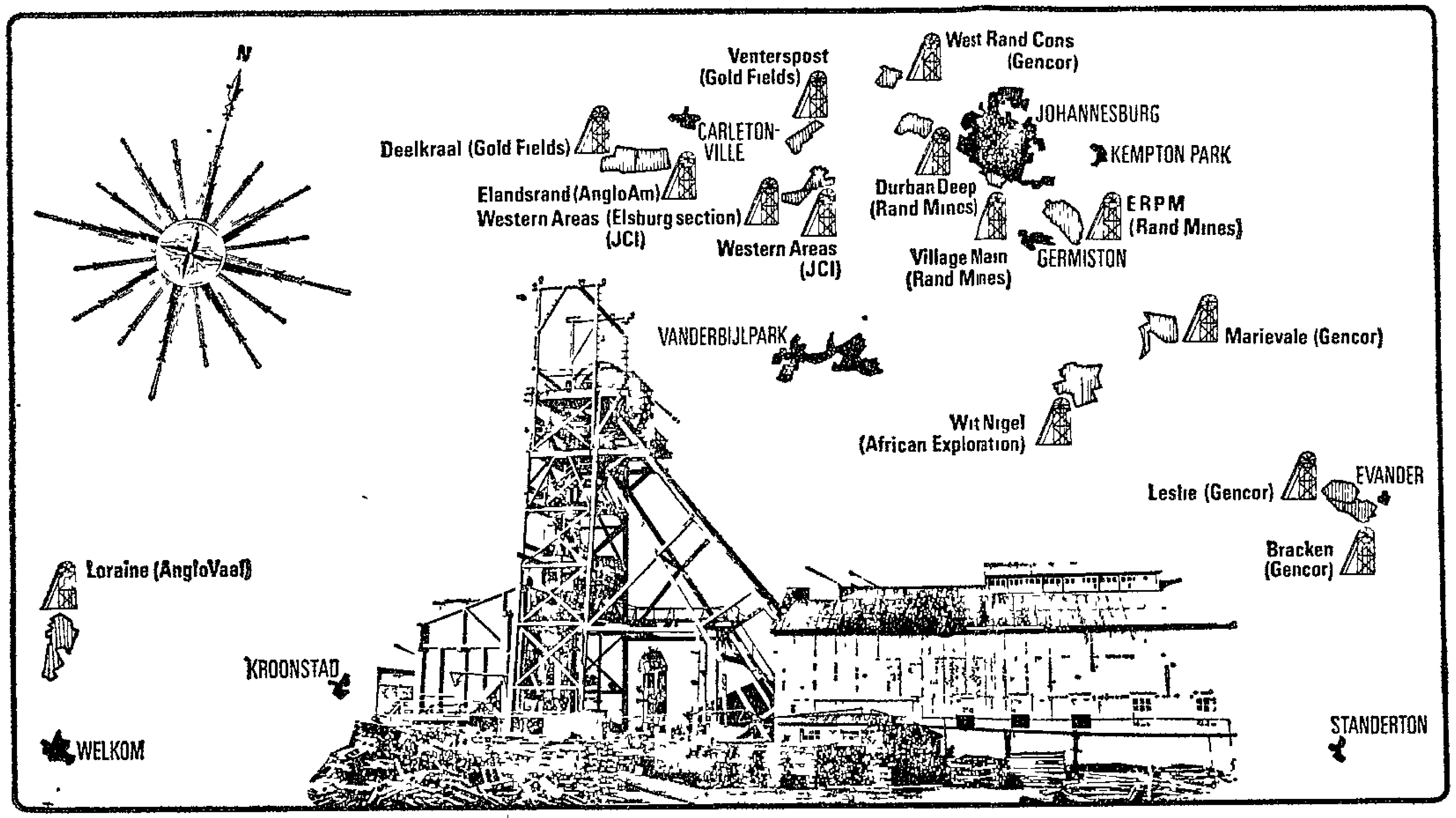
Looking to the future, announcements on further cutbacks in capital expansion are expected from all

The annual address of the president of the Chamber of Mines next Tuesday is another event which features prominently on the agenda of investors

Fears are that the announcement by Gencor's West Rand Consolidated, a gold producer since 1908, of the loss of State aid may be followed by others if gold stays below 300 dollars for a prolonged period

Closure of WR Cons seems unavoidable if the gold price continues its slide

The operating costs of another 13 member-mines of the Chamber of Mines are in excess of 300 dollars an ounce — Harmony, Durban Deep, ERPM, Loraine, Village Main, Wit Nigel, Deelkraal, Venterspost, Elandsrand, Bracken, Leslie, Marievale and Western Areas.



The unlucky 13 gold mines which are now running at a loss with the world gold price hovering at 300 dollars an ounce West Rand Consolidated has already announced production and job cutbacks Others may follow suit unless the price lifts.

Swing of gold pendulum is key

However, gold mine managements continuously amend plans, increasing or reducing output, and adjust capital expenditure on bases ranging from day-to-day to year-on-year

Public reaction is far more pronounced when the 300 dollar mark is broken

But, it is pointed out, many mines have been operating at cost levels well above 300 dollars for some time now

West Rand Consolidated produced gold at a cost of about 545 dollars an ounce in the March quarter

Two mines — ERPM and Elandsrand — are operating at levels in excess of 400 dollars

The immediate outlook for Elandsrand may pose problems for its management, but there is hope of better values at greater depth, analysts say.

ERPM's life is sharply reduced at any gold price below 450 dollars, they add

ERPM, which is in the Rand Mines stable, postponed most of its R300 million modernisation programme in March this year.

The programme, announced in August 1980, was based on a gold price of 600 dollars an ounce (not taking inflation into account) between 1981 and 1985

However, the rand was exceptionally strong against the dollar then Owing to the weakening of the rand, today a gold price of about 450 dollars would give the mine an equivalent income

ERPM as well as Durban Deep, Leslie, Loraine, Venterspost, Stilfontein and ET Consolidated are currently listed as State-assisted East Rand producer Wit Nigel was the first victim of the gold price slump when it announced it would curtail operations in February

JCI's Western Areas may also have to adjust mining policy drastically at current prices An announcement is expected shortly by mining analysts.

Inflation has drastically altered the outlook of many mines in the past 10 years

Till the end of the 60s, or over a period of 40 years, the price of gold was kept at 35 dollars Yet even at that price, the gold mining industry flourished But mining costs have shown even sharper rises than the average rate of inflation

Mining at ever-deeper levels and exceptionally sharp wage rises in the 70s as a result of the increasing employment of South African labourers, were two prominent factors behind the cost increase.

Prospects of relief in the near future seem dim

But with the expertise of many years behind them, mine managements should substantially soften the blow for their shareholders and employees

Krugersdorp to prosper

By Margaret Floyd
West Rand Bureau

Krugersdorp leaders are confident their town will continue to thrive in spite of curtailed operations at the West Rand Consolidate mine

The Chamber of Commerce president, Mr H J R de Villiers, said yesterday Krugersdorp did not depend on the mine for its existence

"Mines have recently not played a very large role in the progress of the town We have industries providing work and a large rural community which spends on the town," he said

Mr de Villiers said property was still available in the area at reasonable prices. Krugersdorp had good rail links and many residents travelled to work in other towns and Johannesburg.

CONFIDENCE

Declining mining and loss of workers at West Rand Consolidated would have a short-term effect on the town but long-term progress would not be affected

"Business people should not be unduly influenced by developments at the mine and should look to the future with confidence," Mr de Villiers said.

He was confident the gold price would eventually recover

The town clerk, Mr Kobus Nieuwoudt said a cut in the economy locally could be expected initially but there would be no real detrimental effect

LOSS

Mr Nieuwoudt said less than 10 percent of the town's population worked on the mine and the loss of some would not seriously affect trade

Krugersdorp had weathered the closing of two other gold mines — the Chamdor and the Luipaardsvlei mines

But the handful of traders on the mine property who depend on black mineworkers were less optimistic

Mr Gary Sandler, who runs a general trading store started by his father 20 years ago, said the cut would be a setback for his business.

WORSEN

"We have suffered a 25 percent loss in trade since 4 000 black mineworkers left last September Now our position will worsen," he said

Some mine employees said they were sure of being transferred to other mines if they were retrenched.

Gencor has said that about 3 000 black mineworkers and 420 whites will be displaced and every effort will be made to find jobs for them in the industry

Ergo to spend R53m

214

RDM 25/6/82

By JOHN MULCAHY

ANGLO'S East Rand Gold and Uranium Company (Ergo) will spend R53 400 000 on capital works in the year ending March 31, 1983, chairman Mr Harry Oppenheimer says in the annual report.

Of this sum, R21 400 000 will be spent at Ergo itself, mainly on providing pump stations and pipelines to reclaim Sallies No 1 dam and the Brakpan, Government Areas and Modder East dams.

The Simmer and Jack project, now dubbed Simmergo, is scheduled to come into operation during the year, and will absorb a total of R32-million, of which R27 500 000 will be spent on the plant, R3 300 000 on mining operations and R1 200 000 on housing.

Mr Oppenheimer says good progress was made during the past year on Simmergo — a project to erect a 150 000 tons a month plant for the retreatment of reclaimed sand dump material and to exploit underground ore reserves at Simmer and Jack mine

"It is estimated that the plant will be commissioned and mining of the Kimberley reef will begin early in 1983"

Ergo will borrow about R17 100 000 from Anglo and its associates, as they are financing the after-tax cost of Simmergo.

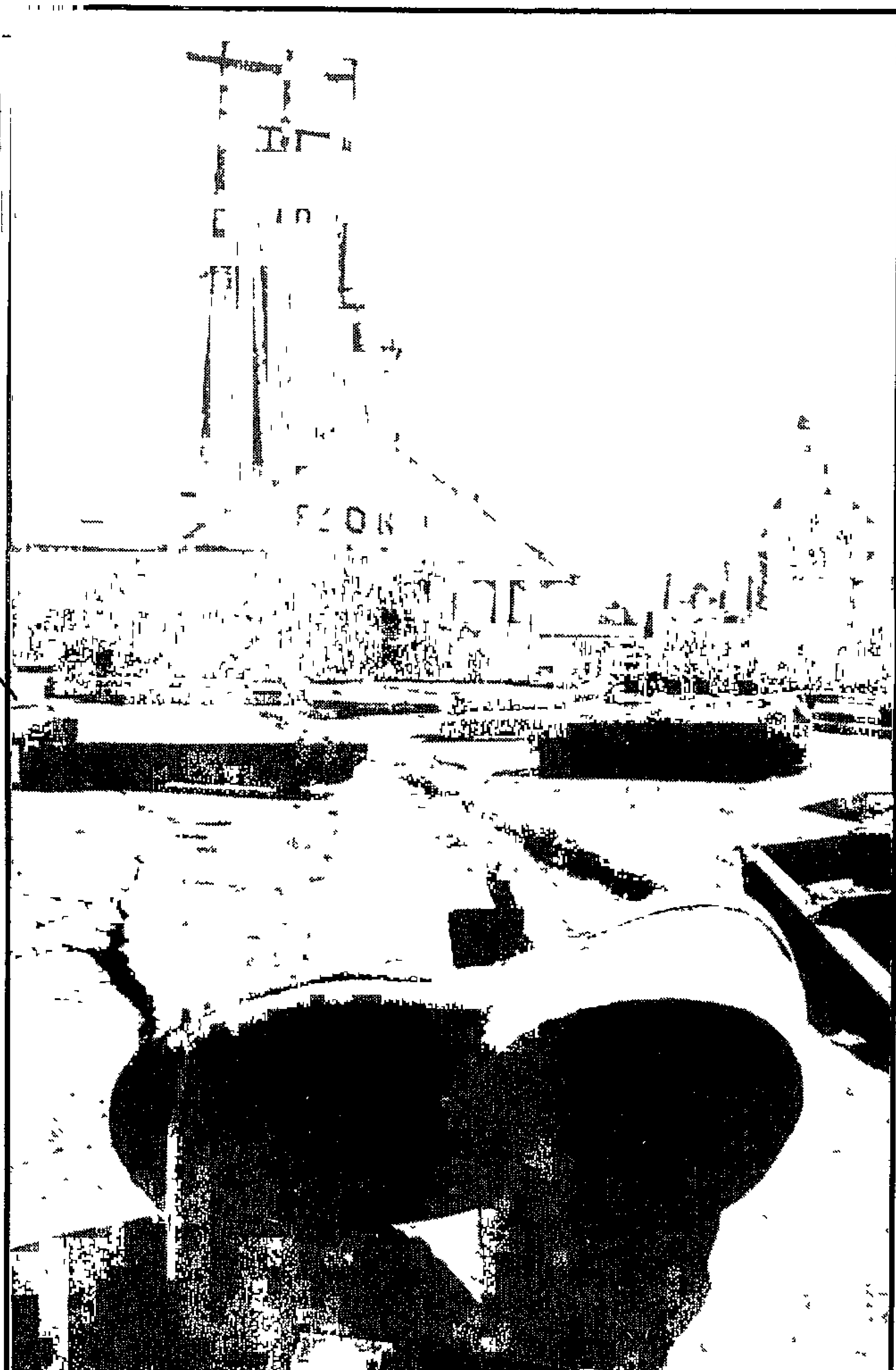
At the end of March Ergo had loans totalling R29 097 000 outstanding to Anglo, compared with R37 761 000 a year earlier, while cash on hand was R8 000 (R5 000)

Mr Oppenheimer says that with the exhaustion of the dams in the Springs area, material will be drawn from dams further to the north, which have a lower average grade, "but this is likely to occur only towards the end of the year"

Ergo's gold output this year is expected to be maintained at 6 000 kg, acid production will increase to a record 500 000 tons from 480 456 tons last year and uranium production will drop to 250 tons from 296 tons.

Mr Oppenheimer is still confident on the long-term outlook for gold, although he believes the recovery will be slow.

"In the short-term much will depend on prevailing interest rates and the state of the Western economies as improved economic conditions would strengthen jewellery demand and also encourage greater demand for gold in other industrial sectors"



● A miner's boot, abandoned at the disused Flora Shaft at West Rand Cons, is eloquent testimony to the dying mine

Picture by DENIS FARRELL

The glow is gone — and things fall apart

WEST Rand Cons, established in 1908, and perhaps the best known landmark to all who live on the burgeoning West Rand, may be remembered in time as just that

A landmark — a mine that was as good as its last bar of gold

Flora Shaft at the doomed West Rand Cons was deathly quiet this week — a far cry from the activity of only a year ago when the ground shook with the thunderous, crashing roar of mine surface workings

But now there is only grass and khakibos, browned by winter frost, encroaching on the gravelled sweep of the car park

The buildings — once sparkling cream with grass-green roofs — are beginning to fall apart, rain-smeared and red with dust Doors swing open into empty offices where yellowing diagrams of the mine workings and a duty roster for the last week of the shaft's life are still tacked to the walls

There is the deritus of sudden departures — a discarded miner's boot, a bright orange helmet, a stack of office furniture all the not-worth-taking-away flotsam and jetsam of the lives of the miners who once worked there in their thousands

Above the ruin of the workings brood the great superstructure of the shaft — where birds perch on the stilled-for-ever conveyor belts — and the mine dump

A small animal — a field-mouse, perhaps — skips down the dump, displacing a small avalanche of green-tinged pebbles

Surplus assets will be disposed of, said the management, and the sand dumps "treated (to recover gold and uranium) as soon as economic conditions become favourable"

But the big rock dump will probably be there for ever, even if factories and houses rise round it Grass and trees will grow on it and the little animals will come back to reclaim the patch of veld where they lived until their tenure was interrupted by the sinking of the shaft almost three-quarters of a century ago

The mine 'village' where most of West Rand Cons' 600-plus white miners live is an attractive settlement of sturdy red-brick houses and double-storey blocks of flats standing in neat gardens on tree-lined, curving streets

"This is a real community — many of us grew up here because our fathers and even our grandfathers worked on the mine," a miner's wife told us

Several miners' wives welcomed us warmly and invited us in for a cup of tea or a drink in some cases their husbands were at home, having just come off shift

They, too, spoke freely to us — on condition that their names were not used

So here are case-histories of three West Rand Cons miners and their families, who have not been identified

● Conrad and Aletta X are in their mid-30s, with three children of whom one is not yet at school

They live in one of the bigger mine houses, which is expensively furnished with newly-laid flowered carpets and a velvet-covered suite in the lounge, a TV and music centre In the yard is a caravan

Conrad has been a miner for 17 years on leaving school he spent a year in a government department and then came to the mine, where his father worked until recently

He is desperately worried but he does not resent the mining company's decision to curtail operations

"You can't blame the bosses if the price of gold drops they have to do what they think best," he said

"But what is going to happen to me? I don't know if they'll keep me on or if I'll have to move

"I pay R800 a month in income tax Where will I earn anything like that if the mine can't relocate me?"

This would put him in the rare R36 000 a year bracket but it includes the income of his wife who is a medical secretary

"I'm a miner and I'm not trained to do anything else. I'll have to go back to the Government department and start training again from scratch But at least I'm young enough The men I'm really sorry for are the 50-year-olds who can't be retrained"

His wife Aletta was even more outspoken

"Things have come to a pretty pass when a man who has spent eight hours underground lies awake at night worrying," she said

"I've never known my husband like this before He forgets things It's affecting me, too — I can't think rationally any more And my teenage daughter is afraid she'll fail her exams because the worry is getting through to her"

● Another family live in a smaller, red-brick house for which they pay only R10 a month rent water and electricity are free

Tom, a sturdy, bearded man in his late 20s who has been a miner for 12 years, admitted that he had financial problems because he had "relocated" twice in the past two years

"I was just getting into the clear when this happened I don't blame the company — but the mine management could have handled things better

"I went on shift at 6am today and when I came up at 4pm there were the mine captains standing shaking hands and saying goodbye to people coming off shift That was the first we knew that 23 levels — the section I work in — had been closed today

"There were seven white miners and about 500 blacks on those levels what's going to happen to them? The chaps were saying in the changerooms that this man and that man had been told there were other jobs for them but that others were going to have to leave

"Will they suddenly close the level I'm working on — and if they do what will happen to me?

His wife, who grew up on the mine as well, said sadly

Where will we find somewhere to live? This has always been my home — I'll cry my eyes out if we have to leave"

● At another house we found Mrs Z — her husband was not yet home — helping her children with their homework at the kitchen table

Her husband was an artisan, she said, so she was not as worried as other wives to whom we had spoken

"But it's very disturbing — there are so many rumours flying around Some people are saying the mine will close altogether in December," she said

"My main worry is the children — they are doing very well at school and I would hate to move them"

Gold group's manager sounds a jobs warning

WEST Rand Cons miners who lost their jobs could not be blamed for fearing that they would not be able to get others in the the Gencor group, Mr Johann Fritz, manager of the group's gold and uranium division, said this week

"Things are much more difficult than we would like them to be," he warned The mine is to lose R13-million in Government aid

"We shall do our best to place all our people — but I wouldn't like to guarantee that If there's only one man we can't place, it means we have not fulfilled the guarantee

"I don't like making promises There's a Dutch proverb — 'A promise made and then broken is worse than theft'"

West Rand Cons employs 607 whites and about 5 750 blacks at present, he said

"The cutback in operations means that we shall be trying to relocate about 240 whites and 3 000 blacks

"I have a lot of confidence that we shall be able to look after our own people Good workers will have no difficulty at all, but we must face the fact that some people are not easy to help Quite often a man will refuse the job offered him

Mr Fritz said the 3 000 black miners who would be displaced at West Rand Cons represented only about 4% of the gold and uranium division's total black workforce of 80 000

"There is a very big turnover, with only 60% of our black miners signing on again after their contracts have expired"

"However, most miners go home for a three-month 'rest' period between contracts, and there is a slight possibility that West Rand Cons miners could displace some of those 'resting' at present.

SUNDAY EXPRESS June 27 1982

PORTRAIT OF A DYING GOLD MINE

BLACK Monday hit South Africa like a rockburst this week when the price of gold dropped to below $300 an ounce — its lowest price in 34 months. It means that 13 of the nation's 47 mines are now operating at a loss. Six are struggling to survive with Government assistance but this will soon be cut off.

The Sunday Express visited one of the hardest hit mines — West Rand Consolidated — and spoke to many of the miners and their families who may be retrenched or transferred to other mines because of production cuts.

JEAN LE MAY paints the . . .

There's more than money behind the wages dispute

By JEAN LE MAY
Political Reporter

THE row between the Chamber of Mines and the Council of Mining Unions — which led to a deadlock in pay talks this week — is not entirely about money: it has undertones of politics.

The political background to the dispute became evident when several miners interviewed by the Sunday Express took the racially-biased approach to black miners held by the Herstigte Nasionale Party and the Conservative Party

White miners suspect that the chamber is taking a hard line in the current pay talks with white mining unions "so that they can get rid of white miners and put blacks in their places", said a member of the biggest mining union, the 15 000-strong Mine Workers' Union.

He was referring to the chamber's view — given in evidence to the Wiehahn Commisssion — that blacks should be allowed to obtain blasting certificates

This would mean that they could eventually replace whites in the mines because the possession of blasting certificates is presently reserved for whites

"It's all a bloody bluff Why is the chamber saying whites will become 'redundant' if a few mines are forced to close? The Wiehahn Commission found there was a shortage of white miners," said the MWU member

"Why not use the 'redundant' white miners to make up the shortage?"

MWU members interviewed refused to allow their names to be used, claiming they feared retaliation by employers

But they made no secret of the fact that they were in a militant mood, bitter and resentful of what they called the "high-handed and inconsistent" approach of the chamber

About 22 000 white miners could be on strike by this time next month if the majority of them say "yes" in a strike ballot called by the Council of Mining Unions this week.

Notices announcing the ballot would be posted at every shaft by tomorrow, a spokesman for the MWU told me yesterday

The decision to ballot was made after the breakdown of pay talks between the chamber — which represents the employers — and the eight unions of the CMU.

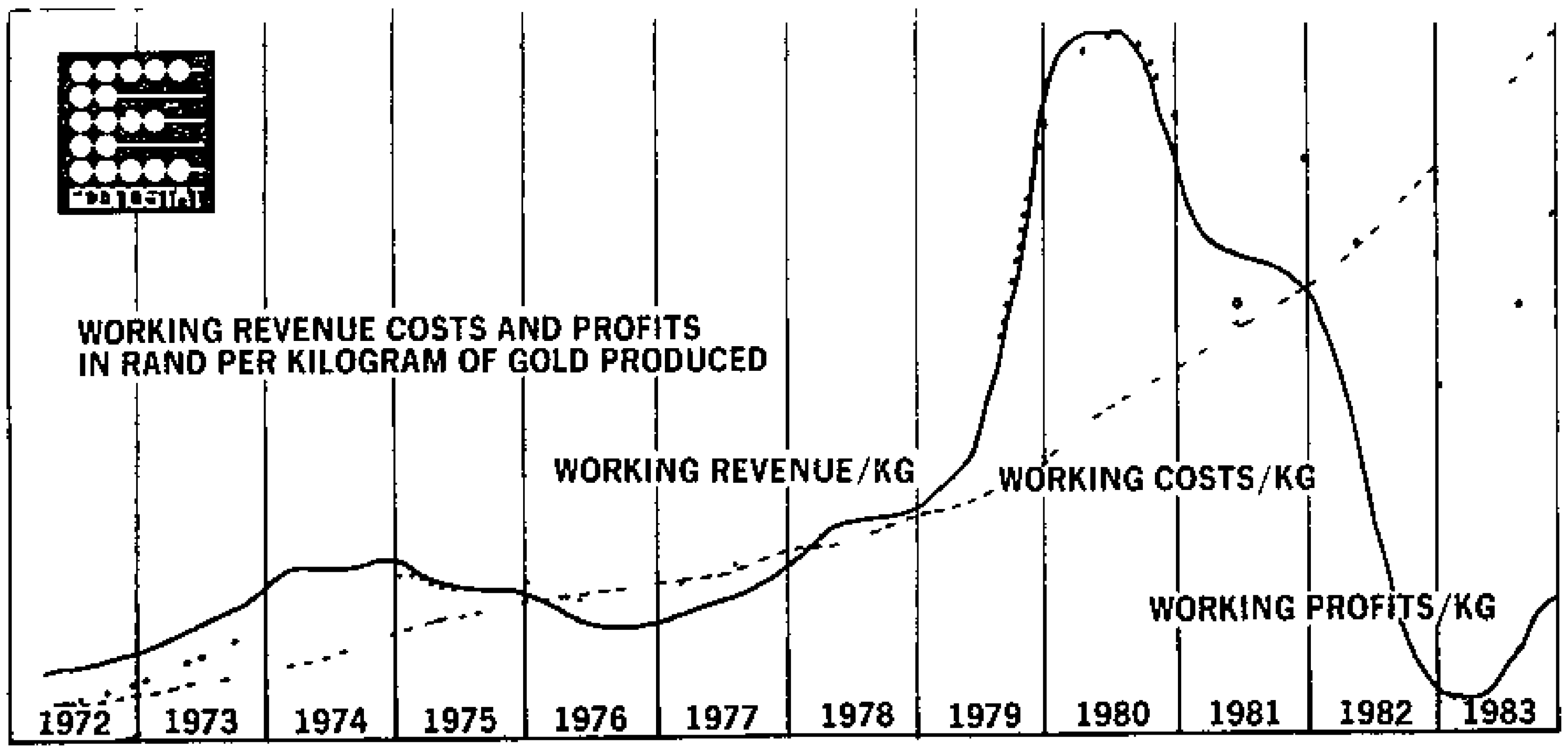
The chamber earlier refused a CMU offer to take the dispute to arbitration, which is an intermediate step in most labour disputes

At conciliation board talks in Johannesburg this week the chamber increased the employers' initial offer of a 3% increase to 8,5% of basic pay which, they said, they would raise to 9% if the unions agreed to forgo an earlier offer of an 0,5% increase on shift allowances.

But the CMU is holding out for 15%, having dropped its initial demand for a 16% increase

A chamber spokesman said: "There are 12 gold mines where working costs are higher than the price of gold

"Working costs have increased 75% between 1975 and 1981 compared with a national inflation rate of 65%."



Gold: What future?

214

S Times 27/6/82

By John Spira

DURING the next 12 months, gold-mining profits will decline to levels experienced in the mid-1970s

Thereafter, however, they can be expected to improve off a low base

This is the message to emerge from a study of gold-mining profitability which has just been completed by Econostat, the Johannesburg-based applied economics research unit

According to Econostat, gold-mining working profits have risen in tandem with the gold price — from almost R300-million in 1970 to about R4 400-million last year

Their contribution to the net operating profits of all South African companies in 1981 was about 30%

The strategic role of gold-mining profits, Econostat continues, is not, however, fully reflected by this figure because

- Capital expenditure, which comprised about 25% of working profits in 1981, is financed almost exclusively by internal funds
- Substantial amounts are diverted to the industrial and other sectors via dividends received by the mining houses
- The gold mines are a major source of revenue for the Government During 1981, tax and lease payments by gold mines amounted to 19% of the total receipts of the Exchequer — borrowings excluded

"For these reasons, cyclical fluctuations in gold-mining profitability are of major significance to the South African economy"

The good news is that, because of the expected movement in the gold price and the rand/dollar exchange rate, Econostat expects working revenue per kilogram to reach a major cyclical trough by the end of 1982

At the same time, working costs per kilogram will rise steadily, though at a lower rate

"The consequence of these divergent movements in the price of gold and production costs will be a severe decline in gold-mining profits — especially during the 1982-83 year"

This, says Econostat, can be expected to have a markedly adverse impact on capital expenditure and dividends, as well as on tax and lease payments This, in turn, will cloud the prospects for

- Those engineering industries supplying the mines with capital equipment
- The stock exchange
- The fiscus, to which the gold-mining industry is a major source of revenue

Econostat bases its conclusions upon the following

- The prospect of a decline in gold production over the next two years
- A 20% decrease in the rand price of gold during 1982 and a small rise in 1983
- A decline in working revenue of about 20% in 1982 and little change in 1983
- Although the rate of increase in gold-mining unit working costs has exceeded the inflation rate in the long run, unit working costs are likely to rise at a slower rate during the next 12 months, with the expected decline in the inflation rate proving beneficial
- The profit squeeze will force the industry to emphasise cost control and only relatively small wage increases will take place
- With the substantial increase in black wages in the early 1970s and the continued narrowing of the racial earnings differential, black labour costs have become a major factor determining working costs They accounted for 25% to 30% of total working costs in 1981
- The decline in industry profits will lead to strong declines in tax and lease payments, capital expenditure and dividends

The accompanying graph shows that, while working costs per kilogram have risen steadily, working revenue per kilogram has fluctuated with the gold price

Working profit per kilogram has therefore moved in sympathy with working revenue per kilogram

The 20% decline in the rand price of gold foreseen by Econostat for 1982, coupled with an approximate 15% increase in working costs per kilogram, points to a severe squeeze on profits

"The mines may be able to increase their yield, but profits can nevertheless be expected to decline to the levels of those experienced in the mid-1970s"

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An abandoned shaft at West Rand Consolidated Mine. State aid was withdrawn this week and the mine will be run by a skeleton staff

It's time to leave, says Hennie

2/4

2/1

S Tribune 27/6/82

Tribune Reporter

THE industry is dying, says one of the 550 miners who face redundancy because of the end of State aid to the West Rand Consolidated Mine near Krugersdorp

Hennie Boshoff, by trade a carpenter, has been working underground in the mines for seven years He is proud of his loyalty to his employers and describes with gusto how he "pit-crawled" to work to avoid pickets during the wildcat mining strike of 1979

Although Gencor, which owns WRC, will try to place as many of the miners in other mines as possible Mr Boshoff plans to leave mining whatever happens.

"This week I worked the final shift in the Monarch Shaft, which has now been closed Even if I do get a transfer to one of the other mines, what is the use? The industry is dying.

"It is likely that as soon as I arrive at a new mine they will have cutbacks there — and it always the new guys who get the chop.

"Some of my pals have just resigned. They can't stand the uncertainty of not knowing whether they will get another position or whether they are going to be made redundant.

"I am going to look around for a job in the private sector, perhaps go back to Iscor, where I was an appie Now that there is no longer overtime work available, because of the production cutbacks, the pay isn't so good either

"I only clear about R500 after deductions and although my housing costs only R10 a month I struggle to keep my wife and two children on that

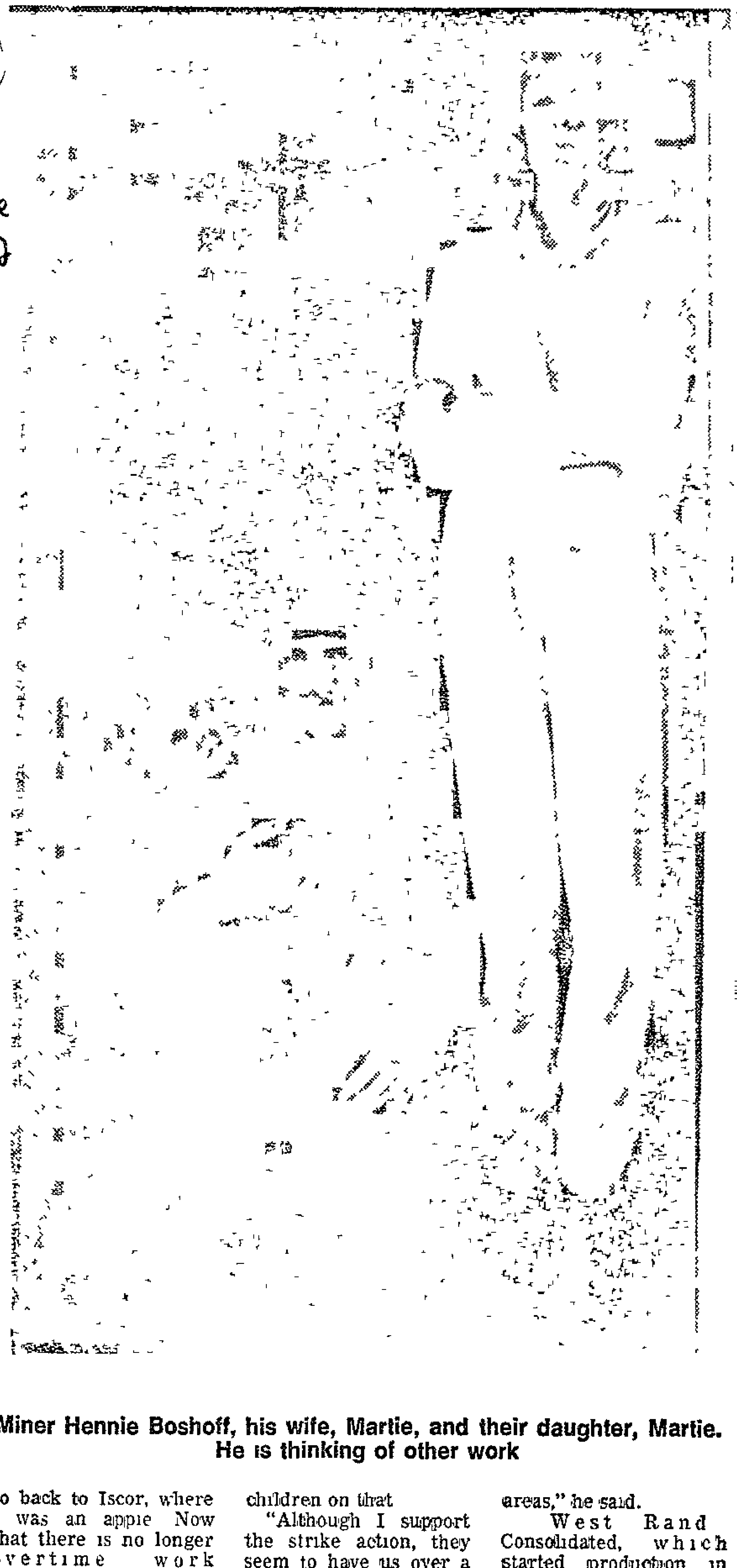
"Although I support the strike action, they seem to have us over a barrel with the threat of closing the mines."

A Gencor spokesman said most of the miners would be placed at other Gencor mines.

"With the blacks it is perhaps easier because we will just stop recruiting in the rural areas," he said.

West Rand Consolidated, which started production in 1908 and was the first producer of uranium in the country, was receiving R4 million a year in State aid.

It would be economical to mine only if the gold price reached more than 545 dollars an ounce again.



Miner Hennie Boshoff, his wife, Martie, and their daughter, Martie. He is thinking of other work

As some gold mines struggle

State aid flies into flak

MD4 (214)

28/6/82

By JOHN MULCAHY

THE debate on the merits of the State aid system for gold mines is raging, and protagonists appear to have slipped into the minority position.

Three of the biggest mining houses, accounting for well over 60% of SA's gold production, are now believed to be opposed to State aid in its present form.

The weight of this opposition suggests that the system will be altered radically

Although the mining houses with a significant dependence on the system are obviously still in favour of it, one major house with a producing mine receiving aid is advocating that it be scrapped

A senior executive of the house said the aid scheme was no longer justified, and had only been successful in the dying years of the fixed gold price

The scheme encouraged inefficiency, and if producers of any commodity were not able to operate profitably they should be forced out of business

He was not prepared to name specific producers, but he said it was noticeable that in times of aid certain mines allowed cost control to fall by the way This was unacceptable to those producers operating efficiently without assistance

"It makes no sense to continue producing any commodity at a loss, and I don't see why gold should be an exception"

Subsidies in any form were abhorrent in a free-market economy, he said, and particularly offensive if they acted to the detriment of efficient producers

Up to this year there was no direct link between aid granted to mines under the Gold Mines Assistance Act, but in his Budget in March the Minister of Finance, Mr Horwood, said the rich mines would have to help the poor ones That was the rationale for lifting the tax surcharge on gold and diamond mines to 15% from 5%

A working committee to investigate the State aid system and ways of improving it has been in existence for almost a year, and although there is now some urgency for a revision of the system, there is no sign of any conclusion to the committee's deliberations

Assistance totalling more than R26-million was granted last year, and with the gold price languishing around $300 an ounce, and cost inflation running at 16,5% — probably more for gold mines — the figure could rise to R40-million this year

The State aid system was highlighted with the withdrawal of assistance to West Rand Consolidated, General Mining Union Corporation's marginal gold producer, and the consequent decision to curtail the mine's production

The argument in favour of State aid has always revolved around the substantial contribution to SA's production from State assisted mines, the provision of employment and the returns the State has received in the form of tax in years subsequent to aid being granted

The first factor is significant in the SA economy, as gold is the major earner of foreign exchange It can be argued that it is worth subsidising the marginal mines to ensure a continued flow of foreign revenue when the gold price is depressed

Whether this should be done at the expense of other producers is another question, and this is where the conflict arises

One theory is that if all resources were channelled into payable mines these producers could increase production to offset the loss of output from unprofitable mines

Closure of unprofitable mines would ease the severe skilled labour shortage, although this argument ignores the unskilled labour force, an area where unemployment is widespread and a serious social problem

It is not enough to say the labourers from neighbouring countries can be sent home These workers have played an integral part in the development of the mining industry, and the mines have a commitment to these people

Such a move would in any case be political dynamite, and for this reason alone there is likely to be resistance from the Government to scrapping the aid system.

But on free-market principles alone there seems to be little justification for the aid scheme

As former Impala chairman, Mr Hugh Munro, pointed out in his controversial paper to the Council for Mining and Metallurgical Institutions annual congress in Johannesburg earlier this year, if SA was intent on mining gold profitably, it was overproducing

He calculated that the flow of unprofitable gold on to the market had depressed the price to the extent that the industry might have lost more than R1 000-million in income

OFS drilling encouraging, says Anglo

-214

RDM 29/6/82

RESULTS of detailed drilling programmes carried out by Anglo American in the Free State Goldfields have been encouraging enough to continue with fill-in and extension drilling

By JOHN MULCAHY

Anglo's directors say in the annual report a new area in the Free State has also been located "where initial results are of interest"

Gold exploration was expanded considerably in the past year and prospecting is in progress in many parts of SA.

Exploration results from the Skorpion lead-zinc deposit in the Sperregebiet in Namibia were generally disappointing, with difficult drilling conditions persisting

Follow-up work on two base-metal prospects in SA was "moderately encouraging" and more work will be required to prove their profitability

The directors say limited reserves of various reefs have been established south-west of Vaal Reefs Deep drilling is continuing in the structurally complex area south of Vaal Reefs where initial intersections tend to confirm the high gold and uranium values encountered in previous holes

Work has continued to the north of Klerksdorp where limited reserves of a low-grade reef were established at shallow depths, but prospecting for uranium in a nearby area to the north has been abandoned

Grades of Ventersdorp Contact Reef and Elsburg Reefs in the area south of Western Areas mine continue to be similar to those intersected previously, say the directors

A considerable amount of fill-in drilling is still needed to assess the reserves of these reefs, which occur at great depths

Initial results of prospecting in the Barberton district have been disappointing

Anglo is also involved in prospecting outside Southern Africa, and Australian Anglo has remained active in Australia, New Zealand and Fiji, the exploration efforts in those countries concentrating on gold, tin and tungsten

Anglo Australia has entered into a joint venture with Peko-Wallsend's Mount Morgan mine to construct a plant to re-treat gold-bearing tailings

The tailings contain about 35-million tons of material valued at 1,08 g/t of gold, and the plant is expected to be commissioned soon

Capital expenditure is A$25-million, and Anglo Australia will have a 40% interest in the project

In Brazil, Ambras continued prospecting for gold and base metals through two subsidiaries

Follow-up drilling is continuing on a base metal discovery and prospecting results in another area have been sufficiently encouraging to warrant scout drilling

Underground development and construction work on the small gold mine at Jacobina in the state of Bahia have progressed well, say the directors

The feasibility study to assess the possibility of turning to account the recently-discovered additional ore reserves in the Morro Velho mining area is progressing, say the directors, and drilling to extend these reserves is under way

Ambras is also participating in the exploitation of a silicate nickel deposit in the state of Goias, where plant construction is nearing completion

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RDM 30/6/82

Record mining capex last year

R1,2bn of faith in gold

By JOHN GILMORE

IN SPITE of the decline in the value of South African mineral sales last year, the mines kept an eye on the future and continued to spend in the knowledge that an upturn in activity and prices must soon occur.

Capital expenditure by producing gold mines alone reached a peak of R1 222-million — almost a third higher than in the previous year

This was the hopeful message for the future of the gold-mining industry spelt out yesterday by the outgoing president of the Chamber Mines, Mr Lynne van den Bosch, in his address to the chamber

He said the scale of expansion "reflects the industry's confidence in the future"

Although the economic growth rate almost halved last year from a peak of 8% and since then had contracted again, South Africa should be able to look to a gradual revival of the economy as mineral export earnings improved from next year when the industrialised nations moved out of recession

Mr Van den Bosch considered that the capacity of the mining industry to help generate and sustain economic growth would be particularly important in the next few years Whatever blueprints emerged from the current discussion on constitutional and other reforms, "continued stability in what appears to be an increasingly fluid domestic political situation will rest heavily on the degree to which the economic aspirations of the population can be accommodated"

However, he believed that the international economic outlook for the remainder of 1982 appeared bleak The most recent Organisation for Economic Co-operation and Development forecast predicted a real growth rate of only 0,3% for the major international economies for the current year Low growth and the evidence of conservative anti-inflationary policies in the major economies suggested continued depressed demand abroad for South African minerals

"Fortunately the consensus of forecasters is for a more satisfactory growth trend in the major international economies through to the mid-Eighties once the upturn in the economic cycle gets under way"

Mr Van den Bosch singled out for praise South Africa's coal-mining industry, saying that "generally the outlook remains bright for this dynamic industry which in terms of foreign exchange earnings, the provision of relatively low-cost energy and of employment opportunities is contributing so greatly to South Africa's economic development"

The steadily expanding coal-mining sector, which five years ago became the second-largest earner of foreign exchange, continued to set records last year Production increased by 13,2% from 115-million tons to 130-million tons and the value of sales increased by 41% from R1 495-million to R2 113-million

Although exports increased by only 2,5% in volume, revenue from exports rose by 42% to 977-million, assisted by the lower value of the rand Domestic sales rose by 40,7% in value to R1 135-million

Mr Van den Bosch said that gross new investment in coal mining rose from R124-million in 1980 to R221-million last year and this rate of investment would increase considerably over the next decade as a result of the Government's decision to raise the limit on exports from 48-million tons a year to 80-million tons for 30 years

In addition, Escom's expansion plans would ensure that coal consumption would double to about 100-million tons by 1990

Commenting on the troubled diamond industry, Mr Van den Bosch found it encouraging that 'the total amount of outstanding bank credit in the main cutting centres has been reduced substantially", largely as a result of the Central Selling Organisation's policy of withholding diamonds from sale when demand was weak

In addition, sales of the smaller sizes and lower-quality stones in general had been satisfactory The recession affected mainly demand for the larger and better-quality gem diamonds in which there had been "intense speculation" in the boom at the end of the 1970s

Relentless squeeze of costs and falling price

By JOHN GILMORE

THE gold mines were caught in a "relentless squeeze between the falling gold price and rising working costs which has become one of the most serious challenges facing the mining industry", said Mr Van den Bosch

Summarising the industry's results in 1981, he noted that

- The average price received by the mines fell from $616 an ounce, or R15 419 a kg, in 1980 to $462, or R12 944 a kg, last year — a drop of 25% in dollar terms, or 16% in rand terms because of the depreciation of the rand
- Working costs reached R41,89 a ton milled against R35,53 a ton for 1980, a rise of 17,9%
- Working revenue of member mines fell 18,6% — from R10 913-million in 1980 to R8 301-million last year
- Dividends fell by 26% to R1 684-million from R2 279-million the year before
- Estimated tax and the State's share of profits fell by 45% to R2 099-million
- Total pre-tax profit of the industry, including profits from the sale of uranium, silver and sulphuric acid, was 33,3% down at R4 890-million from R7 335 million in 1980

"In these circumstances, and with the immediate outlook somewhat bleak for most gold mines, the industry viewed with dismay the additional burden placed on the gold-mining industry earlier this year by the Minister of Finance in increasing the surcharge on the income tax payable by gold-mining companies from 5% to 15%

"The Minister indicated that this step was being taken partly to finance the State assistance scheme for marginal gold producers The mining industry is, however, strongly opposed to levies of any kind which have the effect of making the more profitable producers finance less viable operations

"Levies of this nature run counter to the concept of competitive free enterprise which has been the foundation of the successful development of the South African mining industry to date, and are also a disincentive to investors

"Any assistance to marginal producers should be financed from the State revenue fund as all taxpayers obtain the indirect benefit of additional gold revenues," said Mr Van den Bosch

The chamber has asked the Reserve Bank if it would be prepared to buy gold forward from the mines

"This would have certain advantages for producers including the elimination of the currency risk which could occur using the futures or forward markets

"This matter is still under consideration by the authorities said Mr Van den Bosch

THE world's dentists have been going off gold

In 1978 they put 90 tons of gold into their patients' teeth

In 1980 they used only 63 tons

Variations in the price of gold metal have evidently put the dentists off it

These figures were extracted from the Chamber of Mines

SA gold mine for Kangwane area

214

The Star's
Africa News Service

MBABANE — A South African mining group is planning to open a gold mine in Kangwane, one of the two areas the Pretoria Government plans to give to Swaziland.

The general manager of the Barbrook Mining and Exploration Company, Mr Colin Paterson, told the Times of Swaziland that the company planned to start mining within two years He said this could mean 1 000 new jobs for Swazis in the area

The company had been exploring the area for ten years, Mr Paterson said

"We hope that final results as to what type of gold is there will be determined by October 1984," he said "I don't know exactly what size the mine would be, there could be large deposits"

Another company, Messina Transvaal Development Corporation, is planning to open a coal mine in Kangwane before the end of this year

The managing director of Messina, Mr Peter Whitfield, said in Johannesburg "We have been drilling in the area for some time and we believe there are large deposits

"The type of coal we have found in Kangwane is a high grade of anthracite"

NO BEARING

He said political developments affecting the Kangwane area would have no bearing on whether the company opened the mine or not

"We are not interested in politics, but purely practical business considerations," he said

The Kangwane Development Corporation says that minerals found in the area include chrysotile asbestos, barite lithium iron ore, tungsten and copper

East Dagga's two Egoli buys

Star 8/7/82 (214)

East Daggafontein will buy two of Egoli's subsidiaries, the companies have announced in a joint statement in Johannesburg

The board of directors of East Daggafontein Mines announces that the company has, subject to members' confirmation and other conditions, entered into agreement with Egoli Consolidated Mines in terms of which the company will acquire the entire issued share capitals of two of Egoli's subsidiaries, Egoli Mining Company and Johannesburg Exploration and Mining Corporation, as well as all of Egoli's claims against those companies.

As consideration therefore East Daggafontein will pay Egoli R1 200 000 in cash and issue to Egoli 1 000 000 new ordinary shares after the proposed increase of capital.

The sole assets of these two companies are a surface-rights permit and certain dump permits in respect of gold-bearing slimes dams on the farms Modderfontein 76 IR and Daggafontein 125 IR

East Daggafontein has also, subject to members' confirmation, entered into agreement with Southern Prospecting.

In terms of this agreement the company will, after the proposed increase in share capital, issued 300 000 new shares to Southern Prospecting in exchange for the transfer of 336 015 shares in Bonanza Gold Mine representing 15 percent of Bonanza's issued share capital and cession of southern prospecting's credit loan account of R31 500 with Bonanza — Sapa

Western Deep is plumbing the depths

(214)

RDM 3/8/82

The Western Deep Levels gold mine has been flooded after miners hit an underground fissure. JOHN MULCAHY reports on how the mine is coping with the problem of pumping out the water.

FARMERS have a perennial problem with a shortage of water, but mines have a different problem — they often have too much

This is the problem for Western Deep Levels, which is defying all previous standards of deep-level mining with a shaft that will eventually go down to 4km below surface — 4 000m

The geological structure of the Witwatersrand is such that dolomites predominate immediately below the surface, and the dolomites have a sponge-like quality — they hold a lot of water

To mine the lower, rich gold-bearing reefs means sinking through these dolomites, and Western Deep Levels, in its quest for the gold that lies at subterranean levels, hit an underground fissure

Mr Dick Solms, project manager of Western Deep Levels No 1 Shaft, says the first report of water in the service shaft, 950m below surface, did not suggest the strength of the in-rush

"We were not too worried, we didn't think there was a great deal of water, but it kept coming, and we were eventually struggling to cope with up to 120 000 gallons an hour"

At first Western Deep's management beefed up the pumping capacity at the shaft, but then decided to allow the water to find its own level, which was about 550m above the shaft bottom, or 400m below surface

Mining technology has advanced to such a degree in South Africa that there were experts available to look at the problem, and the Cementation company was called in

There had been a similar experience, in 1938, when Blyvooruitzicht encountered water in sinking operations, and a similar solution was decided on

A plug of concrete, 26m deep and 10m in diameter, and containing 5 000 tons of quartzite rock and 1 500 tons of cement, was designed, and will be fitted to the bottom of the shaft to stop more water pouring into it

In constant contact with the civil engineering department at the University of the Witwatersrand, Western Deep is coping with the problem with extraordinary efficiency

According to Mr Solms the water problem will not inhibit the development of the new shaft system, unless it extends well beyond the expected period

"We have some time to play with, and as long as we resolve this problem before the end of this year there will not be a major impact on the schedule"

The new shaft is scheduled to come into production in 1986

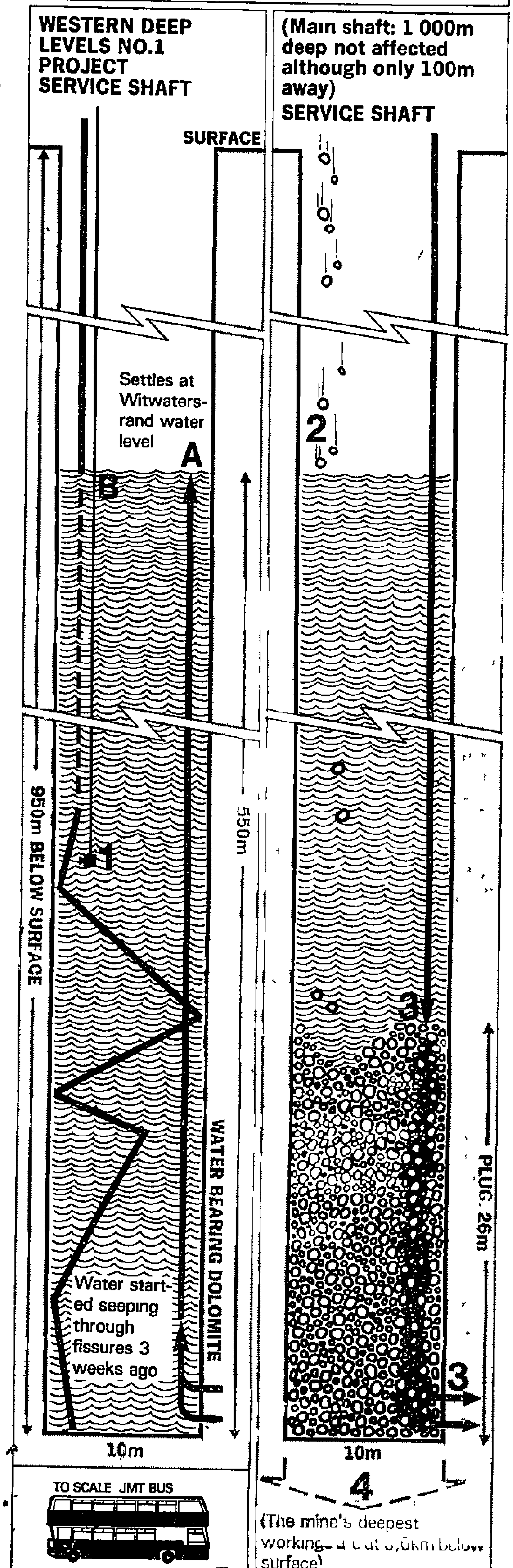
One aspect of the dewatering operations is the placing of 15 pipe-columns (cementation ranges) that will enable cement to be pumped to the bottom of the shaft Each of these columns is more than 900m long

In the process of lowering these ranges, a piece of pipe about 600m long broke away from the surface connection, and is crumpled up somewhere below the water level

To trace the errant pipe's location and to investigate the positioning of the ranges, which must be accurate, Western Deep has borrowed a marine camera from De Beers, usually used in offshore diamond operations in Namibia

Meanwhile, the surface structures at Western Deep's No 1 Shaft are complete According to Mr Solms "We have nothing temporary — everything we do is on a permanent basis"

A. 1ST PROBLEM: WATER SEEPS THROUGH DOLOMITE FISSURES 550m UP SHAFT
B. 2ND PROBLEM. A 950m X 7cm PIPE BREAKS AT WATER LEVEL



SOLUTION:
1: A marine camera will be used to find broken pipe to see that it is not in the way
PLUG:
2: Quartz rocks will be dropped down shaft
3: A cement and water mixture will be pumped down under pressure so that it penetrates fissures
After the plug hardens (about 3 weeks), the water will be pumped out and
4: the shaft redrilled (same diameter)

GAu

Gold deals lose South Africa foreign currency

(214) Mercury

27/8/82

SOME gold mines have misjudged the booming bullion market and have lost the country a sizeable slice of much-needed foreign currency, it was confirmed in financial circles yesterday

As gold leaped beyond the $400-an-ounce mark yesterday in London and Hong Kong, it was disclosed that some mines had been selling gold forward — that is, fixing a price now to be paid in the future

Finance Reporter

The mines involved did so at a time when gold appeared to be in serious difficulties and the price was closer to the $300 mark than the present $400

They were happy to sell forward to foreign banks and bullion dealers to make sure they would be able to remain in operation

Now they would not get the full advantage of the surge in the price — yesterday afternoon's London fixing was $417

Economists said yesterday investors in gold shares, which have moved upwards on the Johannesburg Stock Exchange in relation to the bullion prices, should ask the exchange to disclose which mines had sold forward, and whether this would affect their dividends

Discussions

One economist suggested the Chamber of Mines and the stock exchange should hold discussions on the matter, although experts said a large proportion of production was not necessarily involved in the deals

Between 30 percent and 40 percent of the production of some mines might have been sold forward, but one expert pointed out that it still left a high proportion to be sold at prevailing prices

Mr Damocles Watt, Rand Mines deputy chairman, observed 'We would seriously look at some hedging when the price appears to be near a peak with a substantial collapse likely over a short period of time

'Several of the mines who opted for hedging have already closed out their contracts, making a profit

'Bracken Mine took out six monthly contracts at a price of roughly $360 an ounce over the past three months

'When the price of gold fell back to $307, all the contracts were closed out, yielding the mine a profit of more than $100 000 for the first month alone '

The Natal Mercury, We

Every listed S A gold producer making profit

(214) Mercury 1/9/82

Mercury Corresdpomndent

Johannesburg—Every listed South African gold producer is making a profit at the current gold price and rand exchange rate.

Yesterday's trading level of $410 an ounce is equivalent to R471 at a rand exchange rate of $0,87, and based on break-even figures for the June quarter the highest cost producer is West Rand Cons, with a break-even level, including capital expenditure, of R442 an ounce

While there is consensus that a technical reversal in the gold price can be expected because of the rapidity of the recent rise, projections for the middle-and long-term tend to be on the upside and not the downside

And there is growing confidence that any correction is likely to be limited by the number of institutional and private investors clearly intent on getting back into the market

Survey

The fundamentals in the gold market have for some time suggested that physical demand will again outstrip supply this year

In its annual survey on gold markets, 'Gold 1982,' Consolidated Gold Fields estimated that demand for fabrication and hoarding last year exceeded supply by about 300 tons, and although there was probably significant dishoarding when the price fell to $300, supplies from this source are expected to be lower this year and fabrication demand is expected to increase

Some Johannesburg analysts were yesterday a little nervous because of the sudden and dramatic surge in gold share prices since the second week in August, and from the beginning of July gold shares have outperformed the London gold price

But the underperformance of gold shares in the months preceding July — back to November last year — has meant that the recent rise has brought share prices more into line with the gold price

Most chart indications are that the gold market has already changed from a bearish outlook to a more positive one, and the gold price has broken the 200-day moving average and the downtrend that had been dominant since January 1980

Whether gold's performance over the coming months will mirror the upward leg of the last cycle remains to be seen, but some analysts point to the similarities evident in the past two downward legs, suggesting that there is at least a possibility of a repeat performance

The upward leg to the previous peak of $850 was scaled in a matter of months, and the market now seems to be poised on a critical fence — the volatility suggests there can be a massive outbreak upward or downward

Sentiment

The change in sentiment on the Johannesburg Stock Exchange in two months has almost been tangible, and although there is a strong measure of caution, most brokers seem optimistic that the market has finally bottomed

Long-time bears have come around to the view that there may be a period of consolidation and sideways movement ahead, but that the broad trend in the gold price is now upward

The weakness of the U S economy and the threat of further bankruptcies suggests that the Reagan Administration will put more pressure on the Federal Reserve to reduce interest rates as far as possible

Gold market observers believe that interest rate rises will not be tolerated until after the November Congressional elections, and even if they do occur it could initiate a banking crisis that would be good for gold anyway

And even a time of consolidation around the $400 an ounce level will bring immense relief to marginal producers, provided there is no dramatic improvement in the rand

One swallow does not make a summer and the gold price has been over $400 an ounce for only a week, but on working cost considerations alone, gold can fall back at least $30 at the present exchange rate before most marginals are again in the danger area

Security

London broker Williams de Broe Hill is advising clients to buy gold shares, and of the quality shares it recommends Buffelsfontein, President Brand, President Steyn and Vaal Reefs

De Broe suggests Doornfontein, Libanon and Randfontein for gearing with security, and notes that of the marginals, Leslie's price has lagged behind the rest.

It also recommends that Kinross should be switched to President Brand, 'and those who held Unisel as a developing mine should switch to Deelkraal'

The agony now facing investors who are not yet back in the gold share market is whether to accept that the bottom has turned, and that the next peak may justify a late entry to the new bull market

The alternative, and probably the wiser strategy now, is to wait for the inevitable technical correction, and to buy on any weakness

(214)

SA mines earned more with lower gold price

Mercury Correspondent

JOHANNESBURG— South Africa's gold mines were earning more gross revenue for each ounce sold in the closing days of August this year they they were two years before when the London gold price was well over $200 higher.

This extraordinary paradox arises from the severe fall in the foreign exchange value of the South African rand against the U S dollar since the beginning of 1981

What matters to South Africa's gold mines, of course, is how much they are eventually paid in rands for their output, not how much it is worth in dollars

Towards the end of 1980 the rand was valued at $1,35 on foreign exchange markets

In early August this year it was down to almost 85 U S cents, although it has rallied a little since then

Healthier

The effect of this is that the South African gold mining industry is in a much healthier state than is perhaps generally assumed

After all, the gold price tumbled from a peak of $850 in early 1980 to below $300 briefly in June this year

Although there has been a recovery in the bullion price since early June, especially in the second half of August, it might seem as if the overall effect of the past two years slide in the gold price would have calamititous effects on the South African industry

Certainly the pressures have been acute

But the currency factor has enabled the mines to emerge largely intact, although with profits considerably affected

This means that South African's gold output is unlikely to fall by much over the next few years

Thta is an important factor in any assessment of the likely trends in the gold price up to the mid-1980s

The table above shows the extent to which the mining industry has gained from the huge rand depreciation from the beginning of 1981.

It will be seem that the rand income of the mines was very much higher with a $425 gold price on August 25 than it was at the beginning of 1981 when the price was just under $600 in London.

In fact, back at the end of July 1980 the gold price was just under $640. With an exchange rate then of R1 equals $1,312 the mines were getting R485 an ounce

That means that the rand income of the mines was actually higher at $425 at the end of August than it was at $640 almost two years previously

Date	London golden fixing	Rand/dollar rate	Rand gold price
Jan 1, 1981	$597,50	R1 equals $1,338	R446,6 an ounce
Feb 1, 1981	$493,50	R1 equals $1,317	R374,7
Mar 1, 1981	$465,50	R1 equals $1,267	R367,5
Apr 1, 1981	$514,25	R1 equals $1,251	R411,1
May 1, 1981	$482,75	R1 equals $1,221	R395,4
Jun 1, 1981	$483,25	R1 equals $1,175	R411,3
Jul 1, 1981	$422,00	R1 equals $1,135	R371,8
Aug 1, 1981	$392,50	R1 equals $1,045	R375,6
Sep 1, 1981	$421,50	R1 equals $1,062	R396,9
Oct 1, 1981	$436,50	R1 equals $1,049	R416,1
Nov 1, 1981	$430,00	R1 equals $1,043	R412,3
Dec 1, 1981	$402,50	R1 equals $1,041	R386,7
Jan 1, 1982	$395,00	R1 equals $1,042	R379,1
Feb 1, 1982	$379,50	R1 equals $1,022	R371,3
Mar 1, 1982	$361,25	R1 equals $1,014	R356,3
Apr 1, 1982	$327,00	R1 equals $0,949	R344,5
May 1, 1982	$343,50	R1 equals $0,953	R360,4
Jun 1, 1982	$315,00	R1 equals $0,924	R341,0
Jul 1, 1982	$311,75	R1 equals $0,873	R357,0
Aug 1, 1982	$342,50	R1 equals $0,871	R393,2
Aug 25 1982	$425,00	R1 equals $0,868	R489,6

The table shows how much the mining industry has gained from the huge rand depreciation from the beginning of 1981.

2 8 1982

MOST GOLD SHARES EASE

By David Braun

JOHANNESBURG — Most gold shares eased on the Johannesburg Stock Exchange today as bullion traded below yesterday's peak

Investors were nervous at the fluctuations in the price and there was fairly heavy selling in several shares

De Beers fell in line with the easier trend in golds, shedding 15c to a bid price of 640c

Among the gold issues which eased were Durban Deep (R1 to R34), Randfontein (R3 to 8 550c), Sovaal (125c to 4 575c), Vaal Reefs (150c to R87), Freguls (R1 to 4 025c), President Brand (R2 to R41), President Steyn (125c to 4 025c) and Libanon (150c to R26)

In the mining houses and holdings sectors Amgold shed R3 to R97, Gencor was down 75c to R22, Anglos shed 35c to 1 555c but GFSA gained 250c to a bid price of R89

Industrials were quiet with small losses or gains being recorded

Mr H T Schelhase has been appointed manager of the Victoria Road, Salt River, branch of the Standard Bank.

Village chief warns mine may have to close

Argus 8/9/82 (214)

THE after-tax profit of Village Main Reef Gold Mine fell sharply in the year to June to R355 000 from R1 989 000.

The chairman, Mr R A D Wilson, says in his annual report this was due to the lower price the company received for gold, lower recoveries from each ton of sand treated and increased working costs

He warns that unless conditions improved the company will have to consider suspending operations

RECOVERY RATE

Although an increased tonnage of sand was treated the recovery rate dropped to 64 percent (75 percent)

The average price received for gold was R12 273 (R13 998) a ton while working costs rose by 15 percent

"Deleterious materials in the sand treated continue to have an adverse impact on gold recoveries"

Substantial investment in additional plant would overcome this, but it cannot be contemplated in view of the uncertainties surrounding the gold price and the company's limited cash resources

2c A SHARE

The company's pre-tax profit declined to R418 000 (R2 629 000)

Taxation accounted for R63 000 and the after-tax profit was equivalent to earnings of 2c (24c) a share

The dividend will be 5c (17,5c), which will leave R52 000 (R927 000) to transfer to reserves

Capital expenditure at R238 000 exceeded the amount available and R186 000 was funded from accumulated profits from previous years

● **Tiger Oats and National Milling** has convened a special meeting of shareholders on September 30 to reconstitute the board of directors

This is being done as a result of Tiger becoming a subsidiary of Tiger and Sugar Holdings

Union Acceptances says Mr R L Frankel will continue to be executive chairman and Mr J A Frankel and Mr C Wolpert will continue as joint managing directors and will become joint deputy chairmen

Mr G Antiglevich, who had earlier announced a decision to retire, will continue to serve as a joint managing director or as a consultant until April 1984

It is intended to increase the number of directors permitted in Tiger's articles of association

● **S M Goldstein** (formerly Gough Cooper) is paying a final dividend of 10,5c bringing the total for the year to 14,5c

The net profit for the year to June was R6 246 000 For the 18 months to June it was R7 323 000, which on an annualised basis would be R4 881 000

This compares with R680 000 for the year to December 1980 when the final dividend was 3c, and with a net profit of R1 077 000 for the six months to June last year

Earnings a share for the year to June were 58,6c and for the 18 months to June 86c, which on an annualised basis would be 57c

In the year to December 1980 they were 16,2c and in the six months to June last year they were 25,6c

● Higher interest rates and other inflationary factors are expected to make heavy inroads into the profits of **Ensign Clothing** this year, the directors say in their interim report for the six months to June

No interim dividend will be paid Last year it was 5c

Income for the six months, before interest and tax, fell to R128 488 (R198 842) and earnings were 3,2c a share (11,4c)

Interest rose to R105 987 (R56 701

Audrey d'Angelo

Mr Peter Bieber, a senior general manager of Old Mutual, has been appointed to the board of Cullinan Holdings

GOLD REPORTS 214

Discretion's pay off

FM 24/9/82

Ask anyone in the mining industry these days about the outlook for gold and you quickly get the idea that no-one really knows The metal is simply responding to short-term factors and at this stage there is probably little point in trying to read any significance in day-to-day price movements

This week's performance was a case in point After slithering to the $426 region on Tuesday, bullion staged an equally strong rally on Wednesday to trade just below $445 The reasons appeared like a re-run of earlier events which had lit the fires under gold For a start, US interest rates were again falling and yet another Latin American country — this time basket case Bolivia — was teetering on the brink of defaulting on its foreign loans On top of which, as one analyst put it "It was time for the mid-week rally"

In a nutshell, there is little point at this stage in trying to second guess gold or gold shares If you have to be in the gold market then base your decisions on longer-term trends rather than on the temptation of earning a fast buck with a quick in and out

Reading between the lines of the latest batch of annual reports the gold mining industry itself clearly believes that discretion is the better part of valour Those mines — Doornfontein is a prime example — which are locked into capital spending programmes, have built up adequate cash resources to ride out any gold price downturn There is little chance, until gold reestablishes itself in a clear price trend, that these mines will take any of the risks inherent in paying out fat dividends and reducing cash resources

But while there is a great deal of uncertainty over gold's near-term direction, a more positive view on cost trends seems to be developing Reading between the lines of chairman Dammie Watt's statement to Harmony's shareholders, it seems that unit cost increases are at last expected to slow down Watt bases his projection of dividends from the mine on cost escalation not exceeding 14% annualised The impression that gives is that he believes there is a good chance of keeping cost advances below that figure rather than the rates of up to 20% which plagued the gold mines in the recent quarter This, though, is just a faint glimmer of light at the end of the tunnel

Practically every mine has cut back capital projects which are not immediately necessary as a means of conserving funds Presumably these projects will be reactivated as and when the gold price improves and a better relationship is established between revenue and costs As it is, if gold averages $450 in the 12 months to end-June 1983, dividends for the year will not be better overall than they were in the preceding year Investors, though, generally seem to think that this is too cautious a view This, at least, is an interpretation of the low prospective yields now available

Blyvoor: It is becoming increasingly apparent that investment in Blyvoor has to be viewed cautiously Carbon Leader reef reserves are limited and probably sufficient for no more than a further five years or so of operations It is planned to examine other reef horizons, essentially the Black reef series, to see if they can be exploited economically This will absorb part of the R15m capital spending slated for both this year and next There is, however, little point in expecting too much from the other reefs, which are low-grade and only sporadically mineralised

It had been expected that the mine's uranium plant would remain in operation for about seven years after mining operations ceased The chances of that now appear slim Unless new sales contracts are won, uranium oxide production is to cease late in 1984, by which time the mine will have enough material to honour remaining sales contracts The mine is now locked into a situation of declining gold recovery grades and lessening flexibility of operations

Deelkraal: The mine is apparently still not in a position to state categorically whether deep-level VCR grades will be as high as expected Development has yet to reach the area of surface borehole DK2 which disclosed VCR at a depth of 2 522m grading 3 648 cm g/t East of the shaft pillar, underground development sampling has failed to confirm the high VCR grade of 3 031 cm g/t disclosed in the first deflection of surface borehole DK6 All in all, there is nothing particularly encouraging All that management says is that sampling of the deeper levels has disclosed values below expectations and that a lot more development is needed before the area's potential can be assessed fully

While all this is going on, the mine will be conserving every cent it can earn — which is not likely to be much unless the gold price rockets There is little point in expecting dividends for some time, the 5c maiden paid in the December quarter of 1980 now appears to have been an aberration or at least an excess of enthusiasm by management The main attraction at this stage is the company's R216,5m estimated loss for tax purposes If nothing else, this would be a fine dowry if it was to be decided to merge Deelkraal with Doornfontein

Doornfontein Chairman Colin Fenton is hardly one to stick his neck out His review of the mine's prospects and recent performance is conservative, which is not out of line with what one has become used to with Doornfontein Average recovery grade dropped to 7,9 g/t in the year to end-June from 8,5 g/t as a result of an ore sorter failure and lower grades encountered in the eastern longwall When these factors will be reversed is not known Then there is sampling This is increasingly concentrated on the Main reef which is of a lower grade than the Carbon Leader

The implication is that gold yields are set for a further drop, which is a perfectly sound justification for caution over the financing of the mine's capital programme By end-June, Doornfontein had accumulated R45,4m of net current assets To put that in perspective, it is equivalent to 455c a share and R6m more than the R39m capital expenditure slated for the current financial year A more obvious example of the belt-and-braces syndrome would be hard to find In the year to end-June, the mine earned an after-tax profit of R51m, it spent R28,6m on capital account, paid out R20m to its shareholders and socked away R2 4m into liquid assets Until the establishment of operations in the mine's new southern area and on the Main reef horizon is complete, shareholders need not expect any major risk taking on the dividend front This makes the share less than attractive to investors, with near-term profit objectives On the other hand, it might suit those who want to be in golds and, at the same time, sleep well at night

Drie Cons The merger of East Drie and West Drie and the incorporation of the North Drie area into the enlarged property is now complete Now the mine is faced with several years of heavy capital spending — R119m is planned for the current year — as part of the programme of completely integrating operations throughout the property The bulk of this year's planned capital spending is earmarked for shaft sinking and that will be the pattern next year

The treatment plants are operating at full monthly capacity of 475 000 t and this year's gold recovery grade should be more or less in line with the 13,5 g/t average of the financial year just ended A relatively small and gradual decline in grade seems likely over the next few years but this is unlikely to be more than marginal The mine should remain one of the industry's lowest cost producers and its shares among the soundest available

ET Cons The full extent of the mine's capital spending programme is gradually becoming evident In the financial year just ended, it was originally planned to spend R3m — in the end R3,9m was spent on capital account Now the plans for expanding the Sheba mine's output to 9 000 t/month, gaining access to the Agnes mine's deeper levels, adding to security measures and improving housing is estimated to cost R30m over the next two years Some R13m of this is slated for the current financial year

The company has tucked away net current assets of R4,3m This is probably enough to ensure a maintenance of last year's 110c total dividend if — and it is a major proviso — pre-tax profit does not drop significantly below last year's R15m It is probably safest to reckon on a further dividend drop this year and a thin time for shareholders next year Thereafter matters should improve

Harmony More than anything else, Harmony needs a sharp advance in the gold price The mine is in no position significantly to improve its gold yields And though uranium sales will continue to be made under long-term contracts for several years the price picture is becoming increasingly murky Couple this with the shift in the focus of operations towards lower-grade gold ore and the outlook is not particularly bright unless, that is, a far better relationship is established between the gold price and operating costs

Management appears far from confident that this will be achieved Capital expenditure is being deferred as far as possible, though it was in any case set to decline with completion of the major projects at Merriespruit This year, total gold production is expected to be at the same general level as in the financial year just ended — an average grade of 4,1 g/t and mill throughput of 7,7 Mt But particularly as larger tonnages are drawn from the southern part of the lease area, mining will increasingly emphasise exploitation of the lower-grade Leader reef This is especially so if gold puts in a reasonable price performance

COSTS ON THE ESCALATOR

	Cost R/t milled 1981	Cost R/t milled 1982	% increase	Cost R/kg 1981	Cost R/kg 1982	% increase
Blyvoor	45,76	51 66	12 9	5 333	5 749	7 8
Deelkraal	42 65	48 61	14 0	10 367	10 220	(1 4)
Doornfontein	42,99	51 72	20 3	5 077	6 508	28,2
Drie Cons	39,76	46 80	17 7	2 723	3 477	27,7
ET Cons	37,03	43 85	18 4	5 142	5 723	11,3
Harmony	34 98	40 01	14 4	8 483	9 785	15 3
Harties	50 38	58 04	15,2	4 800	5 719	19 1
Kloof	46,10	57 88	25 6	3 179	3 915	23,2
Libanon	35 51	42,15	18 7	5 947	6 794	13,5
Venterpost	40,41	45 52	12 6	9 777	10 963	12 1

...liable to disqualification and to possible exclusion from the University

PERFORMANCES COMPARED

Year to June 30 1982

	Average monthly milling rate t	Recovery grade g/t	Gold produced kg	Gold Revenue (Rm)	Total profit (Rm)	Capex (Rm)	Net eps (c)	1981/82 dividend (c)	1982/83 dividend estimate at $450 (c)	Share price	Prospective yield %
Blyvoor	182	9 0	19 598	240 3	62 6	16 7	191 4	190	190	1 625	11,7
Deelkraal*	103	4 6	8 513	106 6	22,4	17,8	4 6	—	—	450	—
Doornfontein	122	7 9	11 588	142,7	51 0	28 6	224 0	200	200	2 500	8,0
Drie Cons	475	13 5	76 656	943 1	365,1	122,9	236,9	235	270	3 200	8,4
ET Cons	25	7,7	2 343	28 3	8,5	3,9	105,4	110	110	1 800	6,1
Harmony	639	4,1	31 396	387,9	97 0	48,1	182 2	210	200	1 940	10 3
Harties	246	10,2	30 094	368 2	103,0	29 4	657,2	650	575	7 250	7,9
Kloof	158	14 8	28 076	346 6	120 3	40,4	264 2	270	300	4 000	7,5
Libanon	140	6 2	10 424	128,1	45 9	26 8	240 8	220	220	3 050	7,2
Venterspost	123	4 2	6 120	75 1	11,3	5 3	117,8	90	110	1 500	7 3

* 18 months

Harties· Ore reserve grades are falling slowly and steadily as increasing tonnages are opened up in the lower-grade, western section of the mine There is nothing unexpected in this and in the current year average gold yield could drop to 10 g/t on a total mill throughput of 3 Mt But, while everything is fine on the gold front, the same is not true of uranium operations Part of the uranium plant has been mothballed Compared with gold profits uranium's contribution is small and likely to deteriorate further in percentage terms

Capital projects which are not essential have been deferred or suspended as a means of conserving funds Nevertheless it is expected that over the next four years capital spending will absorb R150m in today's terms Even so the mine should remain a sound dividend payer and the share maintain its quality status

Kloof: As the production disruptions which occurred last year are overcome, the monthly milling rate should rise to full capacity of 180 000 t by the March quarter At the same time, there may be some decline in gold yield from the 14,8 g/t of the March and June quarters just completed This would be a result of a settling down of production following the period of high grading which accompanied the past year's tonnage drops As mill throughput increases to full capacity, Kloof should display better control of unit costs than the industry average

Capital spending will remain at a relatively high level for the next four or five years as new shaft systems are established This year, R53m is slated to be spent on capital projects against last year's R40,7m As most of the mine's tonnage is drawn from longwall stopes, grades are relatively insensitive to gold price shifts though production can be adjusted to an extent in some of the older workings The share remains an essential in any serious gold portfolio

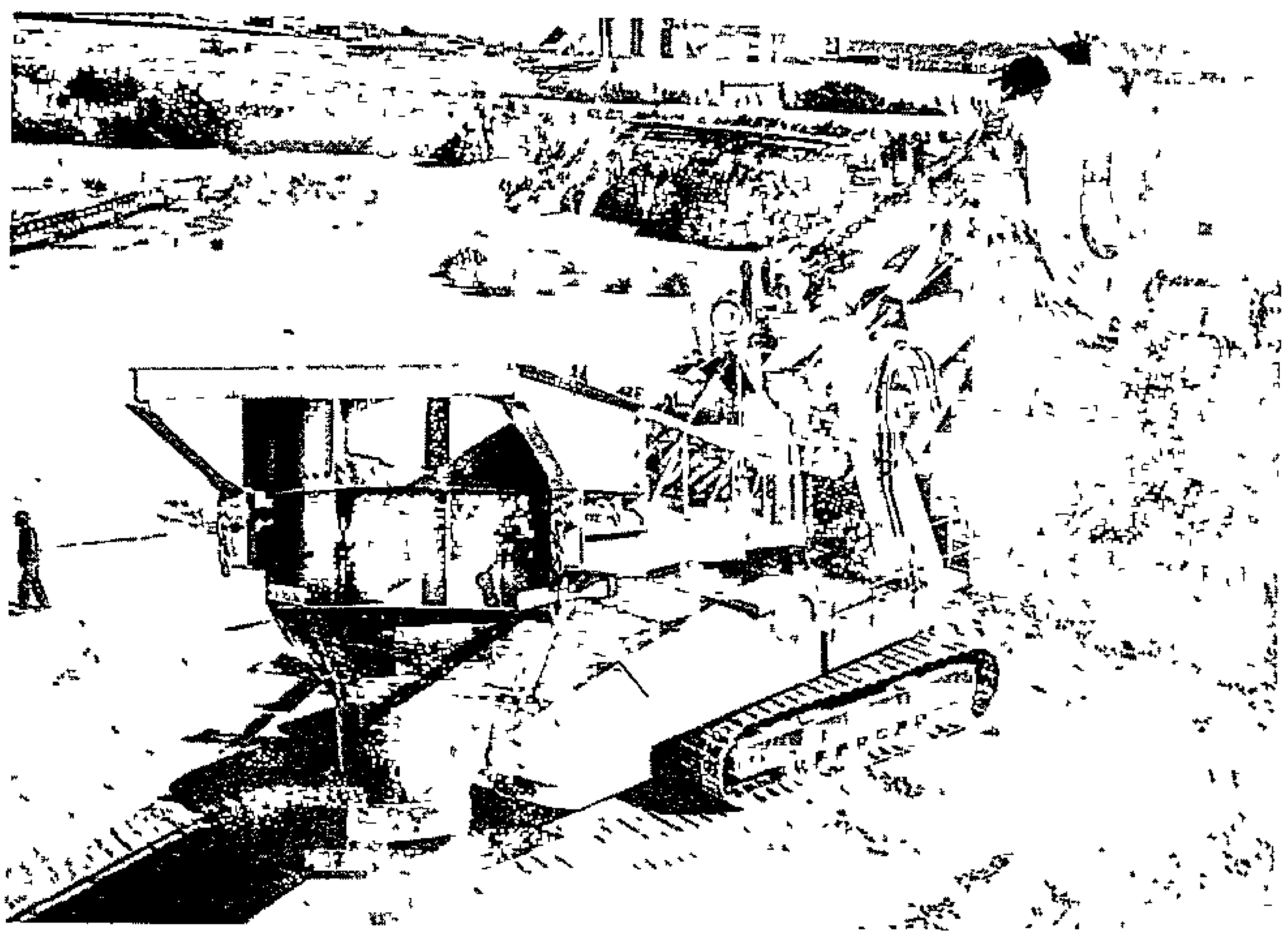
Libanon. For the next couple of years and while the mine's relatively heavy capital spending programme is in progress Libanon will be cautious in its approach to dividends At the end of June the mine had net current assets of R35,3m and its cash resources alone exceeded current liabilities by R27,8m In other words, management is determined that the capital programme will not be prejudiced for lack of funds In the current year it is planned to spend R29m on capital projects and more than R30m in each of the following two years The bulk of this is for shaft sinking and underground development and equipment

Since end-June additional ground underlain by Main reef has been acquired beyond the mine's southern boundary Exploitation of this area can be carried out from existing shafts and will lead to an alleviation of potential mill feed shortages some five years from now A spin-off of this is that there is now no urgency to sink the new R52m sub-vertical shaft in the south of the mine This can be delayed for about 10 years

Libanon now has a sound ore reserve position and once the present round of capital expenditure is complete the share should again become a favourite of income seekers In the meantime, though, shareholders will have to be satisfied with the fact that the capital programme takes precedence over distributions

Venterspost The mine's management hopes to achieve an average gold yield of 4,6 g/t in the current financial year against the 4,2 g/t of the year just ended Which is all very well, but the mine's profits remain very highly geared to the gold price Exploration of the Middelvlei area has been terminated and while it may be possible to mine some ore on tribute from neighbouring Libanon, the mine has to rely on scattered workings within its own lease area for the bulk of its production Capital spending has been reduced to the lowest possible level though projects now on ice will almost certainly be resuscitated as and when higher gold prices restore some respectability to earnings

The best way to view the share is as one of the better gold price specs Management is taking a cautious view of prospects At end-June the mine had net current assets of R19,4m equivalent to 384c a share *Jim Jones*



Blyvooruitzicht ... the wheels come off uranium

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Europe's technologies, rather than its capital exports, dictated the pace of early mining developments on the Rand. MERVYN HARRIS reviews a new book on the subject.

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Capital's shady role in early Jo'burg

The South African gold mining industry is a classic case study for theories of imperialism in the late 19th century

The subject comes under scrutiny in a new book, "Economic Imperialism in Theory and Practice — the Case of South African Gold Mining Finance 1886-1914" by Robert V Kubicek (Duke University Press

INTERACTION

Three main schools of thought have emerged to explain the interaction between European capitalism and local developments These can broadly be summarised as follows

- Imperial expansion resulted mainly from the need of European economies to find places to dump surplus capital or goods or services.

Rivalries among nations states, priorities and perceptions within government and the commitments of social classes.

- Local problems — such as Milner's intrigue and the Uitlander dispute with President Kruger — impelled further involvement rather than internal stresses in capitalist countries

FRESH LOOK

Professor Robert Kubick of the University of British Columbia has taken a fresh look at the subject by examining capital flows into the gold mining industry on a company-by-company basis

He comes to the conclusion that the European capitalism and South African developments should be seen basically as a function of clashing priorities among international capitalism, British imperialism and Afrikaner nationalism, and the inability of any one or combination of these forces to achieve supremacy

He also argues that capitalism was in competition if not in conflict with imperialism and nationalism

The last thing the capitalists wanted or needed in 1899 was a war, and certainly not one instigated and won by Britain when the capitalist institutions most engaged in the industry were French or German

While the book is addressed to specialists in economic imperialism and economic history, Professor Kubicek's discussion of the fringe - promoters and houses of ill repute throw interesting light on the early entrepreneurs.

The mining magnates were not a homogeneous lot and employed different strategies to profit from the claims and the shares they held in the mines

Some, like the Corner House organisation, were development oriented Others, especially Gold Fields before 1895, and the houses of ill repute throughout combined a development function with extensive speculative operations

Operators like Carl Hanan — who was more responsible than any other fringe-promoter for undermining the Rand's reputation in the years after the Anglo Boer War — were pure and simple speculators Actual gold production played little or no part in their financial plans

All sought capital through stock markets and from banks but while Gold Fields was mostly dependent upon the London market eGeneral Mining was dominated by large German banks

The magnates siphoned large amounts of capital into their personal fortunes through stock market operations Much of what they did not spend on conspicuous consumption was redirected into safe government stocks or new extractive ventures outside South Africa

These strategies prevented the industry from developing its full potential as a steady provider of substantial dividends, as far too many magnates stressed market operations rather than gold production

This impaired the ability of the industry to draw and hold investment as distinct from its dependence upon speculative capital

The financial practices of the magnates and their self-defeating competition for capital led to even speculative stock exchange booms bypassing the Rand market

The volatile market, infested with irresponsible operators and the gross overvaluation of shares of sound producers, convinced Berlin and Paris that the Rand's profits, though substantial, could not offset the ravages of speculation

The mining magnates as a group were primarily absentee controllers But if these magnates and their mining groups were extensions of Europe's capital markets they were also exporters of Europe's machine and chemical technology

New kinds of technology were crucial determinants in the foundation and development of the gold mining industry

Without the energy unleashed by chemical processes, metallurgical developments and electric power the Rand could not have become the economic juggernaut of South Africa

All's well at Rand Mines

ERPM turns the corner after two bad years

(214)

RDM 19/10/82

PRODUCTION increases, lower capital expenditure, higher tax and a 24% improvement in the average gold price were the features of the September quarter for Rand Mines gold producers.

By JOHN MULCAHY

In a trouble-free quarter for all producers, East Rand Proprietary Mines — after wallowing in losses for six successive quarters — "produced itself out of difficulty", ending with a profit of 48c a share after capital expenditure

Pre-tax profit for the four mines rose by almost 60% to R100 312 000, but the tax bill more than trebled to R46 600 000 from R13 900 000, leaving taxed profit only 10% higher at R53 700 000

The higher tax bill was largely the result of the considerable slowdown in capital spending, which was 42% lower at R19 600 000

The group's average dollar gold price for the quarter was 16,8% higher at $389 an ounce, but the continued decline in the rand exchange rate helped to lift the price received by 24% to R14 358 a kg

ERPM's production since the March quarter of 1981 has ranged from 674 000 tons to 611 000 tons in the March quarter this year and back to 654 000 tons in the June period

But in the September quarter ERPM breached the 700 000-ton for total output of 729 000 tons

The extraordinary production level more than offset the drop in grade, and gold production rose to 2 898,3 kg from 2 770,8 kg in the June quarter

Average gold revenue rose to R14 728 a kg ($400 an oz) from R11 391 ($326), raising total gold revenue by 35,2% to R42 745 000 from R31 618 000, and lifting the operating results out of a loss of R5 001 000 to a working profit of R2 753 000

After planning capital expenditure of R35-million this year ERPM revised its estimate to about R26-million Expenditure in the September quarter of R3 486 000 takes spending for the first nine months of the financial year to R16 196 000.

With another R4 200 000 in spending planned for the fourth quarter the mine's expenditure should total about R20 300 000 for the full year

A feature of ERPM's results is the impact the good operating quarter has had on State aid After aid of almost R15-million in the first six months of the year, ERPM's claim in the September quarter was R1 552 000

Total costs rose by 9,2%, which is understandable when related to the 11,5% increase in mill throughput Unit working costs fell to R54,86 a ton milled from R55,99

ERPM moved into a positive cash flow situation for the first time in more than two years, and if the average gold price had been $7 an ounce higher the mine would have broken even without State aid and without sundry revenue, which in the September quarter rose to R1 835 000 from R1 238 000 the previous quarter

BLYVOORUITZICHT had its second successive record production quarter, and unlike the June quarter, the high mill throughput was matched by an improvement in grade, increasing the mine's gold production to 5 125,9 kg from 4 873,7 kg

Blyvoor also received the highest average gold price in the September quarter, and the combination of increased production and price helped to boost working profit on gold by 67,5% to R44-million from R26-million

Overall costs rose by 4,6% to R31 756 000 from R30 345 000, but the increased tonnage meant that unit costs rose by only 2% to R55,13 a ton milled from R54

Distributable earnings at Blyvoor were much improved in the latest quarter at 64c a share, or 52% up on the June quarter's 42c

Contributing to Blyvoor's improvement was uranium, which produced working profit of R2 090 000 compared with the June quarter's R1 698 000

But tax took some of the shine off the performance, almost doubling to R26 164 000 from R13 590 000

Blyvoor's capital expenditure rose to R4 560 000 in the September quarter from R4 120 000 the previous quarter The mine has commitments amounting to R3 506 000 and estimated capital expenditure for rest of the year to June is R13 400 000

HARMONY'S performance in the September quarter was influenced mainly by its sharp reduction in capital expenditure, which had a corresponding impact on the tax charge

Higher production (see table) and a slight grade improvement lifted gold output, which together with the increase in the gold price boosted revenue from gold, silver and osmiridium to R118-million from R93-million

Revenue from uranium, pyrite and sulphuric acid dropped to R7 846 000 from R11 618 000, and overall working profit was 60,6% higher at R40 228 000 against R25 049 000 in the June quarter

With capital expenditure almost two-thirds lower at R6 522 000 compared with R18 805 000 in the June quarter, the tax bill soared to R20 459 000 from a negligible R349 000 the previous quarter

Harmony had capital commitments of R7 295 000 at the end of September and estimated expenditure for the rest of the year to June 1983 is R22 400 000

The pre-sink of the main shaft at the new No 4 Shaft complex started in the September quarter, and reached a depth of 94 metres

The system is scheduled for completion at the end of 1985 at a total cost, in 1981 money terms, of R34-million

DURBAN ROODEPOORT DEEP, which with ERPM accounts for the marginal end of Rand Mines gold production, was the only producer in the group to report a negative cash flow for the September quarter, although the loss after capital expenditure was pruned to 15c a share from 83c in the June quarter

Ironically, being one of two mines in the group that most need a high gold price Durban Deep was unfortunate in the timing of its deliveries to the Rand Refinery, and managed an average price of only $367 an ounce — well below the prices received by the other three mines

In spite of this, working profit on gold nearly doubled to R2 745 000 from R1 428 000, sundry revenue was R561 000 against R538 000, and the State aid claim was reduced to R1 411 000 from R1 968 000

A 7,4% increase in tonnage (see table) was not enough to offset the drop in grade during the quarter and gold production fell to 2 083,1 kg from 2 099 kg

The 11,9% rise in costs could not be attributed entirely to higher mill throughput, but unit costs were only 4,2% up from the June quarter, a reasonable increase in the wake of wage rises

Durban Deep's capital expenditure was trimmed to R5 061 000 from R5 860 000, there were commitments for R3 432 000 at the end of September, and estimated expenditure for the rest of the year to December 31 is R2 600 000

	Tons milled 000s	Yield g/t	Costs R/ton	Costs $ oz	Rev $ oz	Rev R/kg	Net profit R000s	Net Profit after capex R000s	EPS after capex cents
HARMONY	1977	4,15	43,20*	282	388	14 331	22 890	16 368	61
June	1932	4,11	41,22	337	337	11 704	27 320	8 515	32
BLYVOOR	576	8,90	55,13	185	401	14 766	19 942	15 382	64
June	562	8,67	54,00	210	333	11 598	14 233	10 113	42
DURBAN DEEP	612	3,40	41,92	333	367	13 609	4 717	(-344)	(-15)
June	570	3,68	40,24	365	335	11 576	3 934	(1 926)	(-83)
ERPM	729	3,98	54,86	373	400	14 728	6 140	2 654	48
June	654	4,24	55,99	447	326	11 391	3 447	(1 945)	(-35)

* Harmony's costs include uranium

Blyvoor first on West Wits death list

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By ADAM PAYNE

MR Peter Janisch, general manager at Gold Fields of South Africa, says in estimating the lives of gold mines on the West Wits line that Blyvooruitzicht will probably cease operations early in the 1990s.

At a symposium at Carletonville he set out the labour and deep-level mining problems facing the industry and said the only answer would be in improved productivity and technology

He estimated that Western Areas mine would be unlikely to survive beyond the mid-1990s, by which time Venterspost mine would have closed as a separate underground operation

With an expected long-term pay limit of about 4 g/t, it was probable that Blyvooruitzicht would cease operations early in the next decade

"On the eight mines which remain at the turn of the century my estimate is that about 21-million tons will be milled annually for a gold production of about 200 tons

(This compares with production last year from the entire South African gold mining industry of 658 tons)

"In the year 2020 there will be five mines operating, milling about 9-million tons Production will decline fairly rapidly thereafter"

With improved producivity and technological developments, a reduced number of workers, both black and white, would be needed to mill the 21-million tons at the turn of the century

The number of jobs offered by mines of the West Wits line then would fall from 137 000 to 85 000

Tons mined per employee would increase from 24 a month to 32,1, requiring an annual productivity improvement of 1,6%

Mr Janisch said that although "black-equivalent" jobs would be largely occupied by migrant workers, it would be a "gross planning mismanagement" to settle these workers permanently in the area because of the finite life of the mining industry.

For the industry to develop and survive, capital spending would have to continue at a high rate

The announced expenditure plans of R2 000-million on capital projects could reach R3 000-million in today's money by the year 2000, offering further stimulation of the economy of the West Wits line

"Production of gold and uranium will continue to dominate life in the region until well into the next century."

He estimated that by the year 2000 the average depth of working on the West Wits line would be more than 2 500 m compared with the present 1 920 m

The cost of deeper mining and the increased bargaining power of black workers who, in his view, would be organised into unions by then, could be offset in two ways improved technology and productivity

"Major productivity improvements must come about through rational use of all our human and capital resources.

"This has political and social connotations and a period of hard negotiation with Government and organised labour lies ahead."

Rich gold find

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RDM 19/10/82

BY NEIL BEHRMANN

LONDON — Sumitomo Metal Mining company has discovered a rich gold deposit in Hishikari, south-west Japan.

The president of Sumitomo, Mr Akira Fujisaki, says the deposit is unusually rich The estimated gold reserves total 120 tons, but the average gold content is as high as 80 grams a ton of ore

"Our Hishikari mine is exceptional even by world standards and might become the biggest gold mine in the history of the Far East," says Mr Fujisaki

"The average gold content at Japanese mines is about 5,1 grams per ton and about 7,3 grams per ton for South African mines

"When the mine goes into production in two to three years we expect to produce about four to five tons of gold a year

"If production starts as scheduled, Japan's domestic gold mine output will be eight tons in 1985, levels which were seen 12 years ago"

Mr Fujisaki says primary gold production in Japan increased from 12 tons in 1965 to 38 tons in 1981, but most of this came from by-products of imported base metal concentrates

GOLD QUARTERLIES

Hedging questions

(214) FM 22/10/82

Everyone, with the exception of GFSA, has jumped on the hedging bandwagon Why? Goodness knows as far as some mines are concerned One can understand the motivations of a mine such as Western Areas Its grade cost equation is particularly poor and there has been a downwards structural shift in gold recoveries so that hedging is probably necessary as a form of insurance This mine in particular cannot count on the temporary prop of State aid even though it needs it

The same considerations carry weight for the other low-grade producers It is understandable that Loraine, ERPM and so on should be hedging their gold price bets But why it is necessary for a rich mine such as Hartebeestfontein to do so is beyond me Any insurance policy — and hedging is just such a policy in another guise — costs money In the longer run the insurer makes a profit, as do the professional traders in the futures markets in which SA's mines are now dealing Essentially, then, there is a long-run cost And it seems pointless for high-grade mines whose profits are not threatened by shifting gold prices to incur them

GFSA, sensibly enough, has taken this view Hartebeestfontein's decision to hedge could, perhaps, bear a more critical examination No doubt shareholders will become pretty vocal if the hedging transactions go against the mines involved What is needed is full disclosure of hedging profits and losses if only to show that managements are on top of the business

It is unlikely that complete disclosure is something the industry will provide unless shareholders agitate for it At one stage SA's gold mines were among the most comprehensive corporate reporters The trend now is in quite the opposite direction For a start there was uranium — meaningful figures simply are not revealed while the industry shelters behind legal provisions Which is fortunate, in a way, as the gold mining industry's record on uranium is far from satisfactory One has only to think of such misguided investments as Western Deep's uranium capacity expansion of a few years ago to realise how much eash has been diverted into poor projects

Next came the decision of houses such as GFSA to cease announcing quarterly development sampling results The reason given was that they could be misleading There was no consideration given to providing the results in a more meaningful way Now we have the hedging programme

At the very least, for example, Western Areas should have disclosed just how much it made or lost on its programme Most analysts had been expecting a lower average price for gold than the mine in fact received last quarter And the question is being asked in London Did the mine buy forward as well as sell forward? I understand from the house that there were no purchases Let's get it straight, the mines are in the business of digging gold, not speculating in futures markets This or some sort of management indulgence is the only way to describe futures trading by mines which are under no pressure from gold price movements

As it was, the mines could have managed perfectly well without hedging in the September quarter Gold's dollar price advance was not offset by an improvement in the rand's value against the dollar And, on the whole, operating costs have been kept well under control despite the industry-wide 12% wage hike in June With the improvement has come a discernible improvement in expectations of the industry's managers Capital programmes which had been put on ice during gold's price fall are now being reactivated Essentially profits have advanced far enough (and are expected to remain sufficiently high) to make the tax-saving possibilities of capital spending a factor in management's calculations

Resumption of capital programmes will take precedence over dividend distributions at some mines — but they are the operations which risk being short-lived unless additional ground is opened up and ageing plants upgraded

Randfontein There has been something of a deterioration in the grade of ore Randfontein draws from underground This was to be expected, but for the record, in the September quarter the tonnage taken from low-grade surface stocks fell to 486 000 t from 529 000 t in the June quarter At the same time, the tonnage from underground rose to 890 000 t from 794 000 t which, had the underground ore's grade not declined, should have led to a higher overall recovery grade It was unchanged on the quarter at 5 g/t

Establishment of the Cooke No 3 shaft is a year ahead of schedule, which could lead to an earlier-than-expected end to the treatment of surface material Treating underground ore from the new shaft should enhance overall gold recovery grades, but will almost certainly be accompanied by higher unit costs as every ton of ore milled bears the current cost of underground mining By that stage, though, a large part of the higher-grade ore near the two shafts which are working at present will be exhausted Thus the mine could be set for a period of weakening overall recovery grades and unit costs rising at a greater rate than the industry average

Now that the gold price has improved and lifted operating profit with it, the idea is to accelerate capital spending projects wherever possible Tax saving possibilities are now better than they were

Western Areas The forward sale of most of the mine's gold production does not appear to have had too deleterious an effect on earnings Management sees the hedging as an insurance policy, as the company needs a breathing space before it starts mining better-grade ore That is at least two or three years hence and, in the meantime, it is best to count on the mine being strapped for cash Development rates have risen sharply in an effort to find and open up some areas with relatively high gold grades But the logistics of exploiting the uranium-bearing but poor gold Middle Elsburg reefs mean that exploitation of richer gold reefs cannot be maximised

Some of the uranium sales contracts have been advanced to this year, which means a speeding up of the cash flow from this source Despite a September quarter in which the mine earned more than it spent on capital account, there is little point in counting too much on an investment in the shares Management will be hanging on to every rand the mine can earn to fund the capital programme Priority will almost certainly be given to spending on those capital items which have been deferred rather than to distributions to shareholders Essentially the share is a gold price speculation

Blyvoor The ageing mine had something of a fling in the September quarter It boosted both mill throughput and gold recovery grade The latter, though, will almost certainly come down this quarter and next As operations move increasingly towards the east, operating flexibility reduces Capital spending is now simply sufficient to maintain operations as the mine has a remaining life of no more than seven or eight years (and this might be erring on the side of optimism) Uranium provides some leavening to profits but the facility will be closed within the next couple of years when uranium stocks should be large enough to fulfil remaining sales contracts

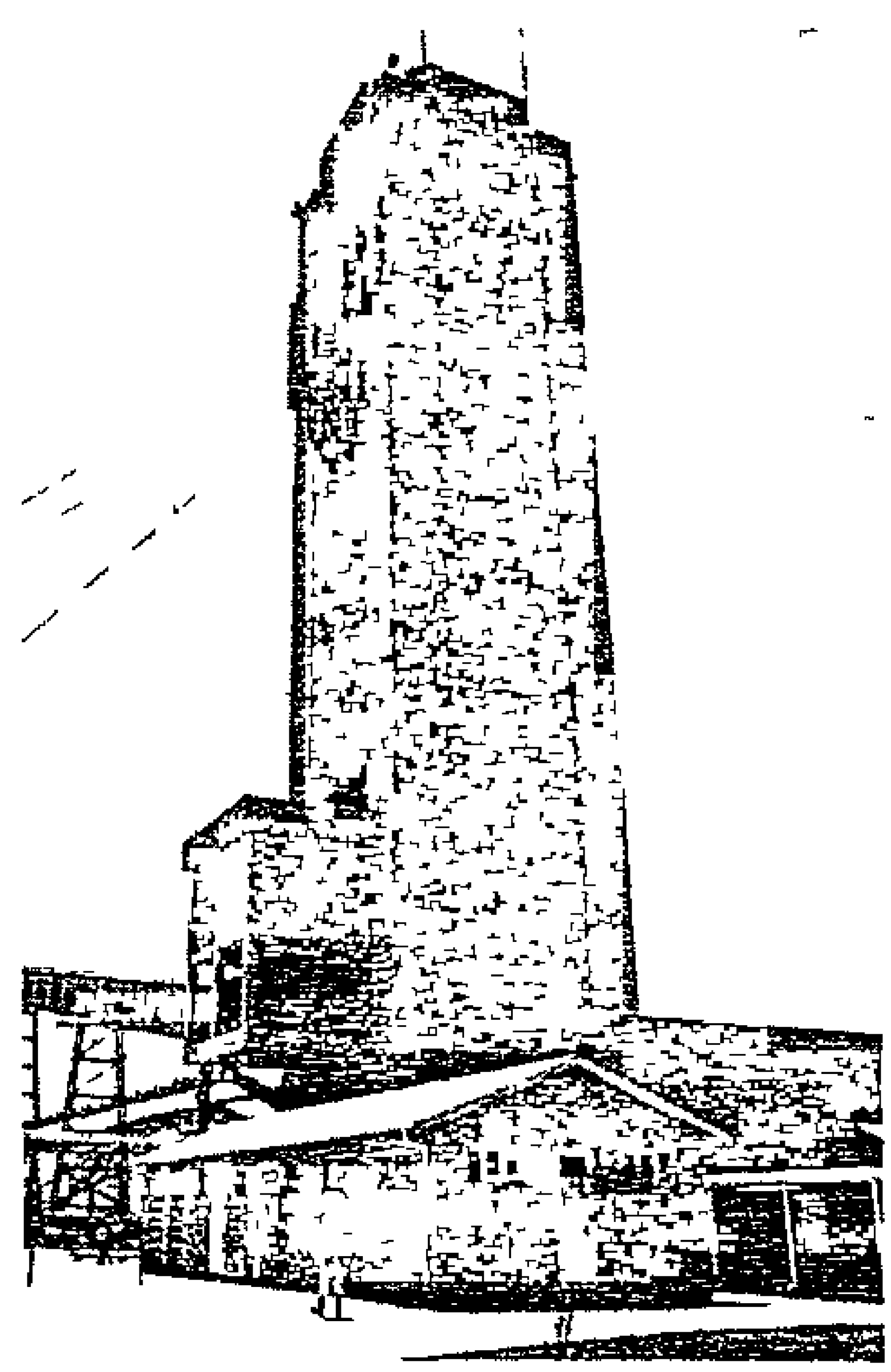
Harmony The outlook for uranium is not altogether bright, but at least the mine benefited from a higher gold recovery grade in the September quarter Whether this is more than a temporary phenomenon remains to be seen The trend in gold grades must be downwards as operations move increasingly deeply into the southern and eastern parts of the mine

Additional uranium sales contracts have been signed but at prices which reflect the currently over-supplied state of the uranium market There is little point in counting on substantial uranium profit contributions for several years As such, investors should see the mine for what it is — a large tonnage, low-grade gold producer with a relatively high gearing to the gold price An interim dividend of 85c has been declared A final of more than 100c is well within reach

ERPM The recent gold price advance has not altered the mine's cautious approach to cash conservation This year's capex will be only R20m against an originally-planned R35m and a later revision to R26m Presumably reinstating the capital expansion programme on which the mine's longer-term future depends will lay first claim to profits Certainly there seems little point in distributing anything much to shareholders if this might prejudice the capital programme

Mill throughput in the September quarter was very close to full capacity and it should be possible to maintain this rate even if it means accepting lower-grade ore from the most readily accessible parts of the mine In addition, the higher mill throughput should allow reasonably good cost control In the last quarter unit costs fell to R54,86/t from R55,99/t The mine remains one of the more interesting gold price specs but there are others with far better near-term dividend prospects

Durban Deep The mine adopted the same strategy as sister mine ERPM In the September quarter, it aimed at increasing mill throughput as far as possible to keep unit costs under control This was despite the fact that gold grade was certain to decline The strategy did not work as well for Durban Deep Total gold production slipped, unit costs rose 4,2% on the quarter to R41,92/t and the timing of gold sales resulted in the receipt of a far lower average gold price than other mines The lower gold price had nothing to do with management's recent decision to hedge gold sales



Harmony . . . benefiting from gold recovery

Like ERPM, Durban Deep will probably play it cool on distributions at least until it has completed arrangements for its capital spending programme of the next few years As it was the strongish profit rise in the last quarter did not result in taxed profit being sufficient to cover the quarter's capital spending This quarter, though, capital spending should be well covered by income provided the gold price does not drop significantly from its eurrent levels

Harties: There is nothing surprising about the gold recovery grade decline of the September quarter — the trend is generally downwards as mining operations move into the western part of the lease area And there should be no other surprises, development sampling is disclosing grades which are little changed on previous quarters

The current financial year's capital expenditure will be relatively heavy and this should continue for a few more years as additional shaft sinking is completed However, the mine remains among the soundest in the industry with a relatively long life expectancy Hedging, which starts this quarter, could, however, prove to be something of a drawback

Loraine: The mine underestimated its performance earlier this year and put in a large claim for State aid Because of gold's strong price performance last quarter, profits were greater than expected and the State aid figure has had to be reversed in Loraine's books This is simply an accounting problem More important is the appearance that the mine is at last starting to produce increasingly respectable grades They do not mean that a resumption of dividends is imminent, but they are a step in the right direction It should not be forgotten that Loraine has a massive tax loss to work through, so distributable profits should respond closely to gold price shifts over the next few years

ET Cons The quarter's cost increase was ridiculous Total operating costs rose by almost 16% to R4,18m and unit costs rose by almost 18% to R56,47/t from R47,90/t And these, don't forget, are quarter-on-quarter increases Annualised, they mean that costs would be near enough doubling each year Plainly the wage increases were not wholly to blame Could it be that the expansion programme has been funded in part from working costs rather than on capital account?

This year capital expenditure will not be light, so unless the gold price puts in a strong near-term performance, it is probably safest to count on management being cautious on dividend distributions *Jim Jones*

Anglovaal joins coal export protests

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ANOTHER mining house has registered its disappointment at coal export awards.

By JOHN MULCAHY

Mr Basil Hersov, chairman of Anglovaal, says in his annual review that seen against the coal reserves available to the group and its coal-mining partners — Anglo Alpha and Middle Witwatersrand — the granting of a million-ton provisional bituminous coal export allocation was disappointing

The allocation forms part of the 25-million tons a year Phase IVa development through Richards Bay, and the rail and port facilities are not expected to be available before the end of the decade

"Apart from the grant of a provisional export allocation to this company, Grinaker Holdings through Grinaker Desert Spar (Pty), in which it has a 50% interest, has also been granted a provisional export allocation of 500 000 tons a year of bituminous coal and/or anthracite

"In addition, its existing allocation of 500 000 tons a year of bituminous coal and/or anthracite has been confirmed for 30 years"

Sounding a warning for the year ahead, Mr Hersov says that unless the current price surge is maintained and changes economic conditions, Anglovaal and SA will be operating in a depressed economic climate

"Under such circumstances maintaining the new earnings plateau achieved after the exceptional growth of the past five years will present a challenge to Anglovaal

"Historically the group has successfully contended with many downswings in the trade cycle and used these to mobilise its resources for future expansion."

Mr Hersov says that in the nature of downturns liquidity levels take on increasing importance

"The Anglovaal group's prudent debt policies of the past stand it in good stead at such times We do, however, need to husband our liquid resources control our inventories particularly rigorously at this time in order to meet any contingencies as well as to provide flexibility when opportunities to expand further occur"

Results for the year to June 30, 1983, will again be influenced by the gold price and by Anglovaal's other mineral exports, as well as by the effects of the economic climate on the group's industrial companies

"On present indications the group faces a challenge in improving on the results of the year under review"

Anglovaal is exploring for gold, base minerals and coal, and although coal exploration efforts have led to the purchase of additional reserves in the Bethal district, the search for gold and base minerals has yielded disappointing results

The exploration programme undertaken in partnership with Anglo American Prospecting Services (Pty) in the Eastern Transvaal was stopped during the past year, but the search for gold continues in the Western Transvaal and in the Free State

Base-mineral exploration has been confined to the Northern Cape and the Transvaal

Mr Hersov says De Beers continued its investigation of the cluster of diamondiferous kimberlites, in which Anglovaal has a 21,9% interest, on the farm Venetia in the Northern Transvaal

"The pipes are being sampled through surface trenches and shafts and the ground treated in a heavy-media separation plant erected on the property in the latter part of 1981 in order to evaluate these discoveries"

In the year to June 30 Anglovaal's gold interests contributed 24% of earnings, which, compared with 42% the previous year, the contribution from other minerals and metals fell to 5% from 9%, building, construction, engineering and allied industries provided 25% of earnings against 14% last year, food and packaging's contribution rose to 43% from 30% and other sectors provided 3% compared with 5% last year

Mr Hersov says the application for a licence to produce methanol is still with the Minister of Mineral and Energy Affairs

"It is anticipated that in the current financial year a firm policy for the future role of synthetic fuels in the country's energy markets will be defined

"It may then be possible for private sector-led grass-roots enterprises to be launched The complexity of projects of this nature, the large amounts of capital required and long lead times for bringing them to fruition, will require a high degree of co-operation between the Government and the private sector"

The market value of Anglovaal's listed portfolio was R291-million at the end of June compared with R302-million at the end of June last year The book value of the listed shares rose to R103-million from R85-million, due mainly to the acquisition of shares arising from the rights issue in Anglo-Transvaal Industries

The book value of unlisted investments at June 30 was R11-million, and by October 8 the market value of listed investments had risen to R451-million

Steel slump hits colliery jobs

STW 5/11/82

By Tony Davis,
Labour Reporter

About 2 000 jobs on collieries under Anglo American control have been destroyed because of the drop in the iron and steel markets.

Iscor has had to reduce its iron and steel output substantially because of the impact of the recession locally and on steel-importing foreign trade partners.

Iscor's cutbacks are in turn affecting local mining as coal is used in large quantities in steel production.

Last weekend Anglo's Indumeni mine in Natal closed because Iscor terminated its contract.

Iscor is now making further cuts, this time affecting sections of Anglo coal mines near Witbank.

Iscor has already informed the Anglo American Coal Division, Amcoal, it no longer requires coal from the Hope and Main sections of the Springbok Colliery and the Navigation section of South African Coal Estates.

A decision to close the Main and Navigation sections had already been approved, an Anglo spokesman said.

The premature closure of collieries and sections will mean many redundancies as Anglo is unlikely to be able to place many of the workers in other operations.

The scheduled closing dates for the mines and sections were Indumeni — mid-1984, Hope and Main — mid-1983, and Navigation — late 1985.

But these dates are all being brought forward and Iscor is having to negotiate the termination of the contracts with Anglo.

Amcoal had planned to open collieries in the next few years, and these would have taken on workers from the collieries slated for closure.

Expansion plans, which are still going ahead, are:

- At Goedehoop, where primary production gets under way early next year.
- At New Denmark, which will supply Escom's Tutuka power station. Production also begins early next year.
- At New Vaal, which is being planned as an open cast colliery, with production scheduled to start in 1984.

But now with the termination of several contracts by Iscor, many miners — largely rural blacks — are without jobs.

About 1 000 workers at Indumeni, 1 000 at Main and Hope and another 1 000 at Navigation are affected.

The Hope section of Springbok will not be closed but several hundred workers are being laid off, according to industry sources.

The Anglo spokesman said workers who were not relocated would receive redundancy benefits and be given preference in future recruitment drives.

- Iscor has already heavily cut back production and closed three Newcastle blast furnaces.

Malawi offers to combat the MNR

2/8 Moz

Rom 4/11/82

By JOSE CAETANO

MALAWI has offered to help Mozambique maintain security along the common border between the two countries to contain the military activities of the Mozambique National Resistance armed groups, apparently also operating from Malawi

The Malawian offer came during last week's visit to the country by the Mozambican Foreign Minister, Major-General Joaquin Chissano

Addressing a Press conference at the end of his visit to Malawi, Gen Chissano said that "bands of the so-called Mozambique National Resistance are operating from Malawian soil without authorisation from the Malawian authorities"

Replying to a question the Mozambique Minister said "We have the understanding that we have a common enemy, that our economies should be developed and that our independence should be safeguarded .

"They are there (in Malawi) as they are in Mozambique", the Mozambican Minister said "We don't want them there, but they infiltrate"

Relations between Malawi and Mozambique have until recently been strained because of suspicion in Maputo that President Banda's government was giving the MNR tactical support

According to Gen Chissano the aim of his visit "was to exchange views with Malawian leaders on the situation in Southern Africa and on co-operation within the Southern Africa Development Co-Ordination Conference (SADCC)"

Referring to MNR attacks on economic targets inside Mozambique, Gen Chissano said "The enemy is not courageous enough to attack our armed forces But they attack schools and hospitals

"They kidnap civilians, particularly experts who are working to improve roads, railroads and other infrastructures that would benefit our development"

Mine closure leaves 800 out of work

E-Post 2/11/82

Post Correspondent

DURBAN — The shutdown this week of a large Anglo American coal mine in Northern Natal has led to about 800 miners losing their jobs and facing an uncertain future in impoverished homelands

The retrenched workers are made up of 300 Zulus, about 400 Transkeians and 100 from Lesotho

They began packing up when the mine, one of the oldest in Natal, finally stopped production

The Transkei workers say they face a "miserable future" because there is no work back home

The same applies to the Zulu workers, some of whom have been employed on the mine for more than 20 years They will return to Kwazulu, but there is little work there

The Anglo American group decided to close the mine because of a cutback in production at Iscor, the giant iron and steel complex, at Newcastle Iscor has cut back its fuel requirements

The Anglo American Corporation ensured jobs on other mines in the group for about 80 Indian and white employees, and was also able to place about 200 black workers, most of them skilled

The shutdown of the mine, the third in Natal this year, is also causing serious concern to traders for whom the miners accounted for almost 90% of their turnover

The miners paid in cash whereas nearby residents used credit, they said

Dundee coal mine closes

Mercury 1/1/82

25

Pietermaritzburg Bureau

THE ANGLO American-owned Indumeni coking coal mine near Dundee has closed, ending months of speculation in the northern Natal town over the fate of the colliery

A spokesman for Anglo American Corporation said negotiations with Iscor, South Africa's giant iron and steel corporation, were now sufficiently well advanced for a decision to be made to close the mine with effect from yesterday

Iscor had approached the company with a view to closing the mine sooner than previously expected, which was in the second quarter of 1984

About 1 000 mine employees will be affected, but the majority are to be relocated at other Amcoal Mines, the spokesman said

A skeleton staff would stay on to carry out the closure of the colliery

The spokesman said the possibility of exporting the remaining coking coal reserves had been examined but in view of the quality of the coal, particularly in relation to it's high sulphur content, this was not an economically viable alternative

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800 COAL MINERS LAID OFF

Blacks face starvation, but new jobs for whites

THE shutdown this week of a giant Anglo-American coal mine in Northern Natal has sent hundreds of blacks packing to a bleak and jobless future in their impoverished homelands.

Almost 800 blacks — 80 percent of Indumeni coal mine's black labour force — have been axed in the shutdown

Today they make the long trek back to their homelands as the last of the mine's production shifts grinds to a halt

"It's going to be a future riddled with starvation, poverty and misery for us," father-of-four Mfana Xaba, said this week Xaba (38) is one of the almost 300 Zulus who will have to start job-hunting in KwaZulu when he leaves the mine today after working there for almost 21 years

The remaining 500 retrenched workers are citizens of Transkei and Lesotho

Their almost 80 Indian and white colleagues have been more fortunate All of them have been offered transfers to other coal mines owned by the Anglo-American group

A small part of the black work force, comprising about 200, have been offered jobs on other company mines They are mostly skilled workers

The cause of the closure of the Dundee mine — one of the oldest in the province and the eleventh in Northern Natal to close in recent years — is that Iscor, the giant iron and steel complex in Newcastle, has cut back on steel production due to a shrinking market

A spokesman for Anglo-American's public relations division in Johannesburg, Colleen Hendricks, said this week negotiations were continuing with Iscor to ascertain whether they were still willing to accept coal from the mine at a reduced quota

She said if Iscor agreed to this, production would drop at the mine and there would not be a need to close down

The shutdown is expected to have ripple effects in surrounding towns, like Wasbank, Dundee and Glencoe where business is expected to be badly hit

Hennie Annandale, who owns a trading store near the mine, said he would have to close his business if the mine was shut down He said he derived all his trade from mine workers

Frans Zwane (26) who lives in Vugeni township outside Wasbank, said he is going to find it impossible to keep his home fires burning now that he is out of a job

He supports his elderly unemployed mother and three young brothers

He said with his income of R130 a month he saw to all their needs He lived in the mine hostel and did not pay rent

"I am not worried about myself I can stay without good clothes and food It's my mother and brothers I am worried about I don't know how they are going to survive They were dependent on me,' he said

The future also looks bleak for Petros Chele a 26-year-old Transkeian who has been working at the mine for six years

"I don't know what I am going to do when I go back to Transkei There are no jobs there Even if I walk the streets for six months I will not find work,' he said

The Indumeni coal mine near Dundee which closed down this week

(or Supplied)

R404m capex for Trans-Natal

Kom (215) 1/11/82

Deputy Financial Editor

TRANS-Natal Coal Corporation expects to spend another R404 800 000 to complete its major capital projects

Spending reached R178 400 000 in the year to June 30, and Trans-Natal's chairman, Mr Steve Ellis, says in his annual review the expansion of coal-mining activities and related financial planning were again of high priority in the past year

Pointing to the gloomy short-term outlook for the coal-export market, Mr Ellis says the depressed economic situation and reduced demand for energy in the coal-importing nations, together with surplus export capacity, have led to a softening of coal prices

Slamming the marketing practices being adopted by some suppliers, Mr Ellis says "it is perturbing to note that South African coal export prices are more under pressure from SA sources attempting to place coal overseas than from competition from overseas producers"

Trans-Natal has been awarded a provisional export allocation of 4-million tons a year in Phase IVa of the Richards Bay expansion, taking the group's total allocation to 11 500 000 tons a year

While not commenting specifically on Trans-Natal's allocation, Mr Ellis says "A great responsibility rests on the potential exporters and the Government if a situation is to be avoided in which undisciplined marketing detrimentally affects SA prices and its standing in the world markets"

Mr Ellis says demand from Escom is expected to continue increasing, and although Escom has entered into supply agreements for new power stations starting up as far ahead as 1989, the expected growth of 7% a year in electricity demand will result in tenders supplies to about 12 stations, each with 3 600-MW capacity, to be solicited over the next 10 years

"The group is continually monitoring its position regarding power-station contracts Should Escom call for further tenders during 1983, the group is capable of responding to this situation"

Trans-Natal's earnings are expected to increase when the expansion programmes have been completed and the full benefit of additional capital investment and increased production comes into effect

"This has already become apparent in the results for the year under review, with special reference to Matla and Hlobane collieries where the capital expansion programmes are well advanced

"Increased benefits from the export expansion programme will only start reflecting in the earnings a share from the 1983-84 financial year onwards"

Considerable progress has been made in the development of the primary infrastructure at Optimum after Escom's approval in principle of the mine's export project

Mr Ellis says the outloading facility was commissioned in April and is being used to load export coal from neighbouring mines as well as bulk samples from Optimum to potential overseas customers

The modular preparation plant at the colliery can also be used to process coal from Optimum for export until the main coal preparation plant is commissioned in May

GENERAL NEWS

1000 fired as coal mine shuts

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Labour Reporter

About 1000 black workers lost their jobs in Northern Natal yesterday when the Indumeni coal mine was shut down

The closure of the Anglo American mine was the result of the downturn in the steel market which saw Iscor having to negotiate an end to its contract with Indumeni

A skeleton staff was kept on to see to the mine's closure, although management was reported to be looking at alternative operations with certain grades of coal

The majority of the workers came from the Dundee area while the rest were from Transkei and Lesotho

It is understood about half of the long service workers will be relocated at other Anglo American coal mines

The remainder will return to the homelands or neighbouring states

However the remaining workers will probably receive preferential treatment regarding re-employment according to industry sources

White and Indian staff are also likely to be re-engaged at other group mines

● An Anglo spokesman confirmed the closure and said financial talks were under way with Iscor

Coking colliery closes ahead of time

Furnace fires put out at steel giant

2/5

S. 11/11/82

By David Braun

The severe recession in the steel industry has given rise to further closures and cutbacks of production facilities

Indumeni closed its coking coal colliery yesterday, Highveld Steel and Vanadium Corporation has taken two iron-making furnaces out of production and Iscor has cut back production by a quarter

Highveld Steel said its cutback was a result of the significant reduction in the demand for the group's products Two of its submerged arc iron-making furnaces would be taken out of operation

REVIEW

"The production programme will be reviewed towards the end of the first quarter of 1983 when the hot strip mill is expected to be in full commercial operation," the company said

The reduction is expected to have an adverse effect on profitability

Indumeni announced today that its coking coal colliery was closed at the request of Iscor yesterday The colliery was originally due to close in the second quarter of 1984 but the giant iron and steel enterprise asked Indumeni to bring this date forward

The directors said detailed financial arrangements associated with the closure were still being negotiated

NO EXPORTING

"The possibility of exporting the remaining coking coal reserves has been examined but, in view of the quality of this coal, particularly in relation to its high sulphur content, this is not an economically viable alternative," said the directors

Indumeni management will continue its investigation into how it can exploit these reserves and a final decision on whether to close the mine or place it on a care and maintenance basis will depend on this investigation

Iscor announced last month that it was to cut steel production by nearly a quarter Its new production figures would constitute from 77 percent to 80 percent of the corporation's capacity

The managing director, Mr Floors Kotzee, said every employee would have to be prepared to make certain sacrifices to rectify the situation Productivity would be increased and non-essential expenditure would be trimmed

"Times are hard but not hopeless The fact is that we have to deal with problems that South Africa and Iscor have never experienced before," he said

MINING — GOLD

1983 — 1984 JAN — DEC.

Egoli to set up R3m gold plant

214 RDM 7/1/83

By BRENDAN RYAN

EGOLI is to set up a R3-million treatment plant near Nigel to treat 25 000 tons of gold-bearing material a month.

Much of this material was previously sent to the S A Lands plant near Springs for treatment

The company announced yesterday it had bought control of Mariner Mining Corporation, which holds more than 95% of Nuco, a company owning 81 ha of freehold land on the site of the old Nigel mine next to a dump from which Egoli has been transporting material to Sallies for treatment

Sallies stopped treating material from the dump in November last year because it could not be put through its recovery process at a profit The major problems were the cost of transport to the plant and difficulties experienced in the treatment process

Sallies processes material from Egoli and other companies on a 50/50 profit-sharing basis and requested that Egoli replace the material from the Nigel sand dump with material from other sources because of the difficulties of processing it

Egoli lost R224 074 in the six months to August last year and blamed a considerable drop in metallurgical recovery at Sallies together with low head grades and difficult recovery conditions on West Rand material for its gold production falling below target

According to Mr Rawdon Lawrie, managing director of Anglo American Corporation's Transvaal gold mines, Sallies could get a recovery rate of only about 60% from this particular dump compared with more than 70% on other material

Egoli's deputy-chairman, Mr D M Grant-Hodge, said yesterday that the new plant would treat material from the Nigel sand dump as well as from other high-grade dumps in the area from which material could be economically taken to the new plant. The Nigel dump has grade of around 1g/t

"We are certain we can treat the material from the Nigel sand dump at a profit," he said

Details of the deal are that Egoli is buying 65% of Mariner Mining Corporation for a million Egoli shares issued at 260c each In addition to the freehold land, Nuco also owns a 90 000 tons a month uranium plant and 10-million tons of uranium and gold-bearing dump reserves

What Egoli has bought is a site for its new plant as the uranium plant has been mothballed and the dump reserves contain mainly uranium and little gold which, given the state of the uranium market, means exploitation is a long way off

According to Mr Grant-Hodge the site alone is worth the cost to Egoli

"It has everything we need Power, water, dumping sites are all laid on and these are major considerations in setting up a dump retreatment operation It is not easy to get dumping rights on the Witwatersrand," he said

Process design for the gold recovery plant has started, and the gold plant should be completed sometime this year, says Mr Grant-Hodge

Yesterday's company statement said the plant locality was well suited to processing other gold-bearing material in the vicinity and, given profitable uranium prices in the longer term, it was envisaged the gold plant would be enlarged and the uranium plant recommissioned to treat the 10-million tons of Nuco reserves

The transaction increases the net asset value of Egoli by 12,5c a share

"It is not possible at this stage to estimate the effect this acquisition will have on the earnings of the company, but it is anticipated that savings will result from lower transport and plant usage costs as compared to those presently being incurred," the statement said

There will be no effect on Sallies operations as the company has replaced the tonnage with other material which it can treat at a profit Sallies will continue to treat material for Egoli other than from the Nigel sand dump

Z14 Star 21/1/83

Gold's surge could reopen mothballed mines

By David Bamber
Mining Editor

The higher bullion price could lead to the reopening of some South African gold mines which had been put in mothballs or considered not viable

The first indications of this have come from the December quarterly reports released today of gold mining companies administered by Anglo American Corporation

In his last annual report to shareholders the chairman of The South African Land and Exploration Company, Mr Nicky Oppenheimer, referred to the possibilities of establishing a gold mine in an area of the defunct Van Dyk Consolidated Mines on the East Rand

Dewatering

This was shelved after bullion tumbled to its lowest in three years when it dipped below 300 dollars last July

But today the company announced "In view of the more favourable gold price dewatering of the Van Dyk No 5 shaft is recommenced and it is estimated that the old workings will be entered within about four months"

This does not necessarily mean that the mine will start up again, as it will depend on sampling results

But it is obvious that if values prove good enough, full-scale mining will begin as soon as possible

Commissioning

Another heartening development from the quarterly report is that gold has been produced for the first time from Vaal Reefs' Afrikaner Lease area

Besides this the East Rand Gold and Uranium Company(Ergo) says work on the treatment plant and underground at the old Simmer and Jack Mine "remains on schedule"

"The (treatment) plant has been erected and commissioning is in progress Water testing has taken place and it is expected that sand dump material will begin to pass through the plant in the next few days"

Now for the bad news Profits for Anglo's Transvaal and Orange Free State mines during the quarter were generally below market expectations

Several mines suffered from the effects lower capex had on taxation while others showed unacceptably high rises in working costs

In the Transvaal Western Deep Levels gold output was down following a drop in milling rate from 905 000 to 853 000 and a slightly lower grade of 11,53 g/t compared with 11,72 in the previous quarter

Capex down

Units costs jumped 8,4 percent from R61,04 to R66,15 but total costs at R56,4 million were only 2 percent above those of the three months to end September

	1982 Final	1982 Interim	1981 Final	1981 Interim	1980 Final	1980 Interim
Vaal Reefs	600	350	530	450	700	620
Western Deep Levels	260	135	205	200	400	400
Southvaal Holdings	210	120	195	160	260	170
S A Land	40	35	25	15	20	35
Elandsrand	15	—	—	—	—	—

Pre-tax profits were only 1,3 percent higher at R97 million (R95,8 million) but a drop in capex led to a bigger tax bill, leaving net profit 7 percent lower at R57,5 million compared with R61,9 million last time round

The final dividend of 260c a share, with the interim of 135c, brings the year's total to 395c

Sinking operations at the service shaft of the No 1 shaft complex remained suspended during the quarter following an inrush of water from a fissure which was intersected 970 m below surface on July 10

Taxation up

But shaft-sinking resumed four days ago after completion of cementation and re-equipping

Ergo's profits slumped by 33,1 percent from R20,3 million to R13,6 million, despite an increase in slimes treated This was entirely due to a sharp rise in taxation after capexfell from R17,4 million to R8,3 million

But the net result was that earnings a share (after capex) nearly doubled from 7c to 13c

A fall in grade from 0,81 g/t to 0,78 g/t resulted in lower gold production at Sallies despite an increase in mill throughput from 531 000 tons to 545 000 tons

Pre-tax profit fell 20 percent to R1,5 million but increased capexresulted in a tax credit of R371 000, compared with a debit of R505 000 in the previous quarter, leaving profits 38,1 percent up at R1,8 million (R1,3 million)

Grade declines

But capex swallowed the entire earnings, whereas there was 7,7c available for distribution at the end of the September quarter

A final dividend of 40c was added to the interim of 35c, making a total of 75c for the year

With a lower milling rate, a sharp decline in grade from 9,22 g/t to 8,44 g/t and a 7,4 percent rise in working costs, Vaal Reefs has surprisingly ended the quarter with profits 53,1 percent higher than in the previous three months at R109,8 million (R71,8 million)

Profit from gold managed to rise only 3,8 percent but other net income took total pre-tax profits to R177,5 million compared with R141,3 million in the September quarter

But capex almost doubled so the taxman got R67,7 million compared with R69,5 million last time round

Elandsrand was one of the better performers in the Transvaal and to underline this the company has declared a maiden dividend of 15c

An increase in grade from 5,8 g/t to 6,29 g/t more than offset a decline in milling from 412 000 to 405 000 tons

The increase in gold price received helped to lift profits from R19,3 million to R23,6 million After deducting capex, earnings a share were left at 14,7c — against 13c three months earlier

Three of the four Orange Free State mines achieved lower taxed profits during the December quarter — mainly due to higher taxation caused by lower capex

But the lower capex left distributable earnings higher in all but one case

A small increase in grade from 4,63 g/t to 4,68 g/t at Western Holdings was not sufficient to offset a lower milling rate, so output fell from 10 272 kg to 9 799 kg

But well-controlled costs, the higher gold price and a jump in sundry revenue from R521 000 to R7,4 million took pre-tax profits to R72,1 million(R60,2 million in the previous quarter)

Healthier

The tex bill was five times higher at R38,3 million, leaving profits at R33,8 million (R53,2 million)

But earnings after deducting capex show a far healthier position, having risen from 96c to 164c a share

Similarly earnings at Free State Geduldmore than trebled from 41c a share to 131c even though taxed profits were nearly 50 percent down at R23,9 million (R44 million)

Milling rate, grade and hence gold production, were lower But the higher gold price received lifted revenue from gold from R87,5 million to R98,9 million

Unit costs rose a rather steep 6,2 percent but total costs at R57,3 million were only 3,8 percent higher than in the previous quarter

As forecast by the company, the grade at President Brand dropped from 7,54 g/t to 6,9 g/t So after the milling rate fell from 854 000 tons to 850 000 tons, gold production dropped from 6 439 kg to 5 865 kg

At the pre-tax stage profits were only 0,6 percent higher at R52,8 million After an increased tax bill profits stood at R24,2 million compared with the September quarter's R34,9 million

Despite the lower capex, earnings available for distribution dropped from 136c to 128c

President Steyn, on the other hand, was the only Free State mine to increase profit and earnings a share after deducting capex

After deducting capex, earnings a share were 140c — 27,8 percent higher than three months earlier

High gold price could reopen mines — Anglo

ARGUS 21/1/83

214

JOHANNESBURG — The higher bullion price could lead to the reopening of a number of gold mines in South Africa which were previously put in mothballs or considered not to be viable

The first indications of this have come from the December quarterly reports released this morning of gold mining companies administered by the Anglo American Corporation

In his annual report to shareholders the chairman of SA Lands (Sallies), Mr N Oppenheimer, referred to the possibility of establishing a gold mine in the area of the defunct Van Dyk Consolidated Mines on the East Rand

This project was shelved after the gold price tumbled to its lowest level in three years when it dipped below $300 an ounce during July last year

But today the company said that in view of the more favourable gold price, de-watering of the Van Dyk No 5 shaft had recommenced and it estimated that the old workings would be entered within about four months

This does not necessarily mean that the mine will start up again as mining will be dependent on sampling results

AFRIKANER LEASE

Another heartening fact to emerge from the quarterly reports is that gold has been produced for the first time from Vaal Reefs' Afrikaner Lease area

Elandsrand was one of the better performers in the Transvaal and to underline this the company has declared a maiden dividend of 15c

PROFITS LIFTED

The increase in gold price helped to lift profits from R19,3-million to R23,6-million and after deducting capital expenditure, earnings a share were left at 14,7c against 13c three months earlier

Other dividends declared today are Vaal Reefs — final dividend of 600c (530c) making 950c (980c) for the year South Vaal Holdings — final of 210c (195c) making 330c (355c) for the year Western Deep — final of 260c (205c) making 395c (405c) for the year SA Land — final of 40c (25c) making 75c (40c) for the year

David Bamber

Star 31/1/83

Sales top the R1 000 million mark

Record SA coal exports offset gold's decline

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By David Bamber
Mining Editor

Coal exports soared to a record high last year, earning South Africa more than R1 000 million for the first time

Even more impressive is that the four-figure mark was reached in the first 11 months of the year

Figures releasedby the Minerals Bureau show that coal exports in November amounted to R99,4 million — R13,6 million higher than in October

This took the total for the 11 months to R1 023,5 million compared with the previous high of R977 million reached in the whole of 1981

Fortunately for South Africa, this performance came at a time when gold sales were sagging

By the end of November the lower bullion price had left exports of gold at R6 725,8 million — about R1 800 million short of the total in the previous year, and with only one month to reach it

Earnings from gold accounted for 61,7 percent of the R10 897 million total exports of metals and minerals during the period under review

This is a good deal lower than in 1981 when gold exports were 73,4 percent of the total

Overall, there should be little difference in total earnings from metals and minerals

December exports will probably have been about R1 000 million, taking the total for the year to about R12 000 million compared with R11 655 million in 1981

Diamond sales in the 11 months were R300,4 million so it seems likely that exports in the full year will be lower than the R339,9 million a year earlier

Iron ore did well even though sales tapered off towards the end of the year

Nevertheless, in the 11 months exports reached R210,8 million — just R5,8 million short of the total in 1981

Manganese already passed the previous year's figure by the end of October, and by the end of November exports were R8,2 million higher at R125,4 million

Copper exports should comfortably pass the 1981 level With one month to go, exports had reached R128,2 million compared with R133,4 million in the whole of the previous year

But earnings from fluorspar and nickel will fall substantially short In the 11 months nickel exports amounted to R35,2 million against R57,6 million in 1981 while fluorspar at R25,2 million is R20,1 million below the total for the previous year

Talks on Witbank

By Geoffrey Murray

TOKYO — Talks between steel milling officials and the Transvaal Coal Owners' Association on the fiscal 1983 contract for Witbank coking coal have ended with nothing settled and resume about February 20

The Japanese want to pay less than 50 dollars(at present 57 dollars) fob a long ton Sources said the South Africans at this stage want an explanation of how the Japanese mills will cut an excess supply of 18 million tons a year caused by declining steel production and the effect of some overseas mine projects for the Japanese market coming on stream

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Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

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Mercury 2/2/83

214

'Another Witwatersrand' claim in Canadian goldrush

Richard Walker

NEW YORK—Claims of 'another Witwatersrand' in the Canadian north have sparked the heaviest trading in the history of the Vancouver Stock Exchange and near-record business on the Toronto Exchange.

'It has created a speculative market we can't stop,' said a Toronto official

Inspiring Canada's biggest goldrush in 50 years is a 25 km² patch of Ontario wilderness near a Lake Superior town called Hemlo, and a 25 000 km² tract stretching to the Quebec border that Ontario Natural Resources Minister Alan Pope says could be a twin of the Reef goldfields

Such talk has been enough to send shares soaring and inspire prospectors to register hundreds of claims a week. 'The bush is swarming with people,' said mining recorder Doris Cosco

Six-five companies with Hemlo claims are on the Vancouver Exchange — almost half of them controlled by one man, a 62-year-old speculator named Murray Pezim

Reserves

Mr Pezim talks excitedly about 'geology similar to the South African gold belt' Drilling has so far proved reserves of 15 million tons of ore, assaying at 0,25 oz a ton, he asserts

That works out at 4 000 oz worth about R2 000 million at the current bullion price He expects an eventual yield from Hemlo of 15 million ounces

Biggest boost to Hemlo lore was when Noranda Mines — Canada's biggest — paid close to R6 000 000 for an option on a deposit, then announced that there was enough gold on the site to support 'at least one mine'. In May, Noranda will decide when to start production and it says it may build a R100 million mill there

Noranda is particularly encouraged by operating cost estimates of R200 an ounce, or less.

Waverley increases taxed income by 62%

(214) C.T. 7/2/83

By BRENDAN RYAN

JOHANNESBURG. — Waverley Gold Mines increased taxed income 62% to R150 396 (6c a share) for the six months ended December 31, 1982 but has not declared a dividend because of an on-going tax dispute

For the six months to end December 1981 the company earned R92 600, or 3,7c a share, from which it paid dividends of 2c a share

The interim report also reveals the company has realized its investment in Spreitenkers and has built up a large cash position in associated company Stavanger Investments in which it holds a 48% interest.

The tax dispute concerns the treatment of the capital surplus the company earned on disposal of mineral rights brought to account in the 1981 financial year

Inland Revenue has assessed this as income and the Receiver has disallowed an application by Waverley for the money to be treated as surplus of a capital nature having resulted from the disposal of a fixed asset.

Appeal

The company has appealed against the Receiver's decision but has provided an amount of R45 700 for tax in respect of the current half year in case the appeal is also turned down

If this happens the company will be liable for tax of R201 927 which will remove Waverley's estimated loss for tax purposes from previous financial years

The company has sold its 48% interest in Spreitenkers to Tarmac SA with effect from January 3, 1983

Spreitenkers is involved in road surfacing and bulk haulage while Stavenger is an investment company owning fixed property and an emulsion manufacturing plant, both of which are let to Spreitenkers

Consideration for the sale of the total interests in Spreitenkers is R1 956 604 including the loan account by Stavanger to Spreitenkers amounting to R1 849 604

Stavanger cash

Waverley receives 48% of the balance of R107 000 but has kept its 48% interest in Stavanger which is now sitting with R1 849 604 in cash

Waverley's 35,625% share in Mariner Mining Corporation is likely to increase the company's attributable earnings by 13,5c a share from the 1984 financial year end, the directors comment

Mariner is the vehicle through which Egoli intends setting up a gold recovery plant to treat some 25 000 tons of material a month on the site of the old Nigel gold mine

The plant is expected to be in operation by the end of 1983 and and will treat material from dumps owned by Egoli

Waverley has advanced R476 250 to Mariner which represents 35,625% of Mariner's total shareholders' loans Waverley's directors say the company's interest in Mariner has increased Waverley's attributable net asset value a share by 41,4%

COMMENT: According to Waverley director, Mr Donald Grant-Hodge, the company's board has not decided what to do with the cash now sitting in Stavanger and is looking for a suitable investment opportunity

There is a possibility the money will be used for further investment in the Nuco gold treatment plant which it is estimated will cost R3m

Waverly's interest in the Nuco operation could therefore be built up to the point where it stands to benefit considerably from the plant's operation's if they are as profitable as Mr Grant-Hodge believes they will be

A major factor in the Nuco operation's favour is that Egoli, by acquiring first the assets of the company and then the company itself, has inherited Nuco's tax allowances of about R4m at a time when Egoli's other operations should be exhausting their previous tax allowances this year

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2. Enter at the top of each page and in column (1) or the block on this cover the number of the question you are answering
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Disaster to halt State aid to mines

By BRENDAN RYAN
Mining Editor

ANY STEPS to end State Assistance for marginal gold mines would be a national "tragedy", according to Mr D T (Dammy) Watt, chairman of Rand Mines marginal producers ERPM and Durban Deep

He said in an interview "It would be a short-sighted view leading to the loss of more than 75 000 unskilled jobs if all the marginal producers were forced to close down

"When you consider that many of these black miners could be supporting up to five dependants in the homelands then you begin to realise the terrible effect their unemployment would have

"South Africa's major economic and social problem is finding jobs for unskilled workers The gold mines provide this employment and the workers who would be put out of jobs through closure of the marginal mines could not be absorbed into any other industry"

The Franzsen Commission, established in 1981 to investigate State Assistance to the gold mines, is due to report in the next few weeks

Speculation is that the committee may recommend the end of State assistance

Mr Watt said a study by the Bureau for Economic Policy and Analysis at the University of Pretoria for the Chamber of Mines had shown that the gold mines contributed 17,9% of SA's gross domestic product

The marginal mines alone accounted for 1,6% of GDP

"How can any nation think of losing 1,6% of its gross domestic product?" he asked

The report, produced in 1980 by J A Lombard and J J Stadler, concluded that on 1971 figures a gross value of gold of R1 000-million gave employment to 426 000 people in mining, 118 000 in other domestic undertakings and 40 000 people in providing capital goods for the mining industry

"State aid is not a subsidy as many people seem to believe," said Mr Watt.

"It is a credit against future tax payment The mines receiving State aid will pay it back once they have re-established profitable operations through paying tax at a higher rate than normal"

ERPM had been operating for 90 years and had ore resources for at least another 40 to 50 years given a favourable relationship between gold-price growth and inflation

Mr Watt said the State assistance scheme had a crucial role to play in allowing ERPM to develop to the point where it could resume economic operations

"ERPM is Boksburg's largest single industry and employer. A combination of State assistance and a contribution of nearly R50-million from shareholders through the rights issue could keep the mine alive and providing a livelihood for thousands of people in the year 2020"

The mine's yield in 1982 averaged 4,03 g/t which, on estimated working costs of about R60 a ton milled, meant a gold price of R14,89 a gram was required to cover costs

Assuming capital expenditure at R2 500 000 a month, another R3,11 a gram was required to reach a true break-even point without the need for calling on State aid

This represented a gold price of R18 a gram, or R18 000 a kg, and was within reach in spite of gold's fall in the past week

Gold prices of marginally more than R18 000 a kg were achieved early in February This was immediately after the relaxation of exchange control when the rand depreciated to about US$0,88 and the gold price remained near $500 an ounce

"Despite the recent collapse of the speculative market overseas the so-called gold experts predict a return to the $500 an ounce levels in the not too distant future and certainly this year.

"ERPM is an example of a mine where the State assistance scheme is almost certainly going to be vindicated Without State assistance however it is doubtful whether the mine would still be operating"

ERPM employed 19 000 people Revenue from gold sales in 1982 was R144 500 000 and the mine received State assistance of R19-million

Working expenditure in 1982 was R152-million. He said that because it was an old mine ERPM was relatively labour intensive and in 1981 labour costs amounted to R74 129 000, or 56% of working costs of R132 549 000

This meant the mine could have paid out about R84-million in 1982 in salaries and wages, much of which would have been spent in Boksburg

Stores and materials in 1981 cost 31% of working costs so the mine could have spent R47-million on them last year, again benefiting the industries of Boksburg and the East Rand.

(214) RDM 31/3/83

Gold mines must be real losers to get State aid

By BRENDAN RYAN
Mining Editor

CHANGES in State assistance for gold mines announced in yesterday's Budget mean the mines will receive aid only if they are actually losing money on mining operations

The new system is unlikely to affect mines for at least 18 months

Under the present system mines may receive State aid while showing a profit. If a mine's profit to revenue ratio drops below about 9% it receives assistance worked out on a formula which is 6,01% of the mine's revenue less 68% of the profits it has actually made

The new system means the profit to revenue ratio will have to be nil and the mine must experience a net cash outflow before it can claim aid

The new system also means a mine cannot claim State aid on losses from mining operations while showing an overall profit through income from non-mining operations

Currently, if a mine earns gold revenue of, for example, R100-million and has total working costs of R110-million it has a working loss of R10-million for State aid considerations

This amount is not affected by any income — for example, R11-million it might have received in investment income Many mines earn considerable interest on cash balances and on dividends from investments

Under the new system investment income will be included in the mine's profit picture so that it will be seen as having a profit of R1-million, not a loss of R10-million, and will therefore not qualify for State aid

This tightening up of the system can be justified on grounds of taking a harder, commercial line on the mines

However, other aspects of the changes announced in the Budget may not be accepted in good grace by affected mines

No more mines will be admitted to the existing scheme, although it is not clear if mines may be admitted to the new system when it becomes final

The new provisions could adversely affect mines receiving assistance and which are committed to heavy capital expenditure programmes

The amount of capital expenditure qualifying for assistance in any one year is to be limited to a maximum of 10% of the mine's gross mining revenue

The mine which provides the best example of the effects of the new system work is Rand Mines marginal producer ERPM which plans to spend a minimum of R21 500 000 in the current year and an additional R8-million if it decides to go ahead with its Far East vertical shaft system

The mine's annual report predicts gold production for the year at about 1982's 10 693 kg, which on the forecast average gold price of R16 500 a kg will give revenue of R176 434 500

Under the new scheme this would allow only R17 643 400 of capex to count for State aid, reducing income to the mine under the scheme

However, exact predictions on the effect of this new clause on mines receiving State aid can only be made after a comparison between the percentage of capital expenditure the Government Mining Engineer now allows and the future 10% of gross mining revenue

Another change which could cause some problems is the date of phasing out of the present system

Mr Horwood said yesterday the Act would be amended for assisted gold mines with effect from their tax years beginning on or after April 1

He intended giving six months' notice from January 1, 1984, of the present scheme's termination and replacement by whatever further arrangements may be decided on

Some mines on the present system may prefer a longer phasing out for what is a major change to the ground rules under which they operate

The president of the Chamber of Mines, Mr W W Malan, said last night the changes were intended to tighten control of the system and would have limited effects on the mines concerned

He welcomed Mr Horwood's undertaking to consult the interested parties before a final decisions was made on the end of the present scheme

Kloof fire still burning

214 RDM 12/4/83

KLOOF Gold mine lost 20 000 tons of milled production in the March quarter because of a fire which started on February 21 and is still burning.

By BRENDAN RYAN
Mining Editor

Tonnage milled in the March quarter was 480 000 — 4% down from the December quarter's 500 000 tons This rate is expected to be maintained in the current quarter

"The fire might take a few months to burn itself out," says Mr Colin Fenton, chairman of Kloof

The fire has caused mining to be suspended in the 27 longwall and the scattered mining areas north of No 1 shaft

It is sufficiently under control to allow mining to continue elsewhere and crews from the affected areas have been relocated to other stope faces

"Production should be easily maintained at 480 000 tons a quarter," says Mr Fenton

Kloof has been seriously affected by fires in the past few years

Mr Fenton told a news conference yesterday that the incidence of fires at Kloof was no greater than at other Gold Fields mines, but several factors meant the results of fires at Kloof were devastating as they could not be controlled easily

The mine had a high stoping width on the Ventersdorp Contact Reef of between 1,5 m and 2 m compared with a metre for stopes on Carbon Leader Reef

This meant more timber was required for larger supporting matpacks The volume of timber needed for one of these larger matpacks was eight times that of a standard matpack for Carbon Leader reef stopes

The hanging wall at Kloof was difficult to support, requiring extra timber supports The mine's high grade of about 15g/t meant everything was mineable Few rock support pillars were left in the workings and more timber supports were needed

Kloof had no surface ore reserve dumps from which losses of tonnage from underground could be made up because of the effects of previous fires on the mine's production rate

Grade in the quarter was not affected by the fire and rose to 15,2g/t from 15,1g/t giving the mine a gold production of 7 296 kg (7 550 kg previously) Net profits were slightly lower at R41 498 000 (R41 721 000), but profit after capex rose to R29 078 000 from R27 867 000

Generally it was a stable quarter for the Gold Fields producers with all mines maintaining unchanged tonnage milled except for Kloof and Venterspost, which was also affected by a fire

Average yield for the nine mines declined to 9,5g/t (9,7g/t) and gold production fell 3% to 34 222 kg from 35 196 kg

The average gold price received improved 4% to R16 214 a kg (R15 569 a kg), pushing up working revenue R7 400 000 to R556 600 000

Capital expenditure was R7 500 000 down at R60 000 000, which resulted in a 5% increase in tax and lease charges to R216 700 000 from R205 900 000 Taxed profits were 4% down at R191 800 000 compared with R199 600 000 in the December quarter

Driefontein Consolidated had profits after capex of R80 217 000 (R79 514 000 previous quarter) as capital expenditure dropped to R26 820 000 (R30 331 000) This offset a dip in taxed profits to R107 037 000 from R109 845 000

East Driefontein maintained its excellent control over costs reducing them nearly 2% to R33 066 000 on unchanged tonnage milled of 705 000 However, at West Driefontein costs rose 5% to R41 393 000 from R39 417 000

According to Mr Fenton, West Drie's costs look well on a year-on-year basis, but the last two quarters have not been good The mine is older than East Drie and has to pump much water from its workings

Libanon had a steady quarter with unchanged tonnage milled at 420 000 and a slight dip in grade to 6,1g/t (6,3g/t) which brought gold production down to 2 548 kg from 2 660 kg Profit after capex dropped to R6 610 000 (R7 193 000)

Deelkraal had a sharp drop in grade to 4,4g/t from 5g/t in the December quarter which was ca d by the mine's taking ad tage of the higher gold p to move into areas which vere previously unpaya e

It will be three to four years before grade improves significantly at this mine when it reaches the higher-grade ore reserves deeper down Profit after capex was R4 333 000 (R7 207 000 previously)

Venterspost was affected by a fire which has been sealed off on 27 level at the No 3 tertiary shaft Tonnage milled dropped to 372 000 from 375 000 and grade to 4,1g/t from 4,3g/t Profit after tax and capex was virtually unchanged at R3 499 000 (R3 613 000)

Doornfontein's tonnage milled was unchanged at 366 000 The mine held its costs to a 2,6% increase to R22 063 000 from R21 513 000 Profit after capex was R5 919 000 (R5 948 000)

Vlakfontein held its tonnage milled steady at 195 000, but milled 112 680 tons from outside sources compared with 85 157 in the December quarter

Grade improved marginally to 1,3g/t (1,2g/t) pushing up gold production to 254,7 kg (230,7 kg)

	Tons 000s
DRIE CONS	
December	
WEST DRIE	[illegible]
December	[illegible]
EAST DRIE	[illegible]
December	[illegible]
LIBANON	[illegible]
December	[illegible]
KLOOF	[illegible]
December	[illegible]
DEELKRAAL	[illegible]
December	[illegible]
VLAKS	[illegible]
December	[illegible]
VENTERS	[illegible]
December	[illegible]
DOORNS	[illegible]
December	[illegible]

GOLD QUARTERLIES (214)

No sweat FM 15/4/83

Judging by the first set of March quarter gold mine reports — those from the GFSA group — the industry is well over some of the problems which have afflicted it during the past few years March-quarter cost increases were nominal even though Escom's price hike had to be absorbed Critical to this year's cost control will be the mid-year wage increases Discussions start in earnest next month between the industry and organised labour, but at this stage it seems fair to assume that pay hikes will be moderate The gold mines are doing fine but profits are under constraint in the base minerals sector and the coal sector is facing difficulties as the export trade bogs down.

The GFSA mines have still to respond to improving revenues as far as capital spending is concerned The group as a whole did not shelve any significant projects, but other mines which were forced by gold's price decline to put projects on ice could well decide the time is ripe to resume spending

Gold's performance this week seems to indicate that the flatness of March and April is not yet over The market remains highly professional, meaning that the bulk of trading is being based on chart indications rather than fundamentals Again, this is par for the course at this cyclical stage in the gold market Near-term price advances should be steady rather than spectacular and this, in conjunction with a steady rand and apparently acceptable rates of cost increase, should provide some solid earnings advances over the next few quarters

Drie Cons: Capital expenditure is absorbing a steady R30m or so a quarter and is likely to continue to do so for another two or three years The fact is that this is hardly felt on the bottom line It is well within the mine's profit generating capacity Now that gold is showing early signs of breaking away from the price stranglehold of the past few months Drie Cons could well start considering exploitation of its relatively low grade Main reef reserves This would result in an overall grade reduction (which is something the mine can readily cope with) and an increase in mill throughput This year's final dividend should be well over 200c

Kloof: Kloof has been plagued with a succession of production problems for a couple of years or more, so much so that disruptions should, perhaps, be built permanently into analysis of the share The latest fire has cut production and indirectly shoved unit costs up by 7,3% on the quarter to R66,40/t. This type of set-back can be absorbed with a fair degree of equanimity, after all Kloof is the industry's highest grade mine And its normal costs of producing each ounce of gold is lowest But there are limits

Parent GFSA has still to disclose its plans for the area being drilled to the south of Kloof The most logical would be to develop the property using Kloof's tax shield Even so, any benefit to Kloof's present shareholders will almost certainly be small The mine would be used as a financing vehicle At the end of March retentions from this financial year's profits amounted to 140c a share If gold holds at its current level earnings should be sufficient to pay a final dividend of well over 200c

Deelkraal: Shareholders who had been hoping for a steady rise in Deelkraal's recovery grade have been let down The March quarter's drop to 4,4 g/t from 5 g/t in the December quarter emphasises the grade problems the mine faces and the reasons for the planned incorporation of adjacent, relatively rich ground into the mine's workings Gold recovery grades need a shot in the arm, and soon

In addition they need the confidence booster that proof of the existence of high-grade ore at depth would give. Don't count on dividends for some time, management will almost certainly hang on to every cent it can until the sub-shaft systems are completed Not to put too fine a point on it, Deelkraal is a disappointment

Doornfontein . . . holding back the cash

Doornfontein: If Doornfontein is to match its R39m capital spending estimate for the current year it will have to spend almost R17m this quarter It will probably not achieve this However, the rate of spending on the shaft system and development which will provide access to Carbon Leader reef ore reserves in the southernmost part of the enlarged mine property should increase

This will be an important consideration as far as this year's final dividend is concerned The mine has retained 104c a share from the first three quarters' operations so it should have no difficulty in paying a final greater than last year's 120c The house's caution is, though, a byword and gold will have to be moving ahead very strongly when the final is declared if a much greater payout is to be made

Libanon: The way Libanon is developing it should enjoy a long life with gold recovery at reasonably attractive grades This will absorb some relatively heavy capital expenditure over the next few years, largely on shaft sinking and development to open up down-dip VCR and Main reef in a new 653 ha block of ground on the eastern boundary Once that is completed in 1985 attention will swing to a further 369 ha to the south over which the mine has an option until mid-1987 There is no reason why recovery grades should not be maintained at present levels for the next few years, though there may well be an eventual decline when richer ore in the southern part of the lease areas is exhausted As is usual with GFSA's mines the 110c interim dividend erred well on the side of caution. By end-March — the end of the third quarter — the year's retentions had reached 150c a share meaning that a final of 250c or so is possible Probability is another matter At the end of the March quarter the mine had capital spending commitments of R124,5m and the pattern will be of fairly rapid spending advances over the next two years Depending on management's perceptions of the gold price shareholders might well receive only 150c a share at the financial year's end

Venterspost: It is hard to understand the mid-year dividend payment It was a mere 60c from first-half earnings of 127,3c. By end-March the mine had stashed away R6,95m from the first three quarters' distributable profits equivalent to almost 138c a share The mine does not face any obviously heavy capital spending unless management decides it is again time to gouge holes into the unpromising Middlevlei area There is no obvious reason other than managerial caution why a final dividend of at least 200c should not be paid

Vlakfontein. Surface dump retreatment operations are continuing in their own sweet way with the mix of internal and outside dump material varying with gold price shifts A final dividend of 25c is probably within reach

Jim Jones

Mines' costs rise

Cape Times 19/4/83 (214)

JOHANNESBURG — Higher costs feature prominently in a mixed March quarterly performance by the Rand Mines group producers Harmony, Blyvooruitzicht, Durban Deep and ERPM

An average rise in costs of 7,1 percent to R54.09 a ton put the squeeze on the four mines during the quarter, particularly on the two marginals, Durban Deep and ERPM, underlining the alarm expressed recently by the chairman, Mr D T Watt

The 16 to 18 percent rise in Escom power costs alone made a major impact Assuming unchanged tonnages this year, power will cost 88c a ton more at Blyvooruitzicht

Big increases in the costs of explosives, timber and railage will add to the burden

On the brighter side, Harmony and Blyvoor had a good uranium quarter This, coupled with higher gold prices and an unchanged tonnage of 3,7-million tons, helped the group to increase its profit before tax by just over 9 percent to R130,1-million

However, mainly owing to a 34 percent drop in the group's capital expenditure from R26,3-million to R17,2-million, the taxman's bite increased to R65,7-million — 26,5 percent up on the December quarter Profit after tax fell by 4,3 percent to R64,4-million

Because of the static tonnage and a mixed performance on grade, gold production was more or less unchanged at 17 563 kg

The average dollar gold price received during the quarter was 8,3 percent up at $471 an ounce but the rand receipts were just under 4 percent up at R16 378 a kg

None of the mines in the group engaged in gold hedging transactions during the quarter

In spite of a 14 percent rise in costs (from R44,04 to R50,22 a ton) and a slightly lower tonnage, Harmony contributed virtually half of the group's after-tax profit of R64,4 million

Revenue from uranium more than doubled from R9,8-million to R25-million

Profit before tax rose from R56,1-million to R64,2-million

Blyvooruitzicht, like Harmony, had a good uranium quarter Working profit from uranium jumped from R2,1-million to R7,7-million

Blyvoor's profit after tax was 4,5 percent higher at just over R23-million

ERPM increased its mill throughput from 662 000 tons to 674 000 tons which, coupled with a slightly higher grade of 4,03 g/t (3,96 g/t) resulted in gold production rising from 2 620 kg to 2 718 kg

Net profit fell from R7,7-million to R3,7-million

STATE AID

Durban Roodepoort Deep did not have a happy quarter, but still remains independent of State aid

Tonnage milled fell by 2,6 percent from 609 000 to 593 000 tons which, coupled with a drop in grade from 3,43 g/t to 3,35 g/t resulted in an almost five percent drop in gold production from 2 086 kg to 1 988 kg

Profit after tax was 16,4 percent lower at R5,6-million — Sapa

CAPE Times 22/4/83

Vaal Reef to spend R178m on expansion

214

By ADAM PAYNE

JOHANNESBURG — Highlights of the December quarterly reports of Anglo American Corporation's Transvaal gold mines were the announcement of an expansion decision at Vaal Reef South and of delays in shaft sinking at Western Deep Levels No 1 shaft, where a R450m project is under way

The full extent of these delays on the commissioning date is being evaluated

Vaal Reefs, South Africa's top gold producer with an output last quarter of 19,6 tons, is to spend R178m on expansion from 1983 to 1987

This expansion was the subject of a feasibility study last year and the directors say that they have agreed to proposals to build a 120 000 tons a month run-of-mine mill and a carbon-in-pulp treatment plant at No 9 shaft in the South Lease area.

Expansion

The building of these additional milling and treatment facilities for completion by the end of next year is expected to cost R60m and forms part of the overall expansion programme for the Vaal Reefs complex costing R178m

Of this amount, R136m will be funded from profits generated in the South Lease area and the balance of R42m from North Lease area profits

In spite of a higher tonnage milled in the December quarter, Vaal Reefs had a poor quarter financially because of greatly increased tax at R99 500 000 (R67 600 000) resulting in a 17 percent fall in earnings a share to 266c (319,6c) Tax rose because of a big drop in capex

Working costs

An achievement in the quarter was a three percent reduction in working costs at R118 200 000, with costs a ton milled down six percent to R50,13

Gold production was marginally higher and gold revenue rose six percent to R322m with a higher gold price at R16 330 a kg

The higher working profit was hard hit by the huge tax provision

Uranium profit was almost halved at R7 428 000 (R14 345 000) These profits fluctuate with sales and shipments from quarter to quarter

Southvaal: Gold profit in the South Lease area rose to R112 691 000 (R102 525 000) but uranium profit was down at R3 946 000 (R7 601 000)

The royalty paybable to Southvaal Holdings by Vaal Reefs (55 percent of the surplus of revenue over expenditure) rose to R59 914 000 (R49 337 000) mainly because capital expenditure was lower at R9 921 000 (R24 434 000)

Western Deep Levels A decrease in tonnage milled to 834 000 (853 000) together with a drop in grade to 11,35 g/t (11,53 g/t) resulted in a dip in gold production and in gold revenue Costs were five percent higher at R59 300 000 leaving gold working profit marginally lower

After-tax profits were down 19 percent at R47 400 000 because of a 31 percent increase in tax to R51 500 000 This was mainly due to a decrease in capex from R31 700 000 to R19 800 000

According to plans for the commissioning of the No 1 shaft complex, full production from the first stage of the expansion — including shaft sinking and a new gold recovery plant — is due to be reached at the end of 1986 after expenditure of R450m in 1980 money

Elandsrand: The mine had a satisfactory quarter, increasing area mined to 75 000 m² (72 000 m²) Tonnage milled was marginally higher at 407 000 (405 000) but a six porcent drop in grade resulted in production decreasing to 2 401 kg (2 546 kg)

Costs a ton milled were 5,7 percent higher than in the previous quarter Profit was R23 100 000 (R23 600 000)

SA Lands: Tonnage milled was steady at full plant capacity and, with a 2,5 percent improvement in grade to 0,80 g/t, production increased to 440 kg (423 kg)

Production costs were well contained during the quarter After-tax profit was R1 600 000 — 11 percent down on the previous quarter Tax jumped to R182 000 compared with a credit of R371 000 in the previous quarter

This was due to capital spending being markedly lower at R960 000 (R2 300 000)

De-watering of the Van Dyk No 5 shaft continued and has now reached 243 level

Afrikander Lease: Gold production rose to 33 kg (11 kg)

When deciding to reopen the gold section of the old Afrikander Lease mine it was decided to ensure that revenue would cover costs expected during the production build-up phase

The company, therefore, entered into foreward gold sales during 1982, covering the entire production expected during the first three quarters of 1983

Costs at R36,84 a ton milled (R12,50) are not comparable with those of the December quarter as ore milled then included on-reef development obtained from capital development Provision has been made by Vaal Reefs for the minimum royalty to Afrikander Lease

Forward Sales: Most of the forward sales of gold contracts entered into by the companies during 1982, which were still in force at December 31, 1982, were closed during the past quarter, resulting in a slight reduction in gold revenue for the quarter There have been no further forward sales

24

CAPE Tim

Figures wrong, says economist

Labour Reporter

ALLEGATIONS of a gross miscalculation of official economic statistics which would "virtually destroy the basis of existing government economic planning" are contained in a research paper on productivity produced by a University of Natal economist, Mr Charles Meth

Mr Meth s findings are contained in a Federation of South African Trade Unions (Fosatu) publication released at the weekend A Fosatu statement said the figures showed the 'complete bankruptcy' of government economic policies and that such policies could not possibly resolve South Africa's "deep-rooted economic and social problems"

Mr Meth s two major findings are that the South African economy grew at 5,9 percent between 1970 and 1980, and not the officially accepted 3,6 percent, and that most productivity figures based on the national accounting statistics are wrong

The major basis for his claims are a 'gross miscalculation' in the official figures dealing with mining particularly gold mining He shows that the 'current value of output on the mines was 11 times higher at the end of the Seventies than at the beginning, largely because of the increase in the gold price

Yet using the official Central Statistical Services (CSS) method of deflating the output — based on the amount of tons produced — the value of output is presented as having decreased in real" terms over that period

Mr Meth shows that by deflating the value of output on the basis of the Consumer Price Index and the price index of materials, the "real" increase in the value of output on the mines was almost fourfold

This would greatly alter the figures for the national output and show that South Africa's national growth rate was some two percent higher than the official figures reflect

Yet in spite of this very high rate of growth over a long period — more than five percent between 1960 and 1980 — South Africa still had poverty and unemployment on a "massive scale

The paper also pinpoints various other "anomalies' in the national accounting statistics dealing with manufacturing and construction, and sets out to show that all productivity estimates for the total economy based on existing statistics are wrong

'Outpourings'

The Fosatu statement said "This proves that the stream of accusations about low worker productivity are nothing other than uncritical anti-worker outpourings What now seems a very much more correct story is that the increased worker productivity not only earned the increases in real wages but also resulted in marked increases in the surplus which went to the owners of wealth"

● Dr C J Swanepoel, assistant head of the economics department of the South African Reserve Bank, said yesterday that he disagreed with Mr Meth, as the method of calculating real output on the mines adhered to international recommendations

Professor Brian Kantor, head of the department of economics at UCT, said he could not comment overall as he had not seen the paper, but it was a fair point to make that the value of mining output was being understated

Suzman supp

Own Correspondent

LONDON — Mrs Helen Suzman, South Africa's internationally-acclaimed MP, yesterday said she welcomed the publication of "blacklists' of British and other foreign subsidiaries which underpaid black workers

In an interview recorded for Britain's Channel Four television she said the blacklists should be encouraged

The statement formed part of her argument to interviewer John that industrial sc nomic develop save South Afri bloody revolution

The old days of ism and aparthe hand in hand w ing she said

'It is industri want the chang want to be able skilled black lab the major oppos that has come fr capitalists but fi white trade uni

6 die at weeke in road accide

Staff Reporters

SIX people were killed and 50 injured in 33 road accidents reported in the Peninsula at the weekend

There were 183 assaults of which nine were fatal

A six-year-old child, R Galant, was killed when she was run over by a car in Bottelary Road, near Kraaifontein, at 6pm on Saturday

Mrs Lillian Rose Sprules, 64, of Kraaifontein, was killed in a car accident at the corner of Van der Byl Street and Eighth Avenue, Kraaifontein, at 11 30am on Saturday

Her husband Mr Joseph Sprules 68, was admitted to Tyg Hospital with bo broken

A man of about has not yet been fied, died in a accident in Fra Zyl Drive, Elsie's between 4pm and Saturday He was Conradie Hospital he was certified arrival

A man not yet fied, was run o bus near the St tein Pavilion at 7 Saturday He was Victoria Hospital he died of his i

Two unidentif were killed in a c dent in Spine R chells Plain, e Sunday morning

Detective shot de

Own Correspondent

JOHANNESBURG — A Brixton Murder and Squad detective-sergeant was found shot dead his home in Soweto at the weekend He had l the squad for 17 years

Detective-Sergeant Mannikie Makhobo, found in the street with a bullet wound in the

His body was discovered at 8 30am on S about 1 000 metres from his house in Ma Street, Diepkloof, Zone 3 His service pistol is

It is believed he was shot with a 9mm p Brixton Murder and Robbery Squad detec yesterday that at this stage they were lookin possibilities

Sergeant Makhobo is the second Brixton Mu Robbery Squad sergeant to be shot in six y

In 1977 Detective-Sergeant Ophen Ch gunned down outside his house in Rockville, as he opened the gate coming home one n

Too late for classification

DEATHS

POZEL. — Charles our beloved husband and father passed away peacefully 24 April Deeply mourned and sadlky missed by his wife Ray and daughters Jean and Matty Prayers Monday and Tuesday 6pm at 7 Exmer Avenue Vredehoek

CAPE TIMES 25/

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From p

nailed them," "However, havin gated the whole a decided not to further I do not t CP has a case"

It is underst senior sources w examined parlia records that the matter was

Mines prepare for drought emergency

(214)
RDM
29/4/83

THE gold mines are assessing the potential loss of production from possible Escom power cuts caused by the drought.

At Escom's request the mines are examining the effects of varying levels of power cuts that might be caused by water shortages at power stations.

By BRENDAN RYAN
Mining Editor

A committee has been set up by the Chamber of Mines to co-ordinate the findings which will be reported by the mining houses next week

According to a report by mining consulting engineers Cyril Heever & Associates the drought will also affect water supplies required for treatment plants, but this will vary considerably from mine to mine

The heads of gold divisions of several mining houses agreed yesterday that the major problem was posed by possible power cuts

"In the 1981 winter when Escom could not meet peak demand there was a tremendous amount the mines could do to spread the power load and limit the effect on mining operations," said Mr Colin Fenton, executive director, gold operations, at Gold Fields of South Africa

"However, we are now looking at the possibility of total power cuts over certain periods which will mean lost production"

Mr Gerald Langton, chief executive of Anglo American Corporation's gold and uranium division, said "There is no doubt we are going to lose production if there are power cuts.

"However, until such time as we are told where the cuts will be made and for how long it is impossible to predict precisely how the industry will be affected"

Deep-level mines and marginal producers may be hit harder than others by the power cuts, according to Mr C R Netscher, manager of Gencor's gold and uranium division

Power cuts at deep-level mines could cause more than proportionate drops in production because of the greater amounts of power they need for cooling and other support systems

At a marginal mine the tonnage lost through power cuts could seriously affect profitability These mines make their profits on the marginal tonnage milled over and above the production needed to break even

So far, no water restrictions have been imposed on the gold mines other than the request made to all consumers to reduce consumption to 80% of last year's levels Many mines are saving considerable amounts of water

Should the drought continue, there is a possibility of greater cuts in water supplied from the Vaal River to the Welkom gold mines

According to the report by Cyril Heever & Associates, the largest user of fresh water on a gold mine is the treatment plant with a consumption of about one ton of water for each ton of rock treated

"Little water recirculation can take place during this phase In some cases supplies are supplemented by water from underground

"This is not always possible because of the inherent salts and impurities that exist in such water which must be purified before use"

Make-up water is required from outside sources, such as the Rand and OFS water boards

On the East Rand, Ergo is a major user of water, but could draw all its water from underground sources at nearby S A Land and will not be affected by the drought, the report says

However Simmer & Jack mine at Germiston, which is operating a slimes retreatment project with Ergo, could be the first mine to fall victim to the drought, the report suggests

"Simmers have very little water to draw off from any underground reservoirs that may exist at the present working depths All Simmers water is fresh water and being in a municipal area it is likely to be more stringently controlled than outlying mines on a quota system with the Rand Water Board"

Water could be pumped from one of the abandoned shafts or the underground workings, but not in the short term

Mr Langton said "It is correct that Simmers is more vulnerable to the drought, but there is water in the mine workings"

The GFSA mines generally do not have a water problem and on the West Wits line get nearly all their water from the dolomite formations underground

Mr Fenton said "Deelkraal could have problems, but we are planning a pipeline to bring water from Doornfontein if required"

Measures which could be taken on mines hit by power cuts include mining higher grade areas to maintain revenue on reduced tonnages, according to an Anglovaal spokesman

"Some plants could be shut down to save power It is possible in the present depressed uranium market that some uranium plants could be shut down in the face of power cuts"

GOLD QUARTERLIES 214

The contra view

FM 29/4/83

Is this the time to be cautious on gold shares? Most analysts are certain that the shares have far outperformed the metal itself and that some correction is due, the rand is strengthening against the dollar, which will dampen any revenue advance as the gold price strengthens this year, mine working costs will be boosted as industry-wide wage hikes are implemented at end-June, and capital spending rates are on the verge of lifting off

There is probably enough in all this to give investors pause for thought But there is always the contra view and it is worth airing Last year and the early part of 1983 saw some heavy selling of SA gold shares by foreign investors. The peak came when non-residents jumped at the chance of capital gains as the financial and commercial rands were merged The scrip which came back to Johannesburg ended up mainly in institutional portfolios The weight of funds theory is still operative here and the institutions could hardly be expected to let buying opportunities pass by

The difficulty with this is that the scrip is virtually sterilised Fund managers are unlikely to let go of quality shares But now the trend, in America at least, is in the opposite direction The mass of investors who burned their fingers badly in gold futures last year are finding it hard to get back into that particular game. Most of the US wire or broking houses have upped the ante for the futures game and, instead, are telling their clients to buy shares, not futures contracts.

From this it is not hard to draw the conclusion that the share market's relative strength owes more to a re-rating of equities than to over-optimism on fundamentals

Vaal Reefs: Erection of the 120 000 t/month mill and carbon-in-pulp treatment plant is to go ahead at the No 9 shaft The cost of the project is put at R60m and completion is expected towards the end of next year It forms part of a R178m expansion programme which is due to be completed in 1987 This year capital spending is estimated at R145m, largely on the southern lease area At Afrikander Lease there are plans for producing some gold, but it is nothing to get excited about The Afrikander Lease division is something Vaal Reefs would like to draw a veil over and forget

The general trend at the main Vaal

high-grade ore shoot running through the No 2 shaft section The mine has adequate flexibility to adjust recovery grades in response to gold price shifts but it is unlikely that recovery will drop below 6 g/t for some time

Winkelhaak· Mill throughput is rising to match the increased capacity In the near term there could be a decline in gold recovery grades as recent development sampling of the Kimberley reef has been disclosing lower values Capital spending is at nominal levels but could rise sharply if it is decided that a new shaft is needed to open up the north-eastern part of the property If so the share will be relatively less attractive than that of Kinross

Bracken: No surprises will come from Bracken as the mine moves towards closure No additional ore is likely to be found to extend the mine's life and the probable outcome is that when mining operations cease Bracken's plant will be used to get exploitation of the Eendracht area off to a quick start There is little reason for anyone except break-up specialists to buy the share

Leslie: Unlike Bracken, Leslie has substantial reserves of low-grade ore which could become viable given favourable gold price cost ratios Their exploitation would, though, result in significantly lower recovery grade Leslie's main attraction is that its unit costs are among the lowest in the industry and this allows it the flexibility to exploit low-grade ore

Grootvlei· The expansion programme to lift monthly mill throughput to 165 000 t is due to be completed this quarter The carbon-in-pulp plant has been commissioned and the combination of this with greater treatment rates should lead to substantially higher gold outputs With higher mill throughput, cost control should be good this quarter and next Once the expansion programme is completed capital spending should drop to nominal levels

Marievale· The mine received an average of $496/oz for its gold in the March quarter largely due to closure of forward sales contracts Operations continue to plod along but there is little likelihood of any new significant ore reserves being found Closure is just a matter of time and the skill of management in wringing the final few ounces of gold out of the mine

West Rand Cons· Reports of the mine's pending death seem to have been premature Its cost structure and grades are such that profits can be generated even at current gold prices There is scope for increases in the grades of underground ore and the combined lease area of West Rand Cons and Luipaardsvlei is underlain by significant tonnages of relatively low-grade ore At a gold price of $500 the mine can probably look forward to another 10-15 years of profitable operations And by that time the uranium market may have perked up sufficiently for uranium production to be resumed

Wit Nigel. Some of the mine's difficulties became apparent in the March quarter The plant is old and subject to breakdowns and relatively heavy spending on underground and surface capital items is in prospect Simply, a new shaft is needed as is a greatly increased development rate if adequate ore reserves are to be generated The share has little attraction except to out-and-out gold bugs Any profit advance due to higher gold prices over the next few years will be diverted into necessary capital spending

Jim Jones

GOLD QUARTERLIES

	Gold									Uranium				Profit		
	Cost R/kg	Cost $/oz*†		Revenue R/kg	Revenue $/oz	Milled *000 t		Recovery g/t*		Milled 000 t*		Recovery kg/t*		Gold R'000	Uranium & other R 000	EPS after capex c
ANGLO AMERICAN																
Elandsrand	8 231	237	(205)	16 290	469	407	(405)	5,9	(6,3)					19 981	3 083	16,7
Ergo				15 974	460	4 608	(4 833)	0,3	(0,3)	4 608	(4 833)	0,14	(0,14)	—19 928—		11,2
Free State Geduld	9 526	274	(248)	16 161	465	907	(863)	7,2	(7,4)	**643	(593)	0,09	(0,09)	44 146	5 432	126,0
President Brand	7 164	206	(197)	16 286	468	896	(850)	6,9	(6,9)	**797	(600)	0,12	(0,13)	58 153	14 900	187,4
President Steyn	8 068	232	(212)	16 254	468	966	(987)	6,5	(6,5)	**1 741	(2 464)	0,08	(0,09)	51 156	10 475	141,4
Vaal Reefs	6 021	173	(172)	16 330	469	2 357	(2 287)	8,3	(8,4)	2 009	(2 130)	0,23	(0,21)	203 861	(36 243)	266,0
Western Deep	6 259	180	(157)	16 184	466	834	(853)	11,4	(11,5)	468	(548)	0,09	(0,09)	92 389	6,479	108,0
Western Holdings	8 902	256	(246)	16 157	465	2 251	(2 096)	4,6	(4,7)	1 324	(1 388)	0,10	(0,10)	72 608	6 748	104,1
ANGLOVAAL																
ET Cons	7 861	222	(188)	16 119	456	69	(75)	8,1	(8,5)					4 642	(367)	30,7
Hartebeestfontein	6 809	193	(184)	16 007	453	766	(748)	9,8	(10,1)	766	(748)	0,14	(0,15)	69 048	7 475	194,7
Loraine	13 402	379	(389)	15 300	433	403	(401)	5,2	(5,0)					3 943	1 191‡	1,2
GENCOR																
Bracken	9 295	260	(250)	16 464	481	245	(246)	3,7	(3,6)					7 046	431	18,1
Buffelsfontein	7 884	227	(213)	16 356	472	815	(805)	8,9	(8,8)	767	(775)	0,18	(0,19)	61 789	(2 412)	182,7
Grootvlei	9 307	265	(213)	16 296	464	440	(435)	3,8	(4,2)					11 732	(32)	38,9
Kinross	7 021	196	(199)	16 273	467	465	(445)	6,2	(6,0)					28 040	696	47,4
Leslie	11 008	308	(290)	16 758	484	269	(279)	3,6	(3,5)					6 072	136	17,1
Marievale	10 811	310	(255)	17 239	496	81	(75)	3,4	(3,8)					1 779	74	16,3
St Helena	6 680	191	(174)	16 579	475	555	(550)	6,3	(6,5)	228	(190)	0,39	(0,41)	34 726	1 542	195,7
Stilfontein	9 167	263	(227)	16 155	464	436	(427)	7,5	(7,3)	910	(982)	0,13	(0,16)	22 782	(686)	59,8
Unisel	5 502	157	(154)	16 459	471	312	(300)	7,2	(7,2)					24 691	(772)	31,7
WR Cons	13 405	386	(395)	16 512	476	538	(524)	2,0	(2,0)					3 318	2 068	55,7
Winkelhaak	5 657	162	(153)	16 416	473	552	(525)	6,2	(6,2)					37 066	541	95,0
GFSA																
Deelkraal	11 538	327	(287)	16 196	458	360	(360)	4,4	(5,0)					7 539	1 468§	5,8
Doornfontein	9 180	260	(252)	16 165	458	366	(366)	6,6	(6,7)					16 884	3 889§	69,4
Drie Cons	4 000	113	(112)	16 209	459	1 425	(1 425)	13,1	(13,2)	317	(316)	0,16	(0,16)	227 252	20 639§	62,4
Kloof	4 368	124	(119)	16 397	464	480	(500)	15,2	(15,1)					88 181	7 743§	98,7
Libanon	7 912	224	(214)	16 103	456	420	(420)	6,1	(6,3)					20 993	3 020§	89,5
Venterspost	13 042	369	(347)	16 259	460	372	(375)	4,1	(4,3)					4 936	1 878§	70,3
Vlakfontein	11 461	324	(330)	16 302	461	195	(195)	1,3	(1,2)					1 242	529§	13,0
JCI																
Randfontein	5 917	170	(157)	16 482	475	1 393	(1 383)	5,0	(5,0)	738	(714)	0,17	(0,17)	72 528	8 113	554,4
Western Areas	11 956	344	(306)	14 372	414	960	(940)	4,8	(5,0)	145	(119)	0,41	(0,43)	10 898	4 830	17,9
RAND MINES																
Blyvoor	6 874	197	(177)	16 538	474	594	(573)	8,2	(8,7)	506	(507)	0,13	(0,10)	47 176	11 890§	91,2
Durban Deep	13 747	396	(346)	16 316	470	593	(609)	3,4	(3,4)					5 122	748	147,1
ERPM	15 701	451	(415)	16 447	472	674	(662)	4,0	(4,0)					2 031	1 710	29,0
Harmony				16 209	466	1 876	(1 882)	4,3	(4,2)	1 842	(1 714)	0,09	(0,09)	—64 621§		87,1
INDEPENDENT																
Cons Modder	15 246	437	(380)	16 198	465	65	(68)	2,6	(2,7)					191	256	(2,5)
South Rood	11 401	327	(407)	15 904	456	42	(39)	4,8	(3,7)					918	129	4,3
Wit Nigel			(373)				(77)		(2,8)							

*Figures in parentheses refer to previous quarter †Calculated at R1=$0 91 when dollar figure not given by mine
§Deliveries to Joint Metallurgical Scheme
‡Includes State assistance
** Deliveries to JMS

2184

SA arrests decline in gold output trend

By HOWARD PREECE

SOUTH African gold production is continuing the rising trend that began in 1982. Output dropped to its lowest for 22 years in 1981.

According to the Chamber of Mines, gold output in the first four months of this year was 223 819 kg (224 tons) compared with 213 816 kg for January to April 1982

Output was 664 tons in 1982

In 1981 it was 657 tons — the lowest since 624 tons in 1959

Record production of just over 1 000 tons was achieved in 1970

This is how output from South Africa's gold mines fell steadily since 1970 until last year after an increasing trend throughout the 1960s

1971	976 tons
1972	910 tons
1973	855 tons
1974	759 tons
1975	713 tons
1976	713 tons
1977	700 tons
1978	704 tons
1979	703 tons
1980	673 tons
1981	657 tons
1982	664 tons

This declining trend in production has been accompanied by falls in some of the other non-communist producers

Others have, however, shown increases

This table shows the figures for these producers in 1971.

Canada	68,7 tons
United States	46,4 tons
Rest of Africa (excluding South Africa)	44,6 tons
Latin America	34,1 tons
Asia	33,7 tons
Europe	7,6 tons
Oceania (mainly Australia)	24,4 tons

This is how the position had changed by 1981

Canada	49,5 tons
United States	40,6 tons
Rest of Africa	40,4 tons
Latin America	96,1 tons
Asia	34,5 tons
Europe	8,5 tons
Oceania	34,5 tons

(Source. Hargreaves & Williamson, London Metals Research Unit, Shearson-American Express)

There has been a useful rise in gold production over the past decade or so in Latin America, led by Brazil and Columbia

But total production by the non-communist world fell from 1 236 tons in 1971 to 962 tons in 1981

The full 1982 figures are not yet available, but they are not expected to have been much different from those of 1981

Output by the communist countries is not precisely known and in any case what really matters is the size of net sales from these countries on Western gold markets

These sales are reckoned to have varied from a high of 430 tons in 1978 to a low of a negative three tons — there were small net purchases — in 1970

Bullion analysts expect, however, that Soviet gold sales to the West are likely to average around 250 tons a year in the near future in line with the average of the past few years

But factors such as good or bad harvests — they seem to be invariably bad — and oil prices can play an important part in Russian gold marketing

What is clear, though, is that total world supplies of newly mined gold have been on a declining path for the past 10 years and more mainly because of the falls in South Africa

It has also been generally assumed that South African production is in an almost continuous downward trend

But any forecast has to involve many uncertainties

Mr Tom Main, assistant general manager of the Chamber of Mines, has said "During the next few years South African gold production will probably remain much the same as it is now

"Production by the end of the century will depend on so many imponderables that one is largely reduced to guesswork

"Conservative projections suggest that total gold output will remain at about 700 tons per annum in the 1980s, varying by perhaps 2% to 4% a year

"Forecasts beyond the end of the century indicate a gradual drop to about 350 tons a year Such projections in the past have proved to be wrong on so many occasions that any projection beyond five years becomes quite meaningless"

Obviously, the movement in the gold price is bound to have an effect on output

The crucial reason for the steady fall in gold production throughout the 1970s was the huge if erratic rise in the price from the official $35 that it was pegged at until shoprtly before the end of the 1960s

This price rise meant that large amounts of ore that had long been effectively written off as unpayable became profitable

Mining these areas resulted in a lowering of average grades

In 1971, for instance, the average grade mined was 13,31 grams a metric ton milled

By 1981 that was down to 7,32 g/t

However, the slight upturn in output in 1982 was accompanied by a further fall in grade — it was 7,09 g/t for the three months to the end of September

This rise in output reflects, therefore, a highly satisfactory labour situation on the mines with few seasonal bottlenecks

What the overall position also shows is that the total production potential of the South African gold mines is far higher than seemed possible 10 or 12 years ago

The surge in the gold price has enabled several mines to continue working profitably today when they were expected to have been closed down for good during the 1970s

The life expectancy of all the mines has been lengthened

Had the gold price been much lower on average during the 1970s than proved to be the case output by the South African mines would actually have been higher

This is because the grade of ore mined would have been higher

The Chamber of Mines says "It may appear that the higher gold price, having led to a fall-off in South African gold production, has had something of a negative effect

"However, the higher price has extended the lives of the gold mines by many years and means that in total more gold will be extracted"

Thus the relationship is two-way The higher price adds to the life of the mines by making it possible to cut annual production However, the longer the mines continue to produce at substantial levels the longer this addition to world gold supplies above ground will have a restraining effect on the price of existing stocks

The Chamber of Mines says "We have projected the cumulative amount of gold likely to be produced by known gold mines in South Africa up to and beyond the year 2030

"At a real gold price (that is, after inflation) close to present levels we expect these mines to produce over 15 000 tons of gold in the next 50 years

"Add to this a modest estimate of production from new areas and the total will certainly be well over 20 000 tons"

It would, therefore, be unwise to assume that the gold price is bound to get a major lift in the short or even medium term from a constant decline in South African production

Jewellery 'vital to gold mining industry'

(214) Industrial Week 28/6/83

By Priscilla Whyte

CONSUMPTION of gold by the R100 million a year SA jewellery industry was greater than SA's total gold production of 644t for 1982, said Willie Malan president of the Chamber of Mines of SA at the opening of the jewellery trade fair

Gold was nevertheless the predominant product of the mining industry and was responsible for 47% of SA's export earnings last year

Malan said 870t of gold including recycled scrap was used by the international jewellery industry in 1982 – an increase of 15% over 1981, when there was a dramatic rise in demand after the depressed year of 1980

A healthy and expanding jewellery industry was of vital importance to the gold mining industry

Willie Malan

The gold mining industry, through the International Gold Corporation – the marketing and gold promotion arm of the Chamber of Mines was currently administrating a budget of R45 million a year to stimulate a desire for gold jewellery in 22 countries worldwide

Intergold, said Malan, spent R33-million of an annual budget on gold jewellery promotion and trade partners made a further contribution

Platinum was another metal produced principally for the free world by SA

Malan pointed out that although demand for platinum had fallen jewellery was one of the outlets for the metal which had continued to bolster sales

SA also had a large vested interest in diamonds and last year the jewellery manufacturing industry worldwide turned over an estimated $18 000 million incorporated in some 32 million individual pieces of jewellery amounting to about 7,8 million carats of polished gems

Malan said that last year SA produced 17 4 million carats of an estimated Western world output of around 45 million carats used for both industrial and jewellery purposes

Some 7% of this output was used in jewellery

Gold Mines Assistance Act

(214) 1048. Mr. J. P. I. BLANCHE asked the Minister of Mineral and Energy Affairs: †

Hansard Q. Col. 1797 29/6/83 – 7

How many Coloured persons were at the latest specified date for which figures are available employed at certain gold mines which qualify for financial assistance in terms of the Gold Mines Assistance Act, No. 82 of 1968, and the names of which have been furnished to the Minister's Department for the purposes of his reply?

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

Only the following mines employed the numbers of Coloureds indicated opposite their names, in March 1983:

East Rand (Pty) Ltd	58
Eastern Transvaal Consolidated Mines Ltd	1
Durban Roodepoort Deep Ltd	55
Barberton Mines Ltd	3
Stilfontein Gold Mining Co Ltd	55

~~211/207~~ 214 Q. 61: 1819 Hansard 30/6/83

Gold Mines Assistance Act

1047 Mr J P I BLANCHÉ asked the Minister of Co-operation and Development †

How many Blacks from (a) the Republic, (b) the national states, (c) the independent Black states and (d) other countries were, at the latest specified date for which figures are available, employed at certain gold mines which qualify for financial assistance in terms of the Gold Mines Assistance Act, No 82 of 1968 and the names of which have been furnished to the Minister's Department for the purposes of his reply?

The MINISTER OF CO-OPERATION AND DEVELOPMENT

	(A) Republic	(B) National States	(C) Independent State	(D) Foreign
1 East Rand Mines Pty Ltd	727	1 313	3 714	11 820
2 Lorraine General Mining Company	2 456	503	2 575	3 697
3 Eastern Transvaal Consolidated Mines	1 448	—	—	270
4 Durban Roodepoort Deep	395	1 933	4 332	4 652
5 Witwatersrand Nigel	180	860	518	600
6 Barberton Mines	334	—	—	324
7 Boshof Group				
(a) Stanhope General Mining Corporation				
(b) Balmoral General Mining Corporation	164	92	502	347
(c) Primrose General Mining Corporation	787	667	2 639	1 254
8 West-Rand	3 859	923	2 272	3 078
9 Stilfontein Mining Corporation	280	961	2 239	3 827
10 Venterspost Mining Corporation	273	267	2 465	1 776
11 Leslie General Mining Corporation				

MEN AT WORK

Soaked by heavy underground rain, two workers stand like sentinels on a shaft sinkers' kibble ►

GEORGE SMITH was working his shift, with the banshee whistles and the thunder-rush and the crashing cement water all around him, when it happened He felt his breath catch against the wall of his throat He looked down the shaft

He saw a man lying there in the shallow, grey water Others stood and knelt around him Some were looking down at the man and others were looking up at the stage and waving their arms

George rang up for a stretcher and took the kibble down for a look There was a hole in the man's helmet

Meanwhile, in the site manager's hut on the surface, Jannie Coetzee stirred his tea and chuckled

"Well, the record itself is very weak We've had no fatals so far, but "

A man knocked and opened the door at the same time

Daar't 'n boy seergekry daaronder, meneer

Is hy ernstig?

Ek weet nie, meneer Hulle het net gelui George was op die stage

Stuur hom in

There was a safety chart on the wall The peaks and valleys were marked in red Jannie Coetzee stirred his tea, and the silver spoon clucked at the bottom like the tongue of a dull bell

George Smith was standing in the doorway He licked the cement on his lips and the words rushed out like a pressure burst

Looks like the outa's badly hurt, sir

What happened?

Well, he was either hit by the cactus (a big mechanical hand) *or a rock The grab-driver says it was the cactus Tjaart says a rock fell on the boy's head I don't know, sir No one saw directly*

Could it have been a stone from the kibble?

Sir, I don't think so I, he wouldn't have been hurt then The kibble comes 2m above his head at the maximum The grab-driver just saw the outa lying there when he hoisted up the kibble I would think it's a rock, sir There's a hole in his helmet

Is he conscious?

Sir, his head is pap, it's pap over here

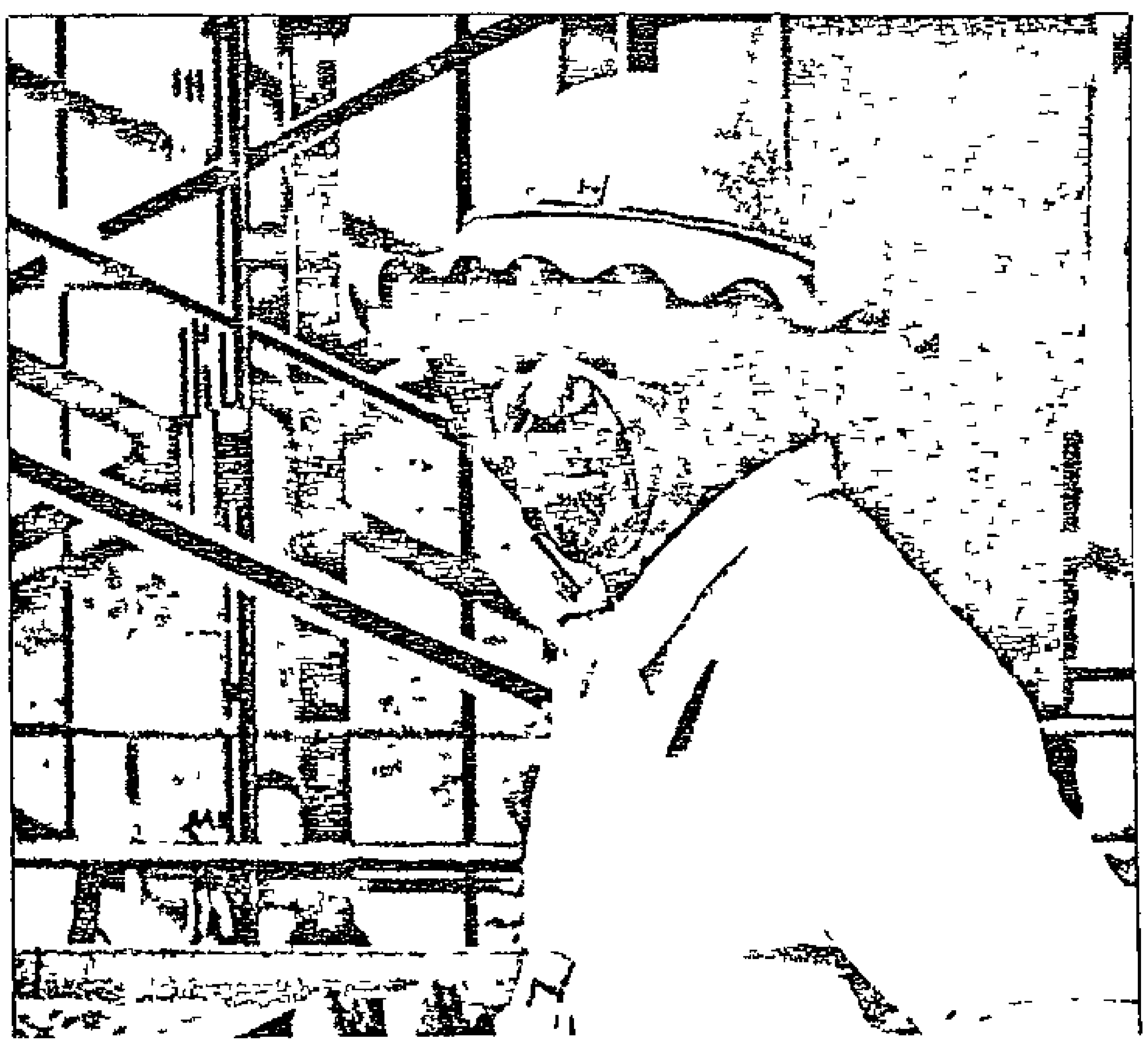
I said, is he conscious?

He's, he's, unconscious He's breathing, but he's not conscious There's foam coming out of his mouth

Is there blood by his mouth?

No, sir Just foam There's a little blood by his nose

George Smith shut the door and Jannie Coetzee said "There are more hazards in shaft-sinking I suppose you could say when you look at it, the safety records aren't that bad Because there are a hell of a lot of hazards"



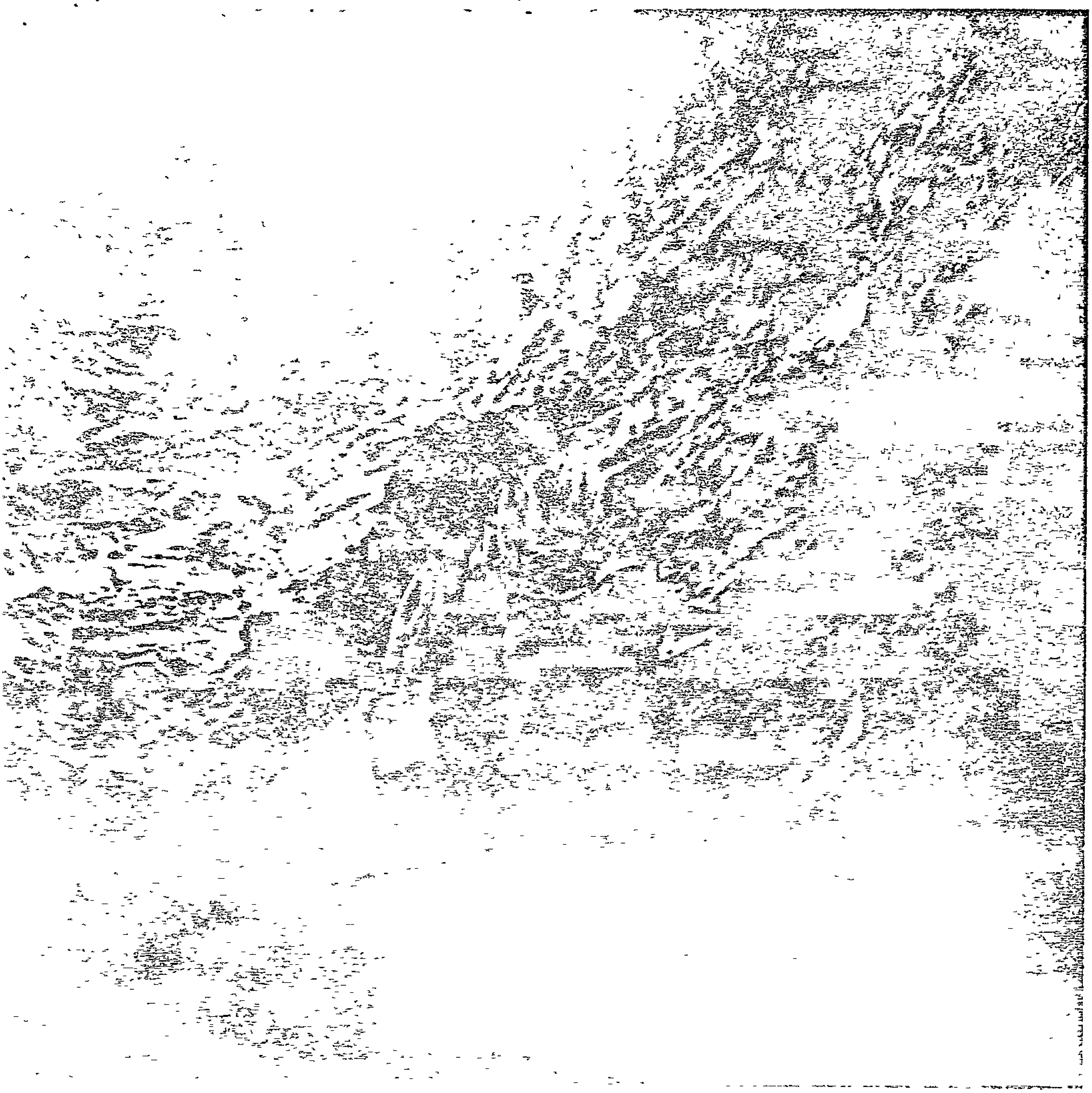
TAKING A

◄ ***George Smith ... "We're a special breed. We're human, but we're special"***

Story: GUS SILBER

Pictures: ANDRZEJ SAWA

On the surface, it's a bone-dry winter's day. In the middle of the earth, it's raining. All day and all night. And water isn't the worst of it for the men behind South Africa's most dangerous and most vital mining occupation — shaft-sinking



SHOWER IN HELL

~~213~~ 214 S Times 10/7/83

THE orange headgear of No 4 ventilation shaft, Kloof Gold Mine, Westonaria, stood out like fire against the white-water winter sky Today four months, 329m down Dammit How much longer would it take? You could never tell In the end, the shaft would be sunk That's all You'd pack everything away and the miners would take over and you'd go on to the next stretch of open veld, wherever that was And the whole business would start all over again

And, in the end, you'd win again Because you just had to

The wind pushed Jannie Coetzee's sports jacket open and wrapped itself around the legs of his trousers as he stepped outside the site manager's hut and walked to the prefab change-room

The business Sink the shaft *Move hulle in, check hom uit, kry die storey blast hom, pomp hom, sink hom Twenty-four hours a day, including Sundays Jy sink hom ses dae en die Sondag doen jy die res No blasting on Sundays Die hele storie Maklik ne? Nee, boet*

Things go wrong Not always — it's look, it's actually one of the safest aspects of mining, shaft sinking, if you look at the circumstances But you have to face up to it and just make sure it doesn't happen to you, or anyone else That's important. Things go wrong

Like this morning This boy with the rock through his helmet Only one way to check out the story We're going down

A shaft of hot air from the ventilation

MEN AT WORK

~~212~~ 214

S Times 10/7/83

fan by the wındow would hıt you as soon as you walked ın to the change-room You could probably have yourself a shower and get dry at the same tıme

The wıre lockers were fılled wıth denım jeans and fluffy jerseys and lımp socks and tartan underpants and famıly-sıze bottles of Colgate antı-dandruff shampoo and jars of hand-cream

Water drıpped from the outsıde holes of a shower head, and the drops were almost swallowed by the hot aır before they reached the crıss-cross bath mats

We took off our clothes and put on blue boıler-suıts and Wellıngton boots and whıte waterproof jackets Jannıe Coetzee saıd they wouldn't help much We put on hard hats and lamp-lıghts and slung power packs around our hıps lıke gunfighters *Dıs nıe baıe plesıerıg daaronder nıe menere Ek hoop julle verstaan dıt goed*

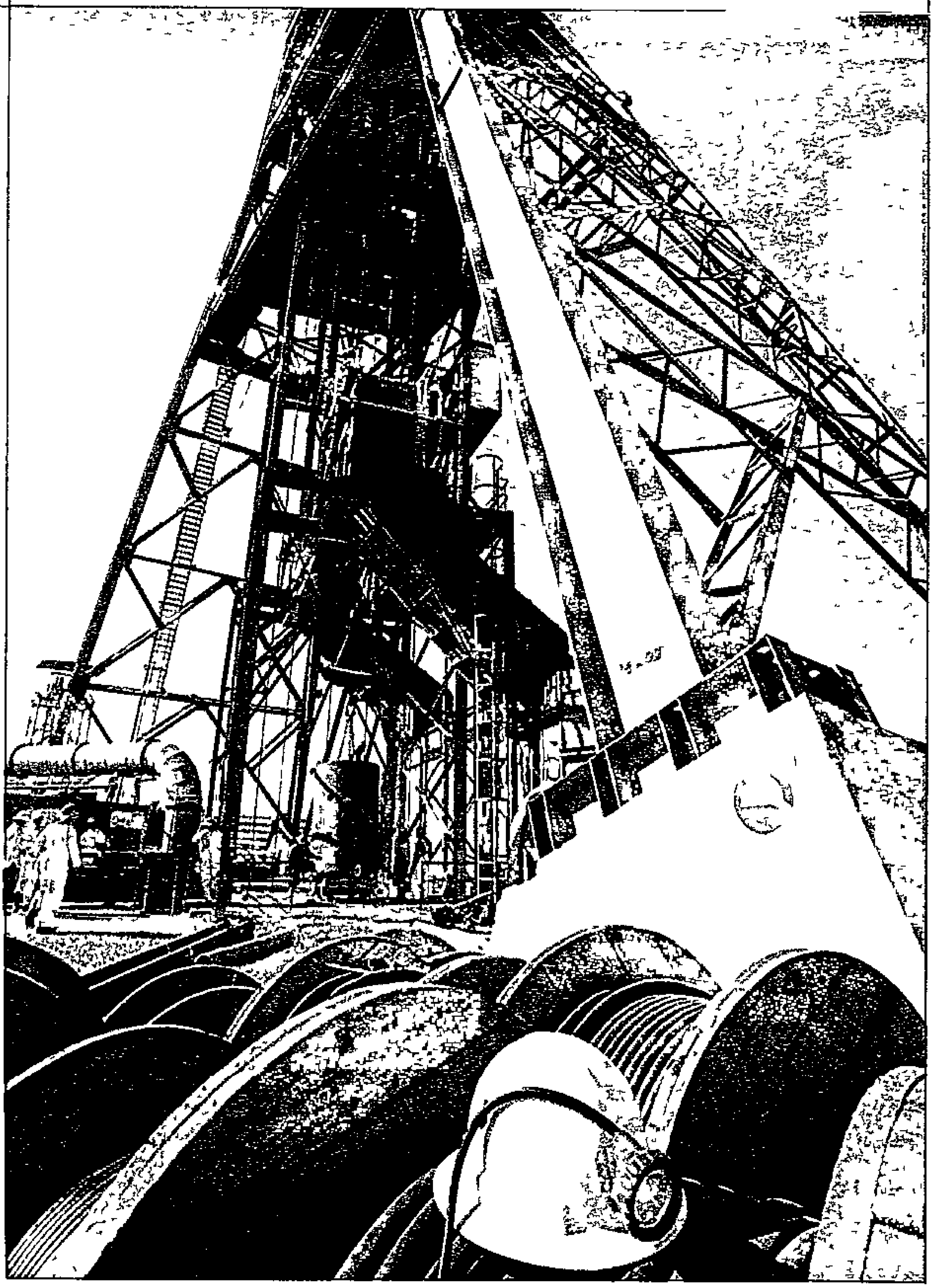
George Smıth, who was workıng on the stage when ıt happened, when the thıng went wrong thıs mornıng, saıd Ja, ıt's dangerous down there That's why the sınker gets a 100 percent bonus On a good month, you can get your full salary plus R1 800 ıf you're a master sınker It depends where you work On the stage, you get 70 percent of the bonus, and the engıne drıver gets 30 percent

George snıffed and pınched hıs nose and saıd the snags thıs mornıng, the accıdent and the Press vısıt, were goıng to cost hım tıme and a bıt of graft Let's say fıve kıbble-loads of rock that could have been tıpped, so far For argument's sake Now, of course, safety ıs the maın thıng, but these delays always add up The contract says you earn your bonus ıf you advance 6m ın 24 hours, that ıncludes the shaft bottom, the concrete lınıng and the pıpe-work

The way ıt was goıng, thıs wasn't goıng to be a good month

The *manne* were goıng to have to pull fınger They were goıng to have to pull theır weıght Kyk, manne, motıvate! George Smıth was the charge-hand, and that was hıs job *Motıvate!* But you always get some oke who's goıng to cause slack down there It's not just the money It's the job

Look, you've got 10 to 12 boys workıng down there on the Jumbo drıllıng rıg You've got the two kıbbles goıng up and down, and you've got the cactus grab lashıng at the rock face How can you say ıt's lıke boxıng ın a small room, boxıng ın the pantry You box outsıde, ın the open aır, and you can run away from a



Reaching up, reaching down: No 4 ventilation shaft, Kloof Gold Mine, Westonaria

punch Down there, you must know what to do when the punch comes Because you can't run away

But you know how ıt ıs The boys fıght for the job The money's good

The dry wınd was playıng a dragon's waltz wıth the aquamarıne boıler suıts on the washıng lıne There was a kınd of veldfıre choke ın the aır, and ıf you ran a fınger down the sıde of your face, even now, on the way to the shaft, you'd get a fıne coatıng of cement powder on your fınger-tıp

Lıke the guys ın the movıe ads, you were supposed to stand there squıntıng up at the headgear platform, sweat and grıt on your eyebrows, lookıng down for a second to lıght up an Amerıcan cıgarette, and the camera would zoom ın on the brand label and pull back to show your mouth crack just a lıttle You were supposed to be a Man's Man But no-one really thought of ıt that way There was too much damn work to do

There were men wearıng anglıng overalls made of tough, whıte tarpaulın, so that drops of dırty water would slıde down the folds and just skate off the sıdes agaın, lıke slıvers of mercury Resıstıng the elements Under the overalls, you would explode wıth sweat

The men were wearıng fıremen's helmets wıth rubber sheetıng around the edges They looked lıke hellfıghters from the Foreıgn Legıon We swıtched on the lamps on our hard-hats

A torrent of grey water rushed out of a bucket on the platform, and hundreds of small stones slıd wıth a kershlunk on to a pıle of black bılge down below A bell rang twıce Shrıll and hollow The wınd was tryıng to lıft our hard hats from underneath, and we had to take them off and tıghten the head-bands And for a moment, outsıde shaft number four, our heads were as vulnerable as the membrane under an eggshell

Daar was 'n gat ın sy hoed

There were sıx of us ın the kıbble We stood on bıts of soaked plank and lumps of cement It was everywhere The shaft sınkers fought water wıth cement And

MEN AT WORK

then they fought cement with water In the end most of the time cement won But you could never tell Sometimes you would get 40 000 litres of water rushing out of a blast hole every hour Then you still had to deal with pressure bursts and misfires and rockfalls Like George Smith said that's why the sinker gets a 100 percent bonus

Jannie Coetzee told us to keep our hands on the inside The bells rang sharply again two hydraulically-operated trapdoors yawned and the kibble sank

The shaft was about 6m in diameter The concrete lining on the walls was dry near the top and thick and wet and grey further down and our lamp-lights danced and swayed and merged

We passed the suspended work stage halfway down the shaft and our lights defined thick, black hoses and shovels and the hard, hewn faces of the men who take showers in hell The men were wearing safety belts There was a deafening rush of thunder and a hiss and a metallic shriek We looked up and there were heavy silver threads of underground rain falling from two yellow spotlights

We climbed out of the kibble 329m down There was a pool of water in a terrain of slick, black rock Jannie Coetzee waded in up to his ankles He stood with his arms on his hips and he looked at the puddles He reached into the pool and picked up a rock and he put the rock under the water again and washed it Then he threw the rock back into the water It was a big rock, but you couldn't hear the splash

The men stood around watching Coetzee pointed at the water and looked across at a man whose eyes turned vixen-red in the beam of his lamp The man nodded He faced his palms together to show the site manager the size of the rock The men stared at each other for a moment. A fistful of black stones slid into the water

The men stood around with rivulets of sweat and cement and water running down their black faces One of them was smoking a brown paper *zol* You could see a thin curlicue of smoke rising from under his nose He shielded the zol with one hand, but a leaden droplet squeezed through his fingers and stung out the glow He narrowed his eyes and carried on smoking

We climbed back into the kibble The bells rang and the lights flashed on Francois Labuschagne's control desk in the cockpit of the corrugated-iron engine room on the surface He hoisted up the kibble and asked George Smith *"Wat het gebeur?"*

And George Smith said *"Klip"*

George sat on a table in the foreman's hut and lit up a smoke

"Ag, it's not that dangerous I mean, you get people who are scared You can take a bloke down and he'll wet himself halfway That's in himself Look at me

I'm not scared of depths But don't tell me to climb up the Hillbrow Tower and get in a chair dangling on the outside I mean, that's not for me

"But I can go down and work on the stage with all the noise and the ammonia I can take the risks Any time I want to It's like smoking a cigarette It's easy, and you enjoy it, but you take a risk at the same time

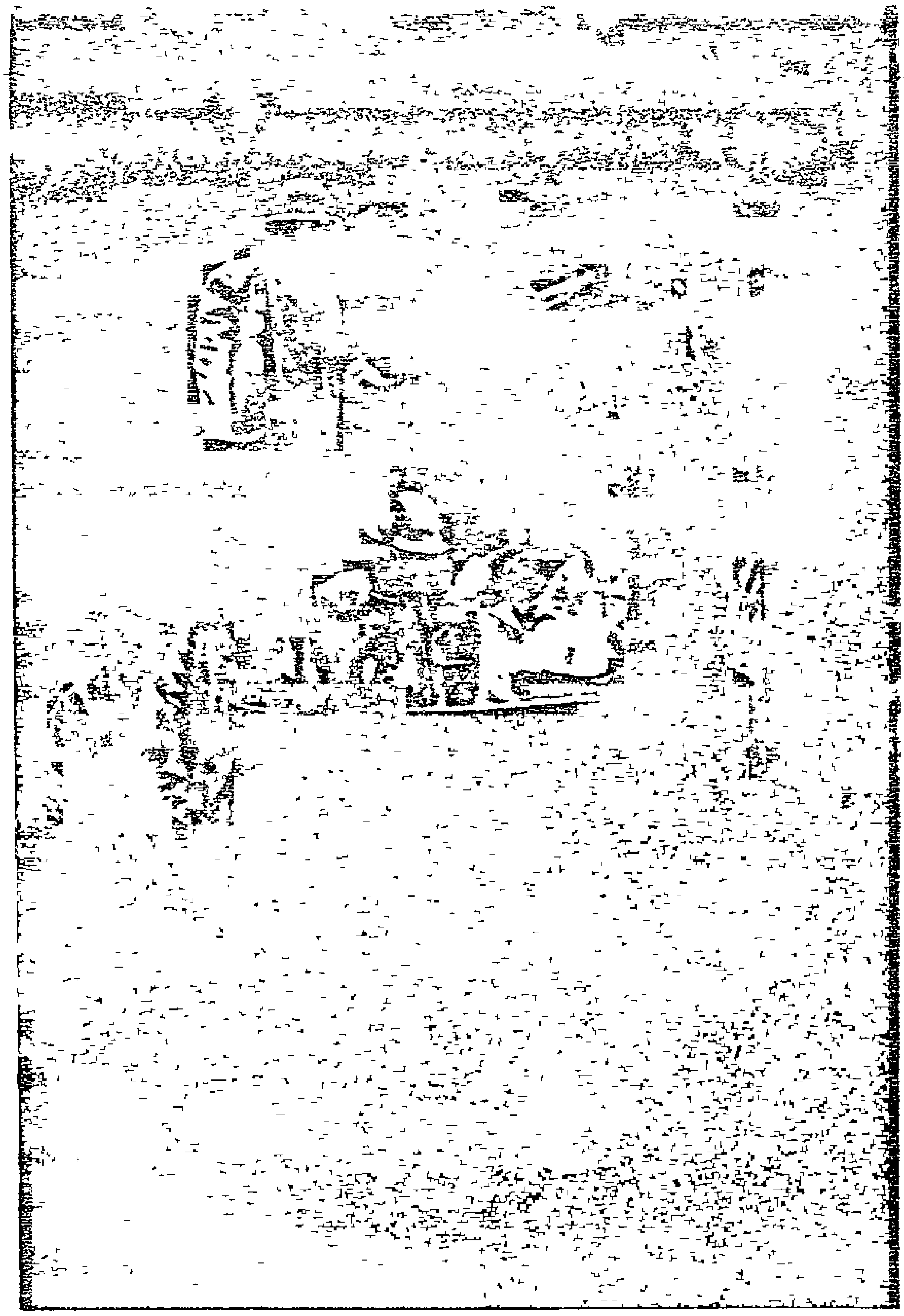
"Okay, let's also be honest You won't want to go down if you haven't got the guts and the know-how and the *go* in you We're a special breed, you see We're human, but we're special"

George Smith is 37 If all goes well, he's going to be a shaftie when he's 70 as well Like his old toppie — 70 and a shaftie, and he just won't retire, because he loves the graft and he's been through it all The whole Shaft Sinkers' set-up

Of course, the toppie's only a carpenter now He can't take the hammering and the speed underground any more, but he says he's going to be with Sinkers till the day he dies

Well, sometimes George thinks a little differently He's got all his tickets He could go back to the mine tomorrow if he wanted He could even be a shift boss, man He's thought it over once or twice before, you know, sometimes you feel maybe what you really need is to open your own business or something

But then I drive past a shaft being sunk, and I idle the engine and I watch the okes working there for a while And I get this like tingle in my blood And I know I could never leave Because I, I love my work It makes me proud And, how can I say it, I know the okes respect me And I moan and I groan, and I say to myself, hell, is it really worth the bucks? And sometimes I wonder But, like I said, it gets in your blood You're a sinker, you're the cream of the crop When you think about it, it's Number 1 I just can't see it any other way ●



The landscape of the shaft sinker: a subterranean labyrinth of black rock, serpentine hoses, constant rain and heavy machinery

(214) RDS 04 21/8/83

A fortune spent for gold

By BRENDAN RYAN, Mining Editor

THE mega-rand amounts being invested in new gold mines are equal to the total market value of many major companies quoted on the Johannesburg Stock Exchange

To put the finance needed to set up a gold mine in perspective consider what can be done with about R400-million to invest in the South African economy

If Southern Sun was up for sale you would have a chance of buying it

On its present share price on the Johannesburg Stock Exchange, Southern Sun Holdings with its 25 existing South African hotels, the two new hotels it is building and its 49% stake in Sol Kerzner's casinos and three Mauritius hotels, is worth about R352-million

That is the market capitalisation of Southern Sun taking its issued capital of more than 55 million shares and multiplying it by the share price of around R6,35 each

You could also have a try at buying Rennies if it was up for sale

The JSE currently values Rennies with its 27 Holiday Inns, its share of Thomas Cook Travel, its share of Sol's casino business, its liquor agencies, the five Makro stores, the Douglas Green winery in Paarl and all its other interests in transport, security, insurance, shipping services and manufacturing at about R315-million

With R400-million you could of course set up your own gold mine

It would not be a very large gold mine and neither would it be a particularly profitable gold mine at current gold prices of around $420 an ounce

In fact you will probably have to work a deal to put your new gold mine under the wing of another established gold mine to make the investment worthwhile

You could therefore develop a gold mine like Beatrix near Welkom which General Mining Union Corporation (Gencor) has just attached to one of their established mines, Buffelsfontein

Beatrix is due to start production early next year and will cost a total of about R400-million

You could also open up a gold mine like Doornkop, which Randfontein Estates is developing on the West Rand

That's going to cost R375-million to bring into production by 1998 but it can only be done as a part of an existing mine

If developed as a separate mine the Doornkop section of Randfontein would not be profitable enough to be worth the investment

However in terms of gold mining developments these are still in the minor league

If you want to establish a major gold mine to square up to the giants of the South African mining world such as Western Deep Levels, East Driefontein and Harmony, then you will have to invest about R1 500-million

That's a conservative estimate

The most expensive gold mine presently being developed is the No 1 Shaft at Western Deep Levels which is currently estimated to cost about R1 000-million

This estimate may rise as it was made in 1980 and capital expenditure targets on major mining expansions have a tendency to go up

For R1 000-million you can, in theory, buy Southern Sun, Rennies, Foschini, Cadbury-Schweppes and the Bradlows furniture group

You would still have about R100-million left over to blow on Krugerrands, game farms, R3-million retreats at Llandudno and flying in Rod Stewart with Elton John for a personal rock concert in one of your own hotels

The figures are staggering and reflect the difficulties of setting up a gold mine as inflation continually bumps up the costs of the developments

The mining houses normally announce the cost of their projects in money values at a specific date

Anglo American Corporation estimated the Western Deep Levels No 1 shaft project would cost a total of R715-million in 1980 money terms

This would be the cost of the project if all the money which must be invested could be spent in one year, 1980

However the money has to be spent over an extended period as it takes at least five years to bring a new mine to production and inflation over this time increases the cost of the project

Anglo expects that inflation will push up the total cost of the Western Deep Levels No 1 shaft project to about R1 000-million

Actual inflation rates, which are higher or lower than the levels which Anglo's planners have assumed for the development period, can alter the actual cost of the project considerably

Capital costs of mining developments have tended to rise at a faster rate than the general inflation levels adding to the problems of the mine planners

So where are the hundreds of millions of rands needed to set up a gold mine actually spent?

According to statistics provided by Johannesburg Consolidated Investments, setting up a new shaft with a capacity of 150 000 tons a month for an existing gold mine would cost about R230-million in 1983 money values

These figures are for a typical South African gold mine development and not for a project actually underway

Of this amount about R133 630 000 will be spent on sinking the shaft, lining it with concrete, installing steelwork for the liftcages and developing the necessary tunnels to reach the gold bearing ores

The next largest cost item is housing for both black and white workers which could cost R33 350 000

A further R27 370 000 will be spent in building the concrete headgear for the mine and installing the enormous winders needed to power the liftcages

Design and management of the project plus mine administration and geological services will cost about R18 860 000

Surface services such as providing water, electricity, roads, sewerage, vehicles and compressed air will cost around R11 040 000

Offices, canteen, changehouses and workshop buildings will cost about R4 370 000, and ventilation equipment about R1 380 000

This project breakdown assumes that no reduction plant to mill and treat the ore to recover gold is necessary as the mined ore will be put through an existing treatment plant

Should a new treatment plant be needed as well it could cost about R90-million — bringing total cost to about R320-million

JCI estimates that at an annual inflation rate of 14%, a year's delay in the project would add about R32-million to its cost.

Breaking this down means that a month's delay, for example if shaft sinking operations encounter serious flooding problems, will add R2 700 000 to the cost

High inflation on the cost of new gold mines has forced the mining houses to find new ways of financing them

The effect of the new schemes is that the Receiver of Revenue ends up paying around 70% of the cost of the new gold mines because the developing companies claim tax write-offs for that amount

The Receiver goes along with this because in the long run he will get the benefit of taxes paid by the new mines once in operation

Capital expenditure spent in setting up a new mine is allowed as deductions against tax to be paid by the mine once it is making profits

Traditionally the mine is developed by the mining house using its own capital and capital raised by floating the company on the Johannesburg Stock Exchange

The mine then goes into operation and for several years pays no tax as the benefits of the capital spent are allowed against the tax bill on the profits it makes

However the costs of setting up a new gold mine are now so horrendous that the mining houses have found a way of reducing the initial capital cost

The new mine is attached to an established producer which is paying high taxes

In this way the capital spent on the new mine can be charged immediately against the profits being made by the established mine making use of what is called the established mines' "tax-shield"

Money that would therefore have gone to the Receiver from the established mine is now used to develop the new mine

Randfontein pays tax at a rate of about 70% of profits Therefore 70% of the R375-million it will spend on the first phase of Doornkop is allowed for tax purposes

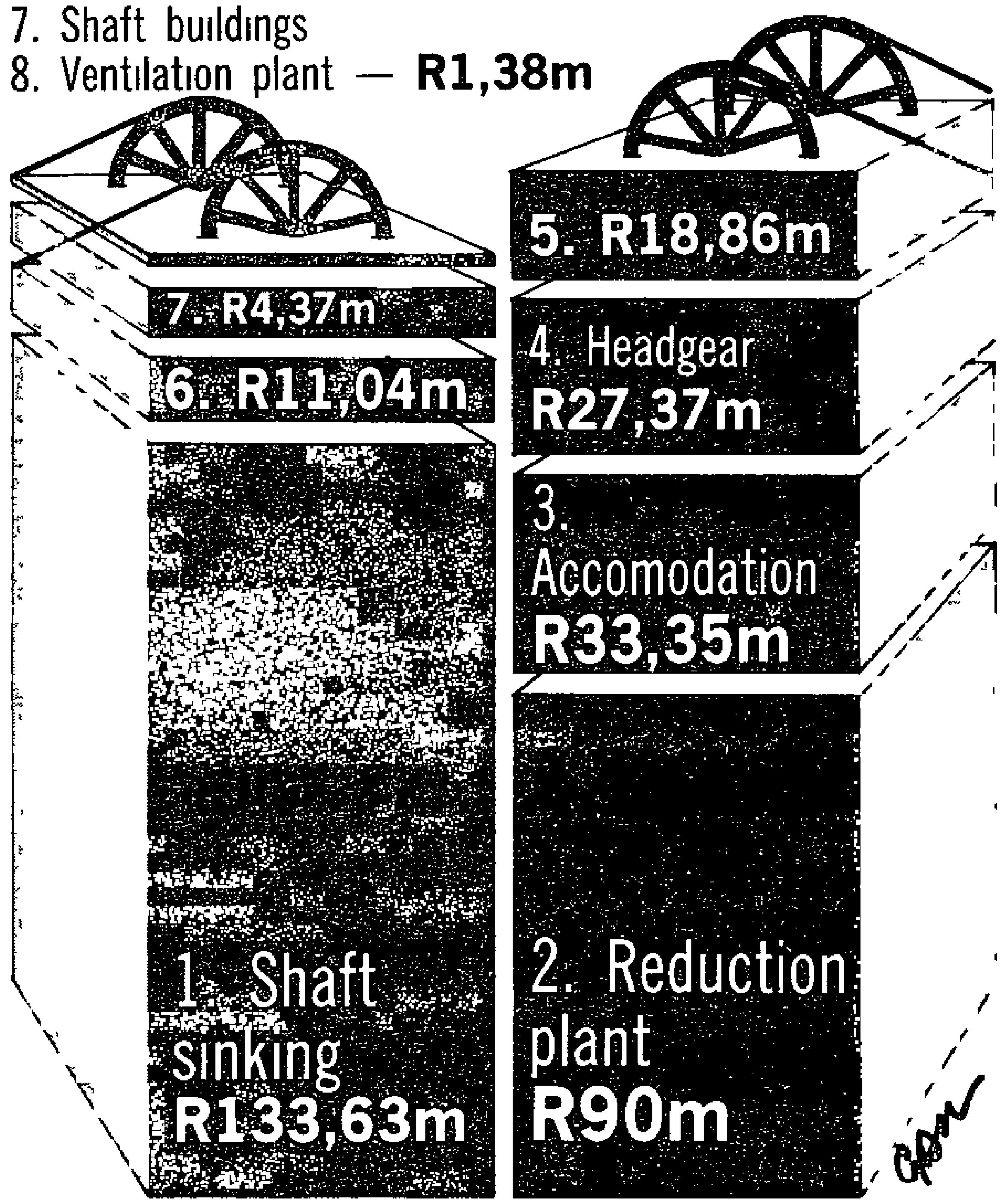
This drops the real cash outlay on the new mine to about R112 500 000

The last gold mines developed in the traditional method were Anglo's Elandsrand and GFSA's Deelkraal, both started about 1976

Since then, through the tax shield method Vaal Reefs has developed Afrikander Lease, Western Holdings is developing Erfdeel, Ergo has developed a project at Simmer and Jack, St Helena has taken over Beisa, Buffelsfontein has taken over Beatrix and Randfontein is now developing the Doornkop section

R320m — Where the money goes

5 Project design, administration
6. Surface services
7. Shaft buildings
8. Ventilation plant — **R1,38m**



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Comment: Nedbank will certainly be a difficult act for the other major banks to follow

Mr Abrahamsen said that interest on current account cost the group R20m, the cost must have been considerably greater for Barclays, Standard and Volkskas with their more extensive and expensive branch networks

But these banks too have been offsetting these additional costs by increasing fee income and by more intensified participation in the financial and foreign exchange markets How successful they have been will be revealed only when their next accounts are published

Competition

But one point is clear competition in the profit areas is increasing with all the banks offering additional services and expertise — which means increasing benefits for customers at competitive rates

Nedbank has enjoyed a preferential rating on the Johannesburg Stock Exchange with a yield of 4,1 percent The increased dividend will take the yield to about 5,1 percent, which means that the share should react favourably today

-- (SA) Ltd — times — Five appears to have

Cape Times 19/10/83 (214)

Gold price knocks Anglovaal gold mines

Own Correspondent

JOHANNESBURG — Eastern Transvaal Consolidated Mines and battling Loraine were the best performers of Anglovaal's gold mines in the September quarter, although their results were not outstanding mainly because of little change or only a marginal increase in the gold price and continuing cost rises

The flagship, Hartebeestfontein, reported a 17 percent drop in earnings a share after capex, following a drop in working profit and after-tax profit because of slightly lower tonnage, higher costs and lower revenue an oz

Added to these factors, the mine received lower non-mining income and profits from uranium and acid sales were lower

Lower tonnage

There was one working day less in the quarter than in June and this was responsible for lower tonnage milled at Harties and Loraine but ET Cons achieved a small increase

Village Main reduced its costs by 18c a ton and cost increases at the other mines were well contained, especially in view of the fact that they were subjected to the effects of higher wage bills for the full quarter These increases only became effective in the last month of the June quarter

Increased tax charges at ET Cons and Village Main were mainly responsible for lower after-tax profits

Hartebeestfontein Although tonnage was marginally lower, grade was higher at 10 g/t (9,8 g/t) so that gold production increased to 7 584 kg (7 485 kg)

In spite of lower tonnage and higher wages, unit costs were well contained but the rise in these costs was greater than the rise in unit revenue which led to a reduced unit profit of R80,36 (R81,16) a ton

Working profit was R61,157m (R62,250m)

Profit from uranium and acid sales was almost halved at R3,309m (R6,577m)

Royalty payments

Non-mining income decreased to R4,569m (R6,435m) — largely because of an under-provision for interest accounted for in June — and net royalty payments rose to R1,302m (R1,070m)

With tax at R31,941m (R35,918m) the final profit was R2,398m lower at R35,461m

Capital spending was fractionally higher at R15m, while outstanding capital spending commitments at the quarter's end were R25,785m (R29,795m)

Development values for gold were 1 502 cm g/t (1 398 cm g/t)

ET Cons Grade rose strongly to 10,4 g/t (9,2 g/t) With total revenue rising to R11,483m (R9,757m) and costs of R5,494m (R4,802m), working profit rose to R5,989m (R4,955m)

Prospecting expenditure was cut one-third to R928 000 (R1,367m) Tax totalled R77 000, but in the June quarter there was a tax credit of R2,324m because of provisional tax overpaid in the first half of the financial year — based on the profits at that time and lower capital spending

Increase in tax

Because of this increase in tax, the after-tax figure decreased to R5,069m (R5,887m)

Capital spending totalled R4,049m (R6,476m) with outstanding commitments being R5,332m (R3,715m)

Development values averaged 1 282 cm g/t (1 162 cm g/t)

Loraine Mill throughput was 11 000 tons lower at 389 000 tons — partly because of the shorter working quarter — but the grade rose to 5,7 g/t (5,4 g/t) and this led to higher gold production at 2 227 kg (2 178 kg)

In spite of the lower tonnage, unit costs were well contained at R75,73 (R74,18) a ton

Combined with increased revenue, this led to a 57 percent improvement in unit working profit of R11,64 (R7,41) a ton, giving a total working profit of R4,526m (R2,964m)

Insurance claims

Non-mining income was lower at R49 000 (R719 000) The June figure was boosted by the receipt of two insurance claims

Outstanding capital commitments at September 30, were estimated at $4,8m (R7,344m)

Development values were down A total of 1 282m (1 655m) was sampled on all reefs The average value was 7,7 g/t (12,2 g/t), which over a width of 68 cm (64 cm) was equal to 528 cm g/t (778 cm g/t)

Village Main Reef Sands treated decreased to 171 800 tons (182 400 tons) but the average yield was unchanged at 0,62 g/t.

Because of the lower tonnage, unit costs decreased to R7,90 (R8,08) because working costs on this property are heavily and directly affected by the cost of chemicals used

Unit revenue was fractionally lower, leading to a unit profit of R1,40 a ton (R1,25) and a total working profit of R240 000 (R229 000)

After deducting tax of R104 000 (R21 000 credit), the after-tax profit was reduced to R187 000 (R299 000)

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Wall Street

NEW YORK — A broad decline in stock prices accelerated in afternoon trading yesterday, with blue-chip issues particularly hard hit

Auto, mining, computer and financial issues were also numerous among the declines

The Dow Jones average of 30 industrials, off less than six points at mid-afternoon, showed more than a 16-point loss half an hour before the close

Signs of strong economic expansion and continued moderation in inflation have encouraged traders

Money supply

On Monday, the Federal Reserve Board said United States industry operated at 78,1 percent of capacity in September, the highest rate of factory use since October 1981 But interest rates remain persistently high, in spite of a slowdown in the growth of the United States money supply

And with the Dow Jones industrials having hit a new peak last week, many institutions and other investors are currently seen taking

Gold steady at $397

LONDON — Gold closed at $397, little changed from yesterday morning's opening but up from Monday's close of $394,50-$395,25

Dealers said there were no special features in yesterday's market Most participants were sidelined in a nervous

the dollar left gold to trade narrowly in a directionless market, they said

The day's low of $395,75-$396,25 was reached shortly after the morning fix of $396,75 Comex covering checked the downhill draft and carried prices to the high of $397,75-

Money market

JOHANNESBURG — Three-month and shorter money market rates edged higher, with the key 90-day liquid bank acceptance rates lifted 10 points yesterday morning to 16,35 percent from Monday's 16,25 percent, but rates on longer-term paper held steady

Trading was dull after

Lower grade and gold price knock Gencor mine

W R Consolidated Mines show operating loss

CAP-Times 20/10/83

By BRENDAN RYAN

214

JOHANNESBURG. — West Rand Consolidated Mines has started losing money again as a result of lower grade and the slide in the gold price.

The September quarterly results for this Gencor-controlled marginal mine near Krugersdorp show a working loss of R2,487m (June quarter — R114 working profit) and a net loss of R827 000 (R2,084m profit).

West Rand Cons' gold price received dropped to $421 in the September quarter from $433 in the June quarter.

If the gold price for the present December quarter remains at around $400, West Rand Cons is faced with the prospect of heavy losses unless the mining plan is altered.

Selective mining

Gencor may be forced to go for selective mining and "pick the eyes" from the mine's ore reserves depending on how future gold price movements are seen by the mining house.

West Rand Cons has shown that it can live happily with a gold price of around $430 an ounce at current rand/dollar exchange values.

The September quarter's results from this very low-grade producer were affected by five percent drop in grade to 1,7 g/t from 1,8 g/t previously.

Gold production fell by 68 kg to 942 kg.

West Rand Cons still shows profits of R4,612m for the nine months to end September which, after capex of R1,032m, leaves distributable earnings of R3 580m from which an interim dividend of R2,267m has already been paid.

Unless there is a marked recovery in the gold price in the rest of the quarter it seems unlikely there will be a final dividend from the company.

Grootvlei also gave problems in the September quarter but these appear now to be under control.

Tonnage milled dropped to 429 000 (481 000) because of problems with the phasing-in of the mine's new treatment plant.

The new milling section has provided plenty of teething problems while the carbon-in-pulp section is not yet working at its designed capacity.

Grootvlei has used a section of the old filtration plant to meet the shortfall.

However, the plant treated 165 000 tons in the month of September, which is the target rate for the expansion programme and hopefully Grootvlei can maintain this performance in the months ahead.

The tonnage not milled has been stockpiled.

Stilfontein had a good operating quarter in September maintaining grade and pushing up tonnage milled to 445 000 (435 000).

Unit costs

Unit costs rose by four percent which is probably acceptable for the first full quarter after the wage increases for white and black employees.

Stilfontein's unit costs of R73,76 are high by comparison to other mines in the group because of the amount of ore-sorting carried out on surface to improve grade.

The mine however got clobbered by tax. On pre-tax income of R15,163m (R13,745m) the tax bill shot up disproportionately to R7,392m from R4,723m in the June quarter.

Buffelsfontein had a very good quarter maintaining tonnage milled at 829 000 and raising grade to 9,2 g/t (9,1 g/t).

A drop in tax to R23,642m (R27,420m) left taxed income at R27,567m (R24,409m) and the mine increased its distributable earnings after capex by 17 percent to 144,9c a share.

Winkelhaak also put in a good performance in the September quarter increasing tonnage milled to 595 000 (585 000).

Pre-tax income dropped to R36,432m (R37,501m) but tax dropped further to R20,873m (R23,626m) leaving taxed profits up at R15,559m (R13,875m).

Distributable earnings after capex rose to 106,7c a share from 96,9c a share in the June quarter.

Leslie suffered an eight percent drop in grade to 3,2 g/t (3,5 g/t) which knocked gold production to 956 kg (1 007 kg).

The grade drop is temporary and grade should recover this quarter.

Leslie's pre-tax income was R2,371m (R4,626m) but the mine had a R353 000 tax credit for the quarter (R1,714m tax charge) which left taxed profits only slightly lower at R2,724m (R2,912m).

Marievale increased its distributable earnings to 12,8c a share (7,9c) in what was also a good operating quarter for the marginal producer near Nigel.

St Helena has still to receive any income from the Beisa section which turned in a reasonable performance in the September quarter producing 367 kg (307 kg) of gold and 121,1 tons (105,8 tons) of uranium.

Unisel performed well increasing distributable earnings to 33,4c a share (26,5c) after a solid operating quarter, maintaining grade and increasing tonnage milled.

Kinross was hit by a 14,5 percent jump in working costs to R24,167m (R21,106m) and a higher tax bill which removed any benefits from higher gold production by the mine.

Bracken paid out its distributable earnings of 36c a share in full in its final dividend of 37c a share for the six months to end-September.

Pressure to increase on marginal SA gold mines

ARGUS 25/10/83 (214)

JOHANNESBURG — Marginal South African gold mines were likely to come under further pressure in the final quarter of the year as the bullion price remained around $400 an ounce, mining share analysts said here

Two mines made losses last quarter and one other just managed to stay in profit as costs rose and bullion prices received slipped.

A number of mines registered large increases in unit costs, deriving mostly from the annual round of wage rises paid to black and white mineworkers

The average London gold fix price fell to $416,8 during the third quarter from the previous $427,4 and has fallen further to $395 dollars in the present month

One of the hardest pressed producers appeared to be East Rand (Pty) Mines Ltd (ERPM) in the Rand Mines Group, the analysts said ERPM scraped into profit thanks to R5,59-million of State aid after losing R3,56 for every ton milled

CRITICAL REVIEW

The analysts said the mine's future depended on whether the go-ahead was given for a new far east vertical shaft system The latest quarterly report said a decision on the project still had to be taken

Earlier this year ERPM applied to the State for a R20-million back-up loan for the project, but this was turned down.

At the end of the second quarter, Rand Mines chairman Dammy Watt said ERPM's future development was under critical review in the light of a tougher new State aid scheme outlined in the budget

DIVIDENDS PASSED

Stablemate Durban Roodepoort Deep Ltd, another State-aided mine, was also under pressure at current gold prices, although it managed to increase profits during the last quarter to R4-million from R3,2-million

Mr Watt warned earlier in the year that dividends were likely to be passed at both mines for the second successive year unless the bullion price rose substantially

Another producer facing problems was West Rand Consolidated Mines Ltd, the analysts said Its working cost price jumped to $495 an ounce in the latest quarter from $431 dollars, resulting in a nett loss of R827 000 compared with a R2,08-million profit

STOCKPILES

The mine's grades were very low, averaging 1,7 grams a ton in the September quarter, and the analysts were uncertain whether efforts to improve the yields would pay off

In spite of an expected fall in productivity this quarter, due to higher temperatures and seasonally greater labour turnover, the analysts said production should be kept up as a number of mines could mill stockpiles built up earlier in the year

Overall income would depend largely on the extent to which the rand-dollar exchange rate keept pace with gold price movements, the analysts said

FLEXIBILITY

Although the bullion price exerted a strong influence on the rand, Government concern over the inflation rate could mean that in the event of a sharp drop in the gold price, the rand could be prevented from falling fast enough to maintain mines' income

The analysts noted the mines had a slightly greater degree of flexibility on their payments, now that they were paid in dollars and coduld keep payments offshore for seven days and hedge forward expected receipts

Tax-allowable capital expenditure was normally higher in the December quarter as contracts were finished off ahead of the Christmas holidays, the analysts said

This should reduce the State's take from the mines, although with about R1,83-billion paid over in the first three quarters, Finance Minister Owen Horwood's conservative budget estimate of R1,81-billion had already been met — Reuter

CAPE TIMES

[Tim]es, Wednesday, November 2, 1983

2/4

Sagging gold price hits marginal mines

Own Correspondent

JOHANNESBURG — Marginal gold mines are looking progressively sicker as the gold price tests new lows

Gold dropped to $376 in London yesterday, and the rand plunged to $0,82 at one stage before settling at a shade below $0,85

The rand/dollar exchange rate is critical to the gold mines, and especially the marginal producers, some of which are already making operating losses while others are on the borderline

Logically, the Reserve Bank has allowed the rand to be pushed down, and this has provided a cushion against the sagging gold price, as the mines are paid for gold sales in dollars, and may hold the dollar receipts for seven days before repatriating the proceeds

But the fluctuations in the rand exchange rate cannot absorb the full brunt of a fall in gold price such as has been seen over the past few weeks

The gold price has dropped by more than $40 an ounce, or 9,6 percent, since the beginning of September, while the rand exchange rate has dropped by 4,6 percent over the same period

This means that gold mines were receiving R469 an ounce at the beginning of September, when the gold price was $417 an ounce and the exchange rate $0,8883.

Exchange rate

Yesterday, with the gold price at $376 and the exchange rate at $0,8495, the rand equivalent of the gold price was R443 an ounce.

By comparison $382 an oz at the exchange rate of R1/$0,87 which ruled just a few days ago would equal only R439 an oz

Working on the September quarter results published recently by the mining houses a JSE analyst has calculated that the breakeven costs of several gold mines are above R449 an oz

The breakeven cost calculations include necessary capital expenditure, sundry revenue and State Aid where applicable.

- Durban Roodepoort Deep has a breakeven cost of R457 an oz, while Rand Mines' other marginal producer, ERPM, has a breakeven cost of R479 an oz
- Gencor marginal producer West Rand Consolidated has a breakeven cost of R500 an oz, while Anglovaal marginal Loraine's breakeven cost is calculated at R504 an oz
- A number of other mines are coming dangerously close to loss situations

These include Anglo American's Elandsrand, with a breakeven cost of R423 an oz and GFSA's Deelkraal at R439 an ounce and Venterspost at R432 an ounce

State Aid

"Overall things are beginning to look grim for dividends from the gold mines generally," the analyst said

Mines which cannot cut costs or capital expenditure are going to have to borrow funds or find other sources of capital to keep going.

In the past the ultimate prop has been State Aid which ERPM and Durban Deep are still drawing

That prop may be about to yield The system is under review with changes presently being negotiated between the Minister of Finance, Mr Owen Horwood, and the Chamber of Mines

No additional mines will be put on State Aid until the new scheme is finalized and the government's aim is to take a harder line on the mines and reduce the amount of State Aid paid out

The proposed changes to the scheme have already hit ERPM causing revisions and delays to the mine's proposed expansion programme

The present gold price should lend considerable weight to the Chamber of Mines arguments in the negotiations

Gencor near decision on gold venture in Brazil

Mercury Correspondent
JOHANNESBURG— General Mining Union Corporation is within months of a final decision on a highly lucrative gold-mining prospect in Brazil.

An article in stockbroker Davis Borkum Hare's latest mining research periodical *Crosscut*, lifts the veil on Sao Bento Mineracao SA, a Brazilian company that owns the mineral rights to properties near Belo Horizonte

Information gleaned by Davis Borkum's mining research department points to proven ore reserves of more than 5m tons, 'and that it is confidently expected this can be extended to 11m tons'

The brokers estimate that Gencor has already invested about R40m in Sao Bento, and had recently decided to invest more in exploratory work and in finalising a detailed feasibility study

Mr Hugh Smith, Gencor's executive director responsible for international operations, yesterday confirmed the proven ore reserve figure, but said immediate indications were that these could be extended to about 6m tons

There are believed to be four mineable reefs, at shallow depth, and mining conditions are said to be easy, according to Davis Borkum

The in-situ grade is believed to be about 11 grams a ton, which at South African dilution factors could produce an average recovered grade of about 7,5g/t.

Davis Borkum has calculated that, on an average economic mining life, production would be at a rate of about 50 000 tons a month, with gold production about 4 500 kg a year, and producing revenue of $57,9m a year at $400 an ounce and $65,1m at a gold ~~price~~ of ~~$450~~ an ounce 214 (330)

A ~~positive~~ factor ~~for~~ the Sao Bento prospect is that the Brazilian central bank buys internal gold production on a formula which ensures that the price paid in Brazil is higher than the ruling free market price

This would have the effect of increasing revenue Mr Smith agreed that the variable paid by the Brazilian government provided a substantial premium to the free market price

On the downside, Davis Borkum's report refers to the parlous state of the Brazilian economy, with billions of dollars owing to international lenders and with little hope of being able to repay the debts in the foreseeable future (14) Mercury

'The ~~real~~ problem facing Gencor is whether or not to invest money in a country from which, while it may earn very good returns, it may never be able to remit its dividends' 23/11/83

Mr Smith said Gencor was not concerned about the problem of externalising dividends While straightforward investments in the country might present difficulties in repatriating income, if money is invested as loan capital dividends were more secure

He said the rationale behind the move into Brazil was that after the completion Beatrix Gencor had no new prospects in South Africa, and it made sense for the group to look elsewhere

Worldwide figure for 1983 just short of target

214 RDM 6/1/84

Krugerrand sales make huge surge

By BRENDAN RYAN

WORLDWIDE Krugerrand sales totalled 3 493 000 oz in 1983.

This was 36% up on the 1982 level, but just short of the 3,5-million-ounce target set by the International Gold Corporation.

A statement yesterday from Intergold, the marketing arm of the Chamber of Mines, said the high 1983 sales were due to substantial retail purchases in the US, Europe and the Far East in the last six months

In 1982, sales of Krugerrands worldwide were 2 565 000 ounces

Between July and December last year, sales were 100% higher than those of the comparable period of 1982.

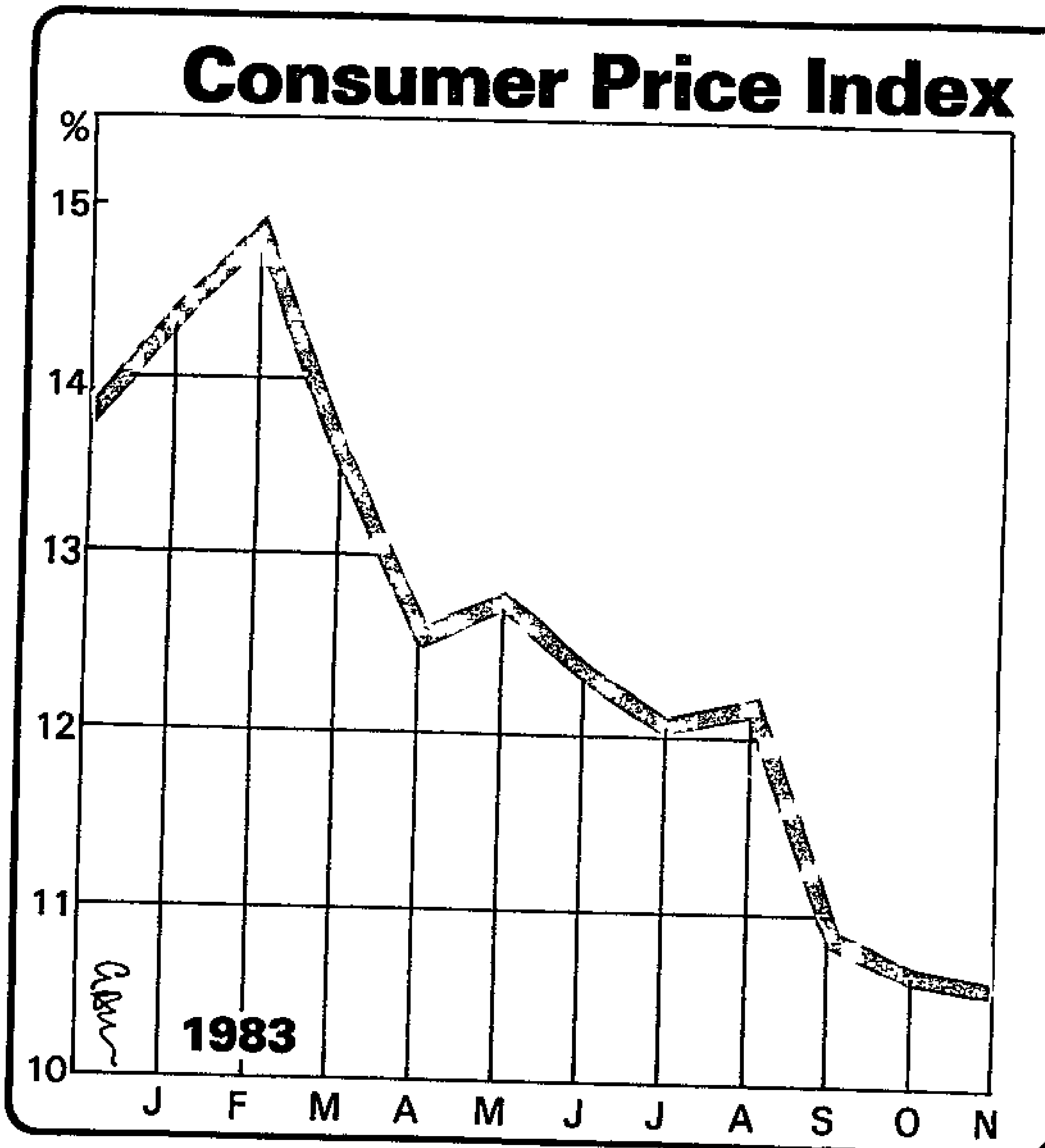
Sales for the last six months of 1982 were hampered by the behaviour of the gold price, which remained in a very narrow trading range

Little movement in the gold price stifles investor and speculative interest in Krugerrands.

By comparison, the movement in the gold price since September last year and its slide to levels below $400 have resulted in heavy buying of the coins.

Investors tend to buy Krugerrands when the gold price drops, seeing the coins as bargains on expectations the gold price will subsequently recover.

Conversely, Krugerrand sales have dropped when the gold price has risen sharply The market then has to absorb coins sold by earlier buyers taking profits before moving into any new production of Krugerrands



The Minister of Finance, Mr Owen Horwood, is hoping inflation in South Africa will drop below 8% this year. In the 12 months to the end of last November the rate was 10,6%, well down on the levels earlier in the year. There is a strong possibility the rate will dip close to 9% by the end of the first quarter of this year The real test for Mr Horwood's hopes will come after that — and after his Budget.

The first five months of 1983 saw Krugerrand sales follow an almost identical pattern to the one in the same period in 1982 because movements in the gold price were similar

Cumulative sales to the end of May last year were 1,639-million oz, compared with 1,637-million oz in the first five months of 1982

Sales soared in June 1983 to 407 579 oz, widening the gap between the cumulative totals to 2,046-million oz for the first half of 1983, compared with 1,843-million oz for the first six months of 1982.

"The large quantity of Krugerrands sold in 1983 should be seen in the context of the annual average gold price of $423,68, which was 13% above the 1982 annual average of $375,64," yesterday's Intergold statement said

In December 1983, worldwide Krugerrand sales totalled 216 203 oz, which compared with sales of 179 706 oz in December 1982

Sales for the rest of 1983 were as follows

January	473 586 oz
February	256 359 oz
March	602 234 oz
April	132 915 oz
May	173 849 oz
June	407 589 oz
July	117 758 oz
August	107 952 oz
September	274 516 oz
October	378 693 oz
November	351 719 oz

Total sales of new Krugerrands since their launch in 1970 amount to 40,2-million oz, or 1 251 metric tons

Intergold has not disclosed total Krugerrand sales revenue for 1983. But it said in December the total was R1,53bn for the first 11 months — higher than in any previous year

The number of coins sold is, however, still well short of the record 6,012-million marketed in 1978.

THE REX COLUMN

An independent look at the big picture and the longer-term view

214

S Times

Gold — the South African disease

8/1/84

ECONOMIC health is not a random event, something one can acquire by chance Judicious economic management is needed to ensure a healthy structure that allows sustainable high economic growth

Mismanagement can lead to several economic diseases, some more virulent and difficult to recover from than others The South African economy does not have a clean bill of health Its main weaknesses have remained mostly hidden, and are therefore doubly dangerous

The first modern industrial malady was named by the Dutch who, looking across the North Sea, perceived an "English disease" in the 1950s and 1960s

Having won the war, the British turned to a socialist Attlee government to give them the rewrads of peace After the deprivations of the Second World War, British workers wanted a return for their sacrifices Wages moved inexorably upward as workers were allowed a greater share of the national income But Britain's international competitiveness was undermined Britain became synonymous with widespread strikes

A second industrial disease was diagnosed in the 1970s — this time by the English They termed it, perhaps not surprisingly, the "Dutch disease" This disease can take hold when a country receives a huge bonanza, usually based on minerals or metals, and is unable to manage it wisely Such mismanagement has several features

The first mistake with a natural resource is to assume that it is infinite When a business employs a capital asset like machinery, whose contribution to production will one day end, provision is made through regular depreciation to pay for new machines

In the early 1960s the Dutch discovered natural gas in such large quantities that this first rule of business — to provide for replacement — was ignored When the gas reserves are exhausted in the next century, little will have been set aside by the Dutch to finance expensive alternative forms of energy In other words, a headache in the making

Instead of using the revenue from this once-off natural blessing to strengthen the economic infrastructure through investment in new productive capacity, *all* this revenue has been used to finance an unprecedented welfare system Because the gas reserves are finite, a large part of the Dutch welfare system is based on diminishing assets

A large part of the Dutch population has long lived under the illusion that its prosperity and accompanying welfare system are based on solid foundations provided by strong industries

Many oil-producing nations — not all of them — have contracted this disease in the past decade Instant wealth requires great self-discipline

Another feature of the Dutch disease is a loss of international competitiveness in the manufacturing and service sectors that will have to sustain the economy once the finite asset has been exhausted

The large-scale export of gas turned the Dutch guilder into a petro-currency It appreciated in the 1970s by about 40% on average against the currencies of the Netherlands' main trading competitors This was in addition to run-away wage increases in the late 1960s and the 1970s when the Dutch in turn suffered a heavy bout of the "English disease"

As a result gas, which employs few people, increasingly replaced labour-intensive exports With trade making up 60% of the Dutch national income, jobs were destroyed and unemployment increased

To "manage" the Dutch currency downward would not help much as the resultant imported inflation would lead to wage increases because of wage indexing

In addition to these modern industrial illnesses, the developing Third World has some varieties of its own A potentially fatal disease is the reliance on a limited number of export commodities Such ultra-specialisation, especially in primary commodities of agricultural or mining origin, can bring prosperity for long periods, only to deflate the economy when foreign demand dries up

The usually wrong response to such exposed trade specialisation is to reduce reliance on imports through inward-looking import substitution Through the imposition of quotas or high tariffs, imports are reduced to a minimum, allowing less-efficient domestic producers to supply the market

Such inefficiency can be caused by inadequate economic policies in the financial sphere — a profile can be constructed of the "ideal" management that should be applied to any economy for it to grow satisfactorily in the long term

Labour and the government should allow the private sector a sufficient share of the national income as an incentive for the highest possible rate of investment in productive capacity Labour should not use strike action excessively, and a government should not demand excessive tax and social security contributions They undermine a willingness to invest — even though the *ability* to invest is determined by other factors, such as rate of capital formation and growth of demand

A natural resource bonanza should not be consumed in a national orgy It should be used to strengthen the economic structure through new investment

In the case of dangerous exposure to one or two key export commodities, investment should attempt export diversification in a manner that promotes production efficiency — through outward-looking policies focusing on world market penetration

The South African economy has several strengths and weakenesses Its private enterprise remains well remunerated and retains a high incentive to invest productively Although labour has not used strike action excessively, structural bottlenecks in the labour market have ensured a rapid increase in wages, surpassing productivity improvements, and necessitating a steady depreciation of the rand

Only a small part of the gold bonanza of past years has been used to finance government consumption Increased tax revenue has been used mostly to reduce public-sector borrowing instead of raising the general level of government expenditure — a unique self-discipline

But against these pluses

The South African disease

3/1/84

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The usually wrong response to such exposed trade specialisation is to reduce reliance on imports through inward-looking import substitution Through the imposition of quotas or high tariffs, imports are reduced to a minimum, allowing less-efficient domestic producers to supply the market

Such inefficiency can be caused by inadequate economies of scale — because of a small market — and by insufficiently skilled and costly labour, high profit margins and poor production methods, such as one work shift instead of three in a day

A host of developing countries, especially in Africa but also in Latin America, depend on a single crop, metal or mineral for their export earnings

Many developing countries are growing slowly because of hopelessly inefficient economies

By taking the reverse positions of these four economic diseases — and there are more of them, particularly in the financial sphere — a profile can be constructed of the "ideal" management that should be applied to any economy for it to grow satisfactorily in the long term

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Only a small part of the gold bonanza of past years has been used to finance government consumption Increased tax revenue has been used mostly to reduce public-sector borrowing instead of raising the general level of government expenditure — a unique self-discipline

But against these pluses there are minuses Labour relations may not remain as harmonious as in the past as the South African labour force becomes unionised

The political isolation of recent years and the threat of embargoes have led to a high degree of inward-looking import substitution and an unnecessarily inefficient manufacturing sector

But most important of all, SA remains heavily dependent on one speculative commodity, gold The economic development agenda should be monopolised by a new industrial offensive, orientated on labour and exports

MACHEL SUPPORT FOR ANC

214

As he readies for talks with SA

SOWETAN Correspondent

MAPUTO — The first official statement from here on the Mozambique/South Africa talks reaffirms that Maputo will continue to give political, diplomatic and moral support to the ANC.

And Mozambique will not "recognise" apartheid or the "Bantustan policy"

This is made clear in a statement from the official Mozambican news agency, Aim, just released in which President Samora Machel's policy declaration made in Guinea-Bissau last month is repeated as a background to the decision to talk to South Africa

Aim said yesterday that Monday's talks "will continue the implementation of our government's policy of peace and co-operation"

The agency quoted a government source as saying that the talks "could represent an important step towards reducing tension in southern Africa".

The source said "The talks follow the same line of principles and have the same objectives as announced by President Machel in Bissau and reaffirmed in his new year message to the diplomatic corps in Maputo"

On that occasion the President said that talks being held that day (December 20) between Mozambique and South Africa were based on concrete conditions put by Mozambique

President Machel said that Mozambique would not recognise apartheid or the bantustan policy nor stop giving political, diplomatic and moral support to the ANC

He also stressed the need for South Africa to "stop destabilising Mozambique through armed bandit gangs"

He said no country should attack another

The Mozambican Government has not yet officially revealed the names of members of the delegations to the four proposed "working groups"

PART of the 18-man delegation of trade … spending 17 days in the Netherlands lea… Ngoake Kganaka, Mr Reuben Denge, Mr L… Jacob Noe, Mr Josiah Mokgotlho, Mr Ja… Moumakwe They com…

Township

TWELVE town councils under the Black Authorities Act will be inaugurated in a se… ceremonies to be held on the Witwatersrand … toria, starting tomorrow.

The Deputy Minister of Co-operation and D… opment, Dr G de V Morrison, and senior … ment officials will officiate at the functions. … chairman of the town councils will be present… mayoral chains

The councils to be inaugurated are Vosloorus and Daveyton (tomorrow), Katle… Thokoza, Diepm… and Dobsonville Wednesday), Thema, Tembi… Wattville (Th… next week), … Witbank and …ille/Attendgeville (Tuesday next w…

A spokesman … Department of Co… ation and Devel… said yesterday … guration cerem… Soweto and Ale… town councils w… held at a date … announced

2 burnt to death

TWO people we… to death in the … Transvaal on … for alleged witch… the third stake … incident within … the SABC repo… terday.

Mr Owen Dinsdale, managing director of Barlows Manufacturing Co, has been appointed to the board of Barlow Rand Industries Earthmoving, Motor and Appliances division

JCI lifts profits — interim div up 38%

Cape Times 17/1/84

By BRENDAN RYAN

JOHANNESBURG. — Johannesburg Consolidated Investment's (JCI) attributable profit is up 15,2 percent to R56,1m (previously R48,7m) for the six months to end-December.

However, the group's directors say it is unlikely a similar increase in attributable profits will be achieved in the second six months of the financial year to end-June

JCI has increased its interim dividend by 38 percent to 180c a share from the previous interim of 130c a share

Key factors in the group's improved performance for the first six months of its 1984 financial year were the dividends from Randfontein Estates gold mine and Rustenburg Platinum Holdings

JCI's profit before preference dividends rose to R60,3m from R53,0m of which the major contribution came from investment income

Investment income

For the six months to end-December investment income was R46,7m compared with R35,3m previously

In the year, JCI received 532 842 new shares in Randfontein for the mineral rights it sold to the mine to set up a mining operation in the new Doornkop section

Randfontein paid dividends totalling R12 last year bringing in an additional R6,466m to JCI

The increased final dividend from Rustenburg last year was brought to account in the first half of JCI's 1984 financial year and contributed another R4,1m in additional income

These two sources together totalled R10,566m in extra income and the remainder of the R11,4m improvement in dividend income came from better payouts from Western Areas and also a dividend from antimony producer Consolidated Murchison which contributed nothing to JCI's previous interim results

Subsidiaries

JCI's attributable earnings from operating subsidiaries rose slightly to R7 6m from R6,3m previously

According to the general manager of JCI's finance division, Mr Vaughn Bray, the improvement came from the group's Lennings industrial arm which has remained profitable

Lennings lost money in the previous interim period but the group was restructured, recapitalized and returned to profitability in the second half of the year to end-June 1983

Mr Bray said income from Tavistock colliery was down this year compared to last year, reflecting the overall depressed conditions in the international coal markets

JCI's other net revenue dropped sharply to R6,0m (previously R11,4m) This was a major source of income to the group in the previous financial year when it was particularly succesful in its money market operations

Mr Bray said the drop was the result of a lower level of interest received, certain exceptional costs associated with investments including the group's acquisition of its stake in Premier, and a R2m provision for tax

Mr Bray said JCI had worked off the tax loss on its own operations and would soon have to pay tax on its income from interest and management fees

The R8m (R6,1m) tax paid by JCI in the six months relates to the operations of the group's subsidiaries

He said the increase in the interim dividend was intended to reduce the difference between the levels of the interim and final dividends

JCI's investment in SA Breweries is now held through its stake in the Premier group which pays out more at the interim stage compared with the final dividend than SA Breweries used to

"I believe that JCI's earnings for the year to end-June will show a modest improvement on those of the previous year but not as much as the 15,2 percent of the first half

Final dividend

"I cannot say at this stage whether the final dividend will be maintained, but we are looking for second half results to be better than those of the second-half of the 1983 financial year," he said

JCI's net asset value at December 31 was R253 a share compared with R213 at June 30 and R180 on December 31, 1982

Comment: A repeat of last year's second half for JCI would yield earnings of 739c to make a total of 1 505c for the year to end-June, seven percent up on the previous year's 1 405c.

Given this outlook and the expectation that JCI could do better, the maintained final looks a safe bet with a chance of some improvement to the final depending on the gold price and the platinum market.

Anglovaal mines hit by lower gold revenue

Cape Times 18/1/84

By ADAM PAYNE (2/4)

JOHANNESBURG. — Anglovaal's Loraine gold mine in the Free State showed a working loss of R1,050m in the December quarter compared with a working profit of R4,526m in the September quarter.

The mine's final results were partly saved by a provision for State aid that resulted in a net profit, which was considerably lower than in the September quarter

This was a depressing result in Anglovaal's December quarterly reports, which were not inspiring because of lower gold revenue — except at ET Cons — and lower yields

Unit costs were higher at ET Cons and Loraine but lower at Harties

ET Cons reported marginally lower grade and considerably higher unit costs, resulting in a slightly lower net profit than in September and no earnings after capital spending In September earnings were 24c a share

Hartebeestfontein

Costs were well contained and, combined with a higher tonnage milled, brought about a decrease in unit working costs at R71,86 (R72,45) a ton

However, this was insufficient to offset the lower gold price and led to a drop in working profit to R56,617m (R61,157m)

Profit from uranium oxide sales was marginally higher but non-mining income was down while net royalty payments rose to R2,684m (R1,302m) because more ore was drawn from the Vaal Reefs lease area

Pre-tax profit dropped to R60,394m (R67,402m) Lower capital spending resulted in tax being little changed — in spite of the lower profit — leaving the final taxed profit after capital spending lower at R19,752m (R20,424m) or 176c a share (182c)

Development values for gold were 1 307 cm g/t (1 502 cm g/t)

Loraine Mill throughput was lower and the grade decreased to 5 g/t (5,7 g/t) because of temporary underground difficulties which reduced the tonnage mined

To fill the mill, the mine drew ore from the surface stockpile on a provisional basis

Unit costs were higher at R76,91 (R75,73) a ton This increase, combined with lower revenue, led to the working loss of R1,050m

The mine claimed State aid of R2,641m on the basis that there has been no amendment to the Gold Mines Assistance Act

Because capital spending ranking for aid has not yet been determined by the Government Mining Engineer, no allowance was made for any of this expenditure in the sum claimed

Profit (no tax) declined to R1,773m (R3,665m)

Development results improved The average on all reefs was 675 cm g/t (528 cm g/t)

ET Cons Although grade and gold production were lower, unit revenue rose following receipts relating to September quarter deliveries

This was insufficient to offset a big rise in unit working costs, caused mainly by a build-up in the labour strength at Sheba mine

The working profit dropped only marginally to R5,719m (R5,989m), amd final results were aided by a tax credit of R5 000 (R77 000 charge) largely brought about by the lower working profit and increased capital spending

In spite of the fact that there was no provision for tax, net profit fell slightly and there was a loss after capital spending of R237 000 compared with a profit of R1,020m in the previous quarter

Village Main Reef

Sands treated increased to 185 000 tons with an average yield of 0,60 g/t (0,62 g/t) Because of the higher tonnage, costs decreased by 7c a ton to R7,83 but the lower gold price caused unit revenue to fall to R8,88 (R9,30) a ton and working profit to decline to R193 000 (R240 000)

After adding sundry income of R80 000 (R51 000) and deducting tax of R82 000 (R104 000), after-tax profit was raised to R191 000 (R187 000)

GF Props lifts profits

JOHANNESBURG — Gold Fields Property's profit on township and property sales soared to R1,558m in the six months to end-December from R93 000 in the previous comparable six months

Taxed profit for the six months was R2,947m (previously R1,747m) equivalent to earnings of 28,8c a share (17,1c a share)

GF Props declares an annual dividend which will be considered in August this year

The company paid a dividend of 20c a share from earnings of 41,1c a share in the year ended June 1983

Randfontein hoists profits to R86,280m

Cape Times 18/1/84 (2/4)

Own Correspondent

JOHANNESBURG — Gold hedging and forward currency deals made important contributions to the results of JCI's Randfontein Estates and Western Areas gold mines in the December quarter

The group's mines are benefitting from the changes made by the Reserve Bank in September last year when it started paying the gold mines in dollars and also allowed them to take forward cover on their dollar receipts

Mining houses

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have opted for no change in their operations, and are not dealing in the currency markets other than to repatriate their dollar earnings to South Africa immediately

What this can do to revenue is shown clearly in the December quarter results While the average gold price received by GFSA's mines dropped to R14 705/kg in December from R14 984/kg in September, Randfontein's price rose to R15 001/kg in December from R14 866/kg in September

The average London ...

lead set by Rand Mines in disclosing fuller details of forward gold sales contracts

It also indicates that JCI's view of future gold prices is more bullish than that held by Rand Mines whose marginal producers started hedging seriously this year

Randfontein Estates had yet another superb quarter ending December and broke a number of quarterly records

These included tonnage milled at 1,543m tons (previous quarter and record 1 530m), gold production at 7 714 kg (previous quarter and record 7 650 kg) and

GF Props lifts profits

JOHANNESBURG — Gold Fields Property's profit on township and property sales soared to R1,558m in the six months to end-December from R93 000 in the previous comparable six months

Taxed profit for the six months was R2,947m (previously R1,747m) equivalent to earnings of 28,8c a share (17,1c a share)

GF Props declares an annual dividend which will be considered in August this year

The company paid a dividend of 20c a share from earnings of 41,1c a share in the year ended June 1983

GF Props income from rents for the six months rose to R1,707m (R1,174m) while investment income rose to R574 000 (R444 000)

On pre-tax profits of R3.827m (R3,021m) the provision for tax dropped to R880 000 (R1,274m)

Randfontein hoists profits to R86,280m

CAPE TIMES 18/1/84

Own Correspondent

JOHANNESBURG — Gold hedging and forward currency deals made important contributions to the results of JCI's Randfontein Estates and Western Areas gold mines in the December quarter

The group's mines are benefitting from the changes made by the Reserve Bank in September last year when it started paying the gold mines in dollars and also allowed them to take forward cover on their dollar receipts

Mining houses

JCI's policy is to take views on the rand/dollar exchange rate and take advantage of the currency freedom granted by the Reserve Bank depending on how the house reads the circumstances

Other mining houses, such as Gold Fields of South Africa (GFSA), have opted for no change in their operations, and are not dealing in the currency markets other than to repatriate their dollar earnings to South Africa immediately

What this can do to revenue is shown clearly in the December quarter results While the average gold price received by GFSA's mines dropped to R14 705/kg in December from R14 984/kg in September, Randfontein's price rose to R15 001/kg in December from R14 866/kg in September

The average London gold price converted at average ruling exchange rates dropped to R14 647/kg in December from R14 848/kg in September

Randfontein's increase is due to currency hedging transactions by JCI on behalf of the mine as Randfontein does not sell gold forward

Western Area's gold price received rose to R16 721/kg in December from R15 050/kg in September as the mine's policy of selling forward the bulk of its production finally paid off

The price received could reflect the benefits of both a higher dollar price contracted in advance and also successful forward dealing on the rand/dollar exchange rates

JCI publishes minimal information on forward gold sales by Western Areas The house does not plan to follow the lead set by Rand Mines in disclosing fuller details of forward gold sales contracts

It also indicates that JCI's view of future gold prices is more bullish than that held by Rand Mines whose marginal producers started hedging seriously this year

Randfontein Estates had yet another superb quarter ending December and broke a number of quarterly records

These included tonnage milled at 1,543m tons (previous quarter and record 1 530m), gold production at 7 714 kg (previous quarter and record 7 650 kg) and taxed profit at R86,280m (previous quarter R41,413m, previous record R67,906 in December 1982)

The mine's impressive cost control performance continued with unit costs being reduced for the third successive quarter to R27,8 (previous quarter R28,27)

Randfontein's total costs dropped to R42,895m (R43,257m) Costs have been reduced in spite of reductions in tonnage milled off surface dumps, which is cheaper to treat, as production builds up from underground

The Millsite plant which can treat about 200 000 tons of sand and slime material a month will only be able to handle about 120 000 tons of underground ore a month

The mine packed in huge amounts of capex in the December quarter, the last of its financial year, and capex soared to R82.313m (R10,868m)

The annual figures show the mine has retained nothing of its R223,241m taxed profit after paying capex of R137,998m, dividends of R73,363m and a loan repayment of R12m

Western Areas will start to equip the No 3 sub-vertical shaft this year

Uranium sales volumes are expected to be about 30 percent higher in 1984 than 1983 but lower uranium prices mean the mine's uranium revenue will not benefit to the same extent

Gencor gold mines show fall in profits

Cape Times 19/1/84

214 ~~232~~

By BRENDAN RYAN

JOHANNESBURG. — West Rand Consolidated Mines' working loss worsened in the December quarter in spite of forward gold sales which increased its gold price received.

The gold price received by the other mines in the Gencor stable dropped in the December quarter except for Marievale which also hedged successfully

W R Cons increased its gold price received to R15 102/kg (previous quarter R15 001/kg) but the mine's working loss rose to R2,733m (R2,487m)

The mine's tonnage milled dropped to 554 500 tons (566 800 tons) while grade remained unchanged at 1,7 g/t

The Krugersdorp marginal producer has battled with the gradual slide in the gold price over the last six months

W R Cons' taxed loss for the December quarter improved to R375 000 (R827 000 loss) mainly because the mine paid tax of only R6 000 (R657 000)

The dividends paid by the mine have been extremely generous with W R Cons dipping into its reserves for R609 000 to pay dividends totalling R3,4m as well as fund capex of R1,446m

Grootvlei appears to have overcome the problems with its new treatment plant which knocked production in the September quarter to 429 000 tons milled from 481 000 tons in the June quarter

December milled production is up to 505 000 and the resulting jump in gold production to 1 919 kg (1 631 kg) offset the drop in the gold price received and pushed working revenue up to R28,092m (R24,515m)

Distributable earnings rose to 34,8c a share (23,2c) while the annual figures indicate yet another generous dividend payout

Grootvlei took R151 000 from reserves to pay dividends totalling R14,413m after funding capex of R7,686m from taxed profits of R21 948m

Leslie put in one of the best cost performances of Gencor's mines reducing unit costs to R41,2 a ton (R42,8 a ton) and total working costs to R11,957m (R12,628m)

The mine also pushed its grade up to 3 4 g/t (3 2 g/t) but is not yet back to 3,5 g/t of the June quarter

Buffelsfontein's results include details of operations from the Beatrix section for the first time as the Beatrix metallurgical plant has been commissioned and the first gold was poured from development ore on December 21

Buffels' tax profit for the September quarter has been restated to R45,085m from the previously announced R27,567m but the capex figure has also been revised to leave the distributable earnings for the September quarter unchanged at R15 937m

Stilfontein's grade dropped to 6,4 g/t (6,9 g/t) as the mine's operations are moving into more restricted stoping areas and there is not a lot it can do to improve grade

The mine pushed up tonnage milled to 473 000 (445 000) and the R4,8m dividend from Chemwes helped it increase distributable earnings for the quarter to 81,8c a share (51,5c)

St Helena's grade also dropped to 5,8 g/t (6,0 g/t) The mine's stoping operations are moving steadily south into lower grade areas after the depletion of the remaining high-grade reserves in the north of the mine's lease

Marievale pushed its gold price received up to R14 812/kg from the September quarter's R14 788/kg through gold hedging operations

Unisel also showed lower grade in the quarter which on maintained tonnage milled meant gold production dropped to 2 310kg (2 376kg)

Kinross has been ceded the right to prospect in the immediate vicinity of the mine from Gencor which to date has spent R2,198m on prospecting which has been partly financed by a long-term loan

Winkelhaak was affected by higher costs and lower gold revenue and distributable earnings dipped to 85,6c a share (106,7c a share)

Bracken also showed a dip in grade to 3,5 g/t (3,6 g/t) and development work on the Kimberley reef exposed lower average values of 11,8 g/t compared with 19,4 g/t in the September quarter

SA will lose its control of gold production, says research group

214 Star 21/1/84

By Christine Moir

LONDON — Control of world gold production will move away from South Africa within a decade as a result of successful exploration elsewhere in the free world.

That is the prediction made by a London stockbroking research house this week

By 1990 gold production in South Africa would drop slightly from 664 tons in 1982 to 575 tons At the same time free-world production outside South Africa could doubl to nearly 700 tons, according to figures in the 1984 Gold Book published by stockbrokers Phillips and Drew

WORLDWIDE SEARCH

South Africans blinded themselves to the massive increase in gold production in Canada, the US and Australia, the brokers said. They erroneously believed that the Witwatersrand was unique, and that a decline in production there cannot be made up elsewhere

Phillips and Drew said the gold price surge in 1979/80 (the second in 10 years) led the mining industry to intensify its search for gold worldwide

The brokers expect that by the end of the decade the three new Hemlo mines in Ontario, Canada, to be producing 20 tons of gold a year That compares with a total Canadian output of 50 tons in 1980

By 1990, the brokers said, total Canadian production could hit 120 tons. In the US the figure could go up from 44 tons in 1982 to 130 tons by the end of the decade

Great surges were expected in Brazil, Australia, the Philippines and Latin America. That was without taking into account what China and Russia might produce.

The stockbrokers' point in making these predictions is to warn investors in South African gold-mining shares that the future may not always be like the past, when certain companies controlled the world gold price

Already, the brokers said, the South African gold-share market was grossly overvalued When the shakeout occurred it could "match that of 1976 in the severity of its effect"

Stockbroker analyst Mr Michael Coulson, who wrote the report, believes South African gold shares should be recognised as wasting assets in a politically difficult area

As such they should yield "no less than 12 percent"

INDUSTRIAL DEMAND

On current share prices that would suggest a gold price of well above $500 Even at an eight percent yield the current share prices need a gold price of $450 to support them, he writes

Phillips and Drew is not especially bearish about gold in the short term. Pure industrial demand could absorb 1984 supply at $290 without any speculative offtake So, since average South African costs are $220, profit margins "would not be disastrous".

Cape Times 23/1/84 (214

Profits drop at Anglo's OFS mines

Own Correspondent

JOHANNESBURG — Anglo American Corporation's Free State gold mines' profits fell in the December quarter largely because of lower tonnages milled

There were four fewer working days in the quarter than in September, or a reduction of five percent in working time

The lower tonnages resulted in higher unit costs at all mines except Western Holdings, where they decreased after a big jump in costs in the September quarter

Although the results were down they were in line with planning

The profit figures in the previous quarter — the final one of the financial year — were helped by lower tax deductions because of higher capital spending

Although taxed profits declined strongly in the December quarter, earnings a share after capex were satisfactory because of lower capital spending

While Western Holdings' taxed profit was down to less than half the figure in September, its earnings a share after much lower capex were trebled at 112c

There was a eight percent drop in the average price received by the mines to $386 an oz, while the rand price decreased by only one percent at R14 720 a kg

Total tonnage milled by the mines dropped by four percent and the average grade declined to 5,54 g/t (5,64 g/t) This resulted in a drop in gold production to 28 193 a kg (29 854 a kg)

The Free State mines are lagging behind forecast capital spending because of a cautious approach to spending in view of the lower gold price

Western Holdings Grade was marginally lower at 4,25 g/t (4,33 g/t) and unit costs were well held in spite of a lower tonnage

Costs fluctuate from quarter to quarter and the September quarter's figures were upwardly distorted Costs had been low in the previous two quarters and then jumped in September

The December figure of R43,92 a ton milled is below the industry and Free Sate averages

Total costs were down three percent but gold revenue was down seven percent

Pre-tax profit was lower at R47m (R54m) but an increase of more than R25m in the provision for tax at R17m (credit of R8,779m) dropped the after-tax profit to less than half the figure in September at R29,775m (R63,016m)

The tax credit was allowed in the previous quarter because of exceptionally high capital spending

An intersection of the Basal Reef in shaft sinking in the Erfdeel division gave a value of 670 cm g/t over a sampled width of 30 cm or 22 g/t over that narrow width

This value was in line with those projected from borehole intersections used in the evaluation of the area

President Brand Profits were down in spite of the rand gold price being only slightly lower This was because of lower grade and higher costs Tonnage dropped only one percent but unit costs rose five percent over the previous quarter

As a quarter-to-quarter comparison this is disappointing but the performance is in line with planning

Net profit after a marginal rise in tax was down 33 percent at R29,368m (R43,809m) but earnings a share were virtually unchanged because of greatly reduced capex at R16,460m compared with R30,391m in the previous quarter

President Steyn did not have a good quarter There were hoisting problems and tonnage milled was down eight percent Grade was marginally lower and these two factors resulted in a nine percent drop in production

Anglo is not concerned with the result and is confident that the performance in the current quarter will be better

Unit costs were much higher at R57,56 (R51,69) because of the lower tonnage

Pre-tax profit dropped to R46,693m from R60,656m but tax and capex were also lower so that earnings a share after capex were not seriously down at 115c (123c)

Free State Geduld The most important event at the mine was a fire which will cause a production loss of 50 000 tons in the current quarter

The fire broke out on January 2 in a stope at No 2 Shaft and attempts to extinguish it were unsuccessful and the area on 53 level was sealed off

In the December quarter the mine's performance was satisfactory, although production was lower because of a decline in milling Grade was maintained and unit costs were higher

Revenue in rands a kg was fractionally lower and after-tax profit was down but profit after capex rose to provide higher earnings a share

This result was due to lower tax and lower capex

Joint Metallurgical Scheme Profit fell from R15m to R12,510m because of lower gold production and a lower price

Because of technical problems the acid plant was out of action for five days, resulting in the drop in gold production It is expected that the plant will be back to normal in the current quarter

A lower quantity of slimes was delivered from President Steyn mine and a greater quantity from President Brand under a rearrangement of the feed schedule

GFSA profit dips — div maintained

CAPE TIMES 8/2/84

214

By BRENDAN RYAN

JOHANNESBURG. — Gold Fields of South Africa's attributable profit dipped slightly to R65,7m in the six months ended December from R66,3m in the previous comparable six months.

This is equivalent to earnings a share of 80c (previously 81c) and an unchanged interim dividend of 36c a share has been declared

GFSA carried out a five-for-one share split last October so the comparable figures for earnings and dividends a share have been restated

GFSA gets more than 80 percent of its income from its gold investments Income from investments for the six months rose to R66,1m (previous comparable six months R61,6m)

However, the group made no surplus on realization of investments (R7,4m) because of the unfavourable trading opportunities on the Johannesburg Stock Exchange in the second half of last year

Revenue

Income from fees, interest and other sources rose to R32,3m (R29,5m) so that total revenue was virtually unchanged at R98,4m (R98,5m)

Expenditure, however, rose 26 percent to R29,7m (R23,6m) which left pre-tax profit eight percent down at R68,7m (R74,9m)

The jump in expenditure came from administration, technical and general costs which rose R3m to R17,9m and drilling and prospecting costs which were R3,3m up at R10,4m

GFSA's provision for tax fell sharply to R2,6m from the comparable amount of R8,1m which reflected the share dealing profits as well as higher interest income

GFSA's prospects for the rest of the year will depend on the rand gold price received by its mines which are budgeting on a price of R15 000/kg

To date the average price received has been slightly below R15 000/kg rather than above it

Gold price

GFSA executive director, Mr P W J van Rensburg, yesterday was non-committal on the house's view of the gold price over the next six months

"Our view is pretty neutral There are reasons for the gold price to go either up or down," he said

Comment. The question which must be uppermost in most GFSA shareholders minds must be whether the final dividend will be increased

Analysts' forecasts for the year as a whole vary from a maintained performance to about a 10 percent improvement in earnings and dividends The interim results were seen by some as slightly disappointing

Drought

The chairman, Mr Robin Plumbridge, in his annual review said should GFSA's earnings be equal to or exceed those obtained in the 1983 financial year, there should be scope for a modest increase in the total dividend

GFSA's 1983 earnings were a record but the house maintained its payout for the third year in a row Reasons given were concern over the gold price and also over the possible effects of the drought on electricity supplies to the mines

Mr Plumbridge said GFSA's mines would be more adversely affected than most by power cuts because of the amount of water they must pump from their workings

With the Eastern Transvaal dams suppling Escom's major power stations now back to healthy levels that fear at least must have receded

Foreign exchange analysts believe the rand/dollar rate could be allowed to drop to as low as R1 to $0,75 which would largely maintain the R15 000/kg price to the mines even if the gold price was to drop lower than $370 an ounce

GFSA should therefore at least maintain its earnings and has the financial resources to pay an increased final dividend from them

Dividend payouts

This would be greatly appreciated by its shareholders, not least of all Consolidated Gold Fields, whose unchanged dividend payouts from GFSA for the last 42 months have been ravaged by inflation

GFSA shares have strengthened recently to close at R26,25 last night compared with about R24 a week ago

The shares have a historic dividend yield of 3,8 percent which is the second lowest of the mining houses and compares with a sector average of five percent

Gencor profits higher — raises dividend

CAPE Times 6/3/84

Own Correspondent

JOHANNESBURG. — Increased contributions from all sectors except coal and minerals helped to lift General Mining Union Corporation, Gencor's earnings by 14 percent for 1983, and the final dividend has been raised to 135c from 120c

The profit improvement is somewhat higher than the market expected, and the dividend increase is even more of a surprise, although it will serve to ease the path of the coming rights issue

An analysis of Gencor's divisional contributions for the year to December shows that commerce and industry 37,1 percent of attributable income was again the main contributor, followed by gold and uranium 29,2 percent, with the financial division in third place, 16,8 percent.

In the minor placings were platinum 7,2 percent and coal 7,2 percent, with minerals contributing 2,5 percent.

Asset value

Assets under Gencor's control at December 31 amounted to R7,255 billion, compared with R5,871 billion at the end of 1982, and the net asset value at the year-end amounted to R41,04 a share (R40,24)

Gencor's turnover rose to R4,659 billion last year from R3,959 billon in 1982, operating income rose to R528,0m from R366,0m, investment income increased to R186,5m from R169,1m and the surplus on realization of investments fell to R3,7m from R13,6m

Interest soared to R180,5m from R129,3m, exploration costs rose to R16,5m from R14,9m and amounts written off investments and assets rose to R34,3m from R25,9m

The higher interest payment is a reflection both of higher rates and of substantially increased borrowings, which saw the loan capital balance rise to R1,262 billion at December 31 from R748,4m a year before

Dividends

The tax charge almost doubled to R84,7m from R47,1m and after deducting minorities and preference dividends of R93,8m (R64,1m) attributable profit amounted to R305,4m compared with R267,4m for 1982.

Earnings rose to 382c a share from 335c and the final of 135c (120c) takes the total for the year to 190c (175c).

Reviewing the year to December, Gencor's chairman, Mr Ted Pavitt, highlighted the drop in the rand/dollar exchange rate, which had led to an improvement in the rand-denominated gold price.

"This is another reminder of the fact that a significant improvement in the rand exchange rate can have a serious effect on exports, especially of raw materials"

On the industrial side Mr Pavitt singled out the turnaround by Darling & Hodgson and the improved results from Sappi, and in the financial sector, township development "had a very successful year"

Economic upturn

For 1984, Mr Pavitt said the prognosis for the year was "more of the same", with little prospect for an economic upturn, and drought conditions persisting

However, Gencor was looking for a repeat of 1983's earnings this year said Mr Pavitt.

He said the improved result for 1983 was achieved in spite of several negative factors prevailing in the South

To page 13

Gencor

C.T. 6/3/84

From page 12

African economy

- The worst drought for many years
- High interest rates
- High inflation rate
- Continued weakness in the economy, which indicated a decrease of 3,2 percent in gross domestic product this year after a fall of 1,2 percent in 1983

Positive factors

Mr Pavitt said positive factors for Gencor were the acquisition of a controlling interest in Tedelex, filling a gap in the group's distribution of interests, last year's agreement with Iscor, which led to the acquisition of a substantial stake in Samancor, and the Beatrix gold mine, which will be brought to full production this year

Asked to comment on exchange losses incurred by Tedelex, Mr Basil Landau, Gencor's executive director, commerce and industry, said the gross losses amounted to R9m, and after tax the loss was about R4m

He stressed, however, that the losses were in respect of long-term loans, and might never be realized, but they had been fully provided for in Gencor's accounts

Gold price — the trade union factor

RDM 7/3/84 214

THE upturn in the gold price above $400 obviously looks bullish.

By HOWARD PREECE

However, such is the volatility of the market that is impossible to know whether a new and sustainable upward trend has yet been established

What is clear, though, is that gold shares have understandably far outrun the metal itself in price rises.

This is because of the gearing factor of a higher gold price on gold mine profits — and the more marginal the mine, the greater the gearing.

But is there anything that could cause a change — something that could cause gold, in Krugerrand form as far as South Africans are concerned, to outperform shares?

In the short-term and even medium-term that looks unlikely, even though gold shares are already discounting a solid further upward move in the gold price

But what of the longer term?

There is one extremely important issue which has not yet attracted great international attention but which in time might cause an upturn in the gold price — and a simultaneous downturn in gold shares.

This is the development of trade unionism among the black workers who make up the large majority of the workforce on the South African gold mines

There are approximately 465 000 black workers on these mines and just under 50 000 white workers

All the main skilled jobs are, of course, reserved for whites, partly by convention, partly by legislation

But even in spite of this, the black workers could cause havoc in the industry if they withdrew their labour from the vast number of semi-skilled and highly essential jobs they do.

Until recently there seemed little chance of this happening

The mines traditionally drew a large proportion of their black labour from outside South Africa — from Mozambique, Lesotho, Zimbabwe and Malawi

This, coupled with legislation effectively forbidding strikes by blacks, made it extremely difficult for any kind of trade unionism to develop But the major series of changes to labour legislation and the effective legitimising of black trade unions have changed this

This is seen in the remarkable growth of the National Union of Mineworkers (NUM), an official union representing black workers and recognised by the Chamber of Mines, the employer body

History was made in South Africa last May when the NUM and the Chamber negotiated together on wage increases.

Previously the employers had simply announced each year what increases would be paid to the blacks

It is certainly true, as the table below shows, that the employers have been trying hard in recent years to improve the working conditions of the blacks

The table shows the annual gross cash wages of the miners, white and black, and the annual percentage increases.

The final figures for 1983 are not yet available.

It should be pointed out that all the miners get non-cash benefits — and that in the case of the blacks these include free accommodation, food, uniforms, medical care and others that the Chamber of Mines estimates as being R100 a month (or R1 200 a year to be added to the latest annual wage).

Year	Whites Wage	Whites Percentage increase over previous year	Blacks Wage	Blacks Percentage increase over previous year
1972	R4 936		R257	
1973	R5 881	19,2%	R350	36,2%
1974	R6 974	18,6%	R565	61,5%
1975	R7 929	13,7%	R948	67,8%
1976	R8 843	11,5%	R1 103	16,3%
1977	R9 697	9,7%	R1 235	12,0%
1978	R10 487	8,2%	R1 420	15,0%
1979	R11 691	11,5%	R1 669	17,5%
1980	R13 305	13,8%	R2 037	22,1%
1981	R15 466	16,2%	R2 519	23,7%
1982	R17 448	12,8%	R2 985	18,5%

But the table also shows a potential for industrial unrest

Although the black miners have had very large percentage pay rises these were off an extremely low base at the beginning of the 1970s Most important, the absolute gap between white and black pay has actually been increasing

At this stage the NUM represents only some 70 000 of the black mine workers — roughly 15% of the total

But six months ago it had barely 25 000 members Clearly it is growing rapidly

The union has also called two strike actions already — at the Rand gold refinery and the Impala platinum refinery

Neither strike was a success and showed that the NUM still has a lot to learn and has not got anything like as much strength yet as some of its leaders have assumed.

The point, though, is that the NUM is on the march and there is no doubt that a fundamental change in the whole management/labour situation on the gold mines is occurring

This could have important implications for the gold price — and for gold shares

Any disruption to gold production caused by labour troubles should boost the gold price.

Such a price increase would be of only partial comfort to South Africa, though, because the country's foreign exchange position might even be worse off if the price rose by proportionately less than the loss of output.

Those circumstances would also do more harm than good to gold shareholders

But owners of physical gold, in bullion or coin form, would stand to gain.

Of course, this whole issue must be seen in perspective.

Labour troubles have so far been well contained

In any case the world's annual supply of new gold is so small in relation to total existing stocks that changes in yearly production do not have anything like the impact on the gold market that they would have on most other metals

However, the labour factor in South Africa is likely to feature more and more strongly over the next 10 years and beyond and could well, therefore, exert an upward pressure on the gold price in the longer term.

Amgold raises final dividend to 525c

CAPE TIMES 9/3/84 (214)

Own Correspondent

JOHANNESBURG — One of the most solid of gold mining investments, Amgold, has raised its final dividend to 525c (500c) for the year to February 29 — an action which will please the market.

The interim was 500c to total R10,25, giving a yield of 6,6 percent on yesterday's share price of R154,75

Taxed profit was R238,6m (R196,3m) and profit attributable to ordinary shareholders was R10,87 a share (R8,91) — an increase of 22 percent.

Amgold's investments cover mines administered by Anglo American Corporation but its greatest single holding is in Driefontein Consolidated

Distribution of R10,25 is 19 percent higher than last year's R8,60 per share

Distribution

Investment income for the year rose from R196,8m to R242m, reflecting a higher distribution by the gold mining companies

Interest earned fell slightly to R10m from R10,7m Administrative and other expenses and interest paid were marginally lower at R3,2m (R3,6m), while prospecting costs rose from R4,8m to R6,9m

Profit before tax was R241,8m (R200,1m) Tax absorbed R3,2m (R3,8m) which left a taxed profit of R238,6m

The value of Amgold's quoted investments at market value increased by R901,5m to R3,848 billion, while unquoted investments increased by 24,9 percent from R55m to R68,7m Net asset value, after providing for the final dividend, stood at R180 (R137,70) a share

Anglo American Corporation holds 48,6 percent of the 21 952 012 ordinary shares of Amgold, so that Amgold plays a major part in the gold investments of the corporation

Apart from the investments in Anglo American Corporation's mines, Amgold has powerful holdings in Buffelsfontein, Hartebeestfontein, GFSA, St Helena and Kloof

Portfolio

These form a sound portfolio, so that Amgold is less susceptible to price fluctuations than individual mining shares.

Amgold therefore offers a safer direct investment in gold, as an alternative to investment in an individual mine

The Quarterly Review of Gold Mining Shares says such an investment is justified provided the prospective dividend yield is not unduly lower than the prospective yield on top-class gold shares such as Driefontein, Kloof and Southvaal, or if the share price is equal but not more than about 80 percent of the company's net worth

With the share price at R154,75 it is now 86 percent of the net worth

Investment

The market was prepared for a maintained 500c final or even less There was a feeling that the directors might cut back because of possible mining developments calling for capital investment

As reported by Anglo American, there have been promising geological indications south of the Beatrix area in the Free State and also promising boreholes to the south of Vaal Reefs

Cape Times 9/3/84 (214)

Anglovaal lifts earnings

Own Correspondent

JOHANNESBURG — Anglovaal, the mining finance and industrial house, increased attributable earnings for the six months to December 31 last by an unspectacular six percent, from R20,346m at the halfway mark in 1982 to R21,510m last year

Earnings totalled 507c (480c) a share, out of which a maintained interim dividend of 90c has been paid on the ordinary and A shares

The directors report that Anglovaal's industrial companies continue to experience difficult trading conditions

Income from mining investments depends significantly on gold and commodity prices and assuming that these are maintained at current levels and that there is no material change in the level of industrial activity, the directors expect consolidated earnings for the year to June 30 to be about the same as the 1 187c earned on the ordinary and A ordinary shares last year

Subsidiaries

Turnover in the six months to December rose to R884,64m (R838,709m) Profit before tax was virtually unchanged at R76,725m (R76,184m) and profit after tax was marginally up at R49,265m (R48,923m) but the amount attributable to outside shareholders of subsidiaries, mainly under AT Industries, dropped to R27,610m (R28,432m), helping to achieve the increase in attributable earnings Shown below the line is a net R1,413m extraordinary profit which arose from a surplus on the disposal of land and buildings after deducting net losses of R57 000

The results reflect strict management in the mining and industrial subsidiaries which traded in a declining business climate

The market value of Anglovaal's listed investments at the end of December dropped to R466,8m (R511m) as against a book value of R110m (R103,3m)

At December 31 the group had capital commitments amounting to R37,664m (R40,099m) and total borrowings of R172,5m (R184,8m)

The results do not include those of the mining subsidiary, Prieska copper mine

Investment

The company's main mining investment is in Associated Manganese

The main industrial interests are held through the subsidiary Anglo Transvaal Industries, which accounts for about 27 percent of the listed investments

The second principal subsidiary is Middle Wits, which accounts for about 20 percent of the listed investments and through which major mining investments are held

The biggest direct investment in gold is in Hartebeestfontein and Zandpan There are also important gold holdings in Vaal Reefs, Western Deep Levels, Randfontein and President Steyn, the shares of which have greatly appreciated in value in the past two months

Exploration

The company is strongly into geological exploration, directly and through Middle Wits, with the main targets gold and coal Exploration for gold is mainly in the Free State

With the acquisition of further coal rights, Anglovaal with Anglo Alpha and Middle Wits now owns coal reserves in the Bethal district of more than 500m tons

Comment: The results are not exciting but can be regarded as satisfactory in the climate of industrial recession in the last six months of 1983 The gold price at that time was also under pressure

ERPM to start R157m capex

CAPE TIMES 10/3/84

214

Own Correspondent

JOHANNESBURG — East Rand Proprietary Mines (ERPM) has bitten the bullet and is going ahead with a R157m life-saving expansion project in the face of uncertain gold prices and confusion over State Aid

Controlling mining house Rand Mines has committed the mine to the programme on the reasoning that without it ERPM will be out of business by 1992

Should it succeed the rewards are a further 40 years life for the mine which has unmined ore reserves of some 177m tons with an estimated yield of 850 tons of gold

In addition there are deeper ore reserves south of the mine which would be best exploited by incorporating them in ERPM's lease area

The scheme now decided upon after a year of revisions caused by gold price fluctuations is more ambitious than the R65m project announced early last year which in turn had been drastically scaled-down from the original plan announced in 1980.

ERPM chairman Mr D T "Dammy" Watt says in his annual report issued yesterday that the Far East Vertical Shaft (FEVS) system is to be completed as soon as possible and upgraded so ERPM can mine an extra 80 000 tons of ore a month.

He say ERPM's total capital expenditure for 1984 is estimated at R30,3m of which R9,6m will be on the FEVS system.

The mine can fund this internally given that the State Aid system in its attentuated form continues throughout the year and that the gold price received for 1984 averages R16 000/kg.

Expansion seen by Rand Mines as life-saver

ERPM presses ahead with R157m capex

RDM
16/3/84
214

By BRENDAN RYAN
Mining Editor

EAST Rand Proprietary Mines (ERPM) has bitten the bullet and is going ahead with a R157m life-saving expansion project in the face of uncertain gold prices and confusion over State Aid.

The controlling mining house, Rand Mines, has committed the mine to the programme on the reasoning that without it ERPM will be out of business by 1992

Should it succeed, the rewards are a further 40 years of life for the mine which has unmined ore reserves of some 177m tons with an estimated yield of 850 tons of gold

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The mine can fund this internally, given that the State Aid system in its attentuated form is continuing through the year, and that the gold price received for 1984 averages R16 000/kg

ERPM has R38,294m from the 1980 rights issue, but Mr Watt says satisfactory funding arrangements have still to be finalised

This cannot be done until the future of the State Aid scheme has been sorted out

"It is anticipated that clarification will be obtained before mid-1984 on the nature of State Assistance likely to be granted after December 31, 1984 and that funding of capex in 1985 and beyond can then be finalised"

Confusion over the State Aid scheme has caused considerable disruption in the gold mining industry since proposed changes were announced by the Finance Minister, Mr Owen Horwood, in his 1983 Budget speech

These were then implemented despite no formal notice being given to the mines

Negotiations are continuing between the Chamber of Mines and the Government over such crucial points as the treatment of profits earned on hedging operations

The Government has proposed treating this as non-mining revenue and deducting it from State Assistance, to which the mining houses have replied they would then have no incentive to take the risks involved in hedging

This could be critical to ERPM, which has started large-scale hedging operations Early this month these involved 1 554kg of gold at prices ranging from R15 900/kg in the first quarter of 1984 to R18 000/kg in the first quarter of 1985

The other major imponderable for the scheme is the gold price, with Rand Mines having made assumptions on its future over the next five years, which some analysts feel are too optimistic

Rand Mines is apparently looking for an average gold price of R20 000/kg in 1985, compared with current levels of around R15 000/kg and then steady escalations of about 10% annually after that

If the State Aid scheme carries on in its attenuated form for the next five years, it could contribute some R20 to 30m to the FEVS project which, with the R38m rights issue, means ERPM must find between R70m and R100m Without State aid, ERPM's funding requirments could easily double

ERPM needs R157m expansion

RDM 16/3/84
214

By **BRENDAN RYAN**
Mining Editor

EAST Rand Proprietary Mines (ERPM) could produce about 18 tons of gold a year by 1992 if its ambitious R157m expansion scheme succeeds.

Without the scheme, the mine would produce only about 10 tons of gold in 1992, compared with 1983's production of 11,1 tons At that level of production, it would lose so much money it would be forced to close down.

With the scheme, tonnage milled by 1992 should be about 4-million tons annually

The higher production will mean a dramatic drop in unit working costs, which in 1992 could be as much as 30% lower per ton milled with the scheme than without it.

The planned expansion of the Far East Complex (FEC) will open up new ore reserves and make available a block of about 5-million tons of ore in the mine's higher levels which, until now, could not be mined because of severe ventilation problems.

The FEC presently consists of a vertical ventilation shaft from surface down to 34 level and a separate sub-vertical shaft from 42 level to 68 level.

The two shafts are not connected and a haulage on 42 level connects this section of the mine to the South-East and Central shafts.

The R157m expansion scheme involves sinking a new Far East Vertical shaft down to 42 level and for the existing sub-vertical shaft to be deepened to 74 level.

The sub-vertical shaft will have the capacity to hoist about 150 000 tons of ore and waste rock a month and transport about 3 000 men an hour to work.

On 42 level, ore and rock will be separated and the waste rock hoisted to the surface through the new vertical shaft, which will have a capacity of about 40 000 tons a month.

The ore will be hauled along 42 level and hoisted at the Central Shaft, which is next to the mill and gold recovery plant.

The new vertical shaft and the deepened sub-vertical shaft will be used for downcast ventilation, which will pump fresh air into the mine workings

On 34 level, a new ventilation sub-vertical shaft will be sunk to 60 level and this shaft, connected to the existing Far East Vertical shaft, will be used for upcast ventilation to remove the stale air from the mine workings

Advantages will be marked improvements in working conditions and greatly reduced time needed to get the working shifts underground into the stopes — this, in turn, should lead to higher productivity.

The improved upcast ventilation will free a large area of ground at shallower depths around the 31 and 34 levels of the mine which cannot presently be mined because poor ventilation in the area means temperatures are too high

The capacity of ERPM's gold plant will be expanded by 80 000 tons a month, which can be done at relatively low capital cost.

The ERPM annual report reveals that work to determine the gold distribution patterns of the composite reef is being carried out

The report contains a gold reef distribution map showing the grade pattern over the mined out areas of ERPM and also projecting the gold distribution into as yet unexplored parts of the mine.

Indications are that by opening up this area, the mine's overall grade could be increased to about 4,5g/t by 1992, compared with the present level of about 4g/t.

Randfontein to treat higher grades

CAPE TIMES 4/4/84 (214)

By ADAM PAYNE

JOHANNESBURG — Randfontein gold and uranium mine, which is expanding from a treatment capacity of 400 000 tons a month to an eventual 550 000 tons a month, is likely to produce more gold this year than last because of an expected marginal increase in the recovery grade.

This will occur as the treatment of surface material is phased out alongside an increase in the treatment of underground ore which has a higher grade than the dump material.

Mr George Nisbet, chairman, in his annual review says that during the next 12 months the reduction in tonnage treated — because more ore will be treated and less dump material — together with additional costs associated with underground mining, will result in an increase in unit working costs

"However, any such increase will be offset to some extent by the expansion of underround operations and further improvements in productivity"

He says uranium profits during the current year will be affected by a further reduction in the contractual price as well as by a reduced offtake by the consumer

Outlining the mine's expansion, Mr Nisbet says the present capacity to treat ore of 400 000 tons will increase by 50 000 tons a month with the commissioning of the Millsite plant extension at the end of 1984 and by a further 1000 000 tons a month to 550 000 tons at the end of 1985 on the completion of the Doornkop plant.

Capital spending last year amounted to R138m, an increase of 42,4% over the previous year

Present estimates are that apart from R157m to be spent on the Doornkop section, a further R72m will be needed for the Cooke and Randfontein sections, making a total capital expenditure of R229m for the period ending June 1985

With a view to the long-term future of the company, an agreement was entered into with Johnnies, whereby Randfontein participates in a joint exploration programme aimed at determining new areas of gold and/or uranium potential in the Transvaal and the Free State

The terms of a continuation of the joint venture are being negotiated.

Initial drilling results on two farms in the Theunissen district in the Free State have been "distinctly encouraging" says Mr Nisbet

Western Area to lengthen shaft life

Cape Times 5/4/84 (214)

Own Correspondent

JOHANNESBURG — Although Western Areas gold and uranium mine faces a difficult time in the short term, an application for dewatering a dolomitic area, if successful, could lengthen the life of the North Shaft by up to 10 years

This is disclosed by Mr George Nisbet, chairman, in his annual review in which he reports that uranium commitments require additional uranium oxide production of about 60 tons a year over the next three years from the mine

Discussing the application to dewater the dolomites overlying the northern part of the lease area, he says that if approval is granted, dewatering will be undertaken over the next three years but no benefits will accrue to the mine for about five years

If the dewatering application is successful, additional ore reserves should become available The lengthening of the life of the North Shaft and mining of these reserves would provide extended employment opportunities and would reduce the ever-increasing cost of pumping

However, capital spending would be incurred should there be a need to buy the freehold of land affected by the dewatering

Discussing the mine's prospects, he says the company faces a difficult period ahead pending the completion of the No 2 and No 3 subvertical shaft systems and the development of sufficient ore reserves, particularly on the VCR horizon, to provide the needed flexibility of operations

In the longer term these projects should result in an improvement in the tonnage and grade of ore available

During the 18 months to June 30 next year, the treatment of surface dump material will further reduce, in spite of the fact that viable accumulations at South Shaft will replace the depleted North Shaft dump

Additional tonnage is planned from underground sources so that the milling rate should not change significantly during this time

The filtration section of the North Shaft gold plant will shortly be replaced by the carbon-in-pulp plant, which is at present treating gold plant residues, without affecting general plant efficiency

This change should reduce treatment costs Recovery grades during the next 18 months are expected to be maintained at the present level

During the next 18 months, the development rate will be maintained at the level achieved during the last quarter of 1983

Underground exploration west and north of the lease area will also be undertaken

● More reports, page 15

CAPE TIMES 5/4/84 (2/4)

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Uranium loss for St Helena

Own Correspondent

JOHANNESBURG — St Helena's net loss from uranium last year increased to R22,1m, compared with R0,6m in 1982

Disclosing this in his annual review, Mr Ted Pavitt, chairman, says the sharp increase was due mainly to the fact that, as a result of the lower-than-planned recovery grade, the mine had to buy uranium from other concerns at substantially higher prices than in 1982 to meet its contractual commitments

Mill throughout this year is expected to be maintained at the same level as last year Due, however, to the continuing decline in yield, gold production will not be maintained at the 1983 level

Income before tax and State's share of income amounted to R110,8m last year compared with the previous year's R117,6m, while tax and the State's share of income totalled R55,7m against R6,7m in 1982

This resulted in income after tax of R55,1m which was 50% down on the figure for 1982

The steep rise in tax occurred because in 1982 no tax was payable when the company had an assessed loss, the result of buying the Beisa assets

This loss has now been absorbed and only current capital expenditure and operating losses in the Beisa division will in future affect the tax payable

This increase in tax last year was in turn offset by a decrease of R59,6m in capital expenditure, leaving funds available for distribution at R55,3m compared with R55,5m in 1982

Gold working revenue increased by 9% to R125,2m mainly because of the increase in the gold price received from R13 269 to R15 255 a kg

A lower gold production was largely compensated for by an increase in production from the Beisa division However, there was a net decrease of 43kg in gold produced

Discussing the effect of the operations of the subsidary mine — Beisa — on St Helena's finances, Mr Pavitt says that St Helena's shareholders, although not yet deriving any benefit from the inclusion of the Beisa division, are in no worse position than would have been the case had the agreement with Beisa not been entered into

At Beisa the performance of both the mining and metallurgical sections continued to improve throughout the year and 1 060 000 tons were milled compared with 611 000 tons in 1982

GROOTVLEI. This mine, for which analysts had predicted a possible extension of life on the Black Reef horizon, is not likely to get such a life boost from that reef

Mr C Netscher, chairman, says development on this reef at No 8 Shaft indicates that there will not be any material extension to the ore reserves from this source

Working costs on the mine increased by 18% last year to R37,73 a ton If the effect of stockpiling of ore is taken into account the increase in costs was 14%

Mr Netscher says that the substantially higher unit costs are exerting an increasing constraint on the tonnage that can be profitably mined

STILFONTEIN. The decline in gold values — from a yield of 7,5g/t in the first quarter last year to 6,4g/t in the last quarter — could continue this year, says Mr J C Fritz, the chairman, in his annual review

Mr Fritz reports "Overall development results indicate that the decline in gold values could continue for the current year, while development in certain areas on the Ventersdorp Contact Reef continues to add limited tonnages to the ore reserves"

He says that the higher gold price last year compared with 1982 resulted in an increase in working income of 15%, from R57,5m to R66,2m

Tribute payments at R6,1m were 35% down on the 1982 figure of R9,4m due to a lower production from the tribute areas coupled with a lower yield

Tax and State's share of income at R33,3m was 43% higher than in 1982 because of the higher income

This resulted in profit after tax of R40,8m compared with R38,4m in 1982

MARIEVALE: This old gold mine on the East Rand, which increased production last year, has a limited life with a decrease of 30 000 in its ore reserves which at the year-end totalled 350 000 tons at a gold price of R16 336 a kg

Mr C Netscher, the chairman, says the mine's life is limited because of the depletion of the ore reserves

However, the future of the mine depends entirely on payable ore reserves being exposed in the No 3 Shaft area These reserves are limited in extent

Gold production rose by 110 kg last year to 1 225 kg This, combined with a higher gold price, resulted in income before tax increasing by R2,4m to R5,4m

Because of the higher income, tax increased by 98% to R2,8m This resulted in after-tax income of R2,6m compared with R1,6m in 1982

WEST RAND CONS: The continued stagnation of the gold price during the latter half of last year had serious consequences for the profitable operation of this mine, and is a cause for concern, says Mr Fritz, the chairman

In his previous review, he said that despite the withdrawal of State aid indications were that the mine was likely to remain viable at a gold price of R16 000 a kg

In the event the average gold price received at R15 424 fell short of this target but in spite of this the mine had a satisfactory year

The financial result with after-tax income at R5,1m (R4,4m) was mainly attributable to the increase in the average gold price

Cape Times 5/4/84 214

Western Deep may convert plant for gold

Own Correspondent

JOHANNESBURG — Western Deep Levels gold mine is considering converting its uranium plant to a gold treatment plant, according to chairman Mr Peter Gush

In his annual review he says a proposal for the conversion is to be put to the mine's board of directors in April

He says, "uranium remains a small contributor to profit, having earned R2,7m (R2,2m 1982) in the year

"Although the plant is highly efficient, the production of uranium is expensive, as only small amounts of uranium are present in the ore

"Studies indicate the conversion of the plant into a gold treatment facility would greatly increase the plant's contribution to profits

"Uranium-bearing gold plant residues could be reclaimed should conditions favour uranium production at some future date," Mr Gush says

He makes no comment on the estimated cost of the conversion or on how this proposed extra gold plant at Western Deep Levels would relate to the existing plant and the development of the No 1 shaft project where a new 160 000 tons a month gold plant is being built

The mine's uranium plant treated 1,88m tons of material in 1983 to produce 174 tons of uranium oxide

Western Deep Levels No 2 uranium plant came on stream in 1980 and the older No 1 uranium plant was shut down the next year.

The No 2 uranium plant has a capacity of 200 000 tons a month which, with the use of radiometric sorting to upgrade feed material to the plant, is sufficient to treat the mine's full production from the uranium bearing Carbon-leader reef, rendering the No 1 plant redundant

If the No. 2 uranium plant is converted to gold production it will the second closing of a major uranium plant this year

Closing plant

Harmony is closing its Merriespruit uranium plant at the end of March

The moves reflect the poor state of the uranium market and predictions that no recovery can be expected until the end of the century

Forecasts of a slow but steady recovery in uranium spot prices towards the end of the decade have been shaken by the recent setback in the market which knocked prices back to $17,5/lb from levels of more than $20/lb.

Looking at prospects for 1984 Mr Gush says a conservative view is being taken on the level of the mine's gold output

38 000 kg

Planned production for 1984 is 38 000 kg of gold from 3,5m tons milled at an average grade of 10,85 g/t.

This compares with 1983's production of 39 455 kg of gold from 3,522m tons milled at an average grade of 11,2 g/t.

The lower forecast is a result of the fire in the high-grade lower Carbon Leader longwalls at No 3 shaft which will be sealed until the end of this month

The mine will maintain production but with lower-grade material

"The speed with which full production can be resumed from these high-grade areas will depend on the extent of the damage to these longwalls," Mr Gush says

R117m on shaft

Western Deeps' capital expenditure for 1984 is estimated at a record R191m of which R117m will be spent on the No. 1 shaft complex

Mr Gush says the remaining debenture funds of R72,3m represent 88,5 percent of the estimated remaining after-tax costs to the start of production of the No. 1 shaft.

Capital expenditure for 1983 totalled R152m of which R88,5m was on the No 1 shaft.

Higher tax knocks Rand Mines earnings

Cape Times 17/4/84 ~~226~~ 214

By BRENDAN RYAN

JOHANNESBURG. — Rand Mines' marginal gold producers Durban Roodepoort Deep and ERPM saw their financial positions worsen in the March quarter in spite of slightly better operating performances.

Working losses at both mines have risen but claims for State assistance have been reduced by the new attenuated scheme which is now in force

Both mines have also continued their forward gold sales programmes with contracts for some gold sales now concluded for the first quarter of 1985 at an average realizable value of R18 132/kg for ERPM and R18 143/kg for Durban Deep

Overall the four gold producers in the Rand Mines group increased pre-tax profits by eight percent to R80,813m but there was a 55 percent jump in tax to R37,5m from R24,2m, which meant earnings dropped 14,5 percent to R43 3m from R50,7m

Reasons for the sharply higher tax are the lower capital expenditure levels of the mines and the increases in gold mining and company taxes which meant the group's profitable mines, Harmony and Blyvooruitzicht, had to make extra provisions

Capital expenditure by the four mines dropped to R23,3m in the March quarter from R33,7m in the December quarter

East Rand Proprietary Mines (ERPM) was unable to improve on its production level of the shorter December quarter and tonnage milled was unchanged at 691 000 (690 000) which, with maintained grade of 3,89 g/t meant gold production was similar at 2 687 1 kg (2 684,5 kg)

The mine sold 249 kg of gold forward in the quarter at an average realizable value of R15 547/kg but its average gold price received of R15 129/kg is still below the R15 252/kg earned by Harmony which did not hedge gold sales for the quarter

The mine's loss per ton milled increased to R7,82 (R5,14) and its working loss increased to R5,405m (R3,545m)

State assistance

ERPM's claim for State assistance dropped to R5,555m (R7 035m) and profit after tax fell to R1,719m (R4,995m)

The capex bill was cut to R5,756m (R10,549m) which meant ERPM managed to reduce its negative cash flow slightly to 72,7c a share from 100c a share in the December quarter

The mine is going ahead with a R157m plan to expand production from its Far East Vertical Shaft system The project depends on the gold price and the outcome of the negotiations between the Chamber of Mines and the government on the new form of the State Assistance scheme

The chairman Mr Dammy Watt said in his annual report the mine's capex was estimated at R30,3m for 1984 but this forecast has already been revised to R28 756m, the March quarter figures reveal

Unit costs

Unit costs jumped 6,5 percent to R66,68/ton milled (R62 57/ton) but the December quarter had a non-recurring credit to working costs of R1 4m from rebates and insurance claims

Allowing for this brings the increase in unit working costs down to three percent which is the average rate of increase for the group's mines

Durban Roodepoort Deep more than doubled its working loss to R1,361m (R523 1000) and its taxed profit dropped to R1,76m (R3,881m)

Capex dropped to R2,772m (R3,935m) but the mine's negative cash flow jumped to R1,012m (R54 000) equivalent to 43,5c a share (2,3c)

The mine expects to spend R14,7m in capex this year on infrastructure and work aimed at generating ore reserves

Exploration

Mine management would also like to spend some R5m on a drilling exploration programme to look at the area south of the mine's existing lease area Mineral rights are being negotiated here over a down-dip extension of the mine's orebody

Given the present gold price and the operating needs of the mine this money will not readily be available

Harmony has included an extra R1,38m in its tax provision for the March quarter to cover its increased tax liability for 1984

The mine's tax rose to R15,113m (R10,08m) because of this and the effects of a drop in capital expenditure to R10,602m (R13,251m)

Distributable earnings rose to 52,4c a share (46,5c)

Blyvooruitzicht's tax bill soared to R22,38m (R14,077m) but the mine managed to increase distributable earnings to 45,7c a share from the December quarter's 42c a share

CAPE TIMES 18/4/84 (214)

Randfontein lifts earnings

Own Correspondent

JOHANNESBURG — Increasing underground production from Cooke 3 shaft pushed up Randfontein Estates' grade to 5,3 g/t in the March quarter from 5,0 g/t in the December quarter

Randfontein's grade had remained unchanged at 5 g/t since the first quarter of 1982

The production build-up from Cooke 3 meant Randfontein milled only 471 000 tons off surface dumps in the quarter compared with 543 000 tons in the December quarter

The chairman, Mr George Nisbet, said yesterday Randfontein should stop milling surface dumps and draw all its tonnage from underground in the first half of 1985

The build up in underground production from Cooke 3 has also led to the rise in working costs predicted previously by Mr Nisbet

Revenue

However, the mine's revenue from gold dipped to R121,3m (R121,4m) because Randfontein's gold price received dropped to R14 943/kg (R15 001/kg)

Controlling mining house Johannesburg Consolidated Investment (JCI) has a policy of taking positions on expected rand/dollar exchange rates but underestimated the extent to which the rand depreciated against the dollar in the March quarter

The average exchange rate for the March quarter dropped to R1/$0,8 from R1/$0,85 in the December quarter

Randfontein did not get the full benefit of this drop because of forward currency deals entered into at higher rand/dollar rates and the mine's gold price received in rand is one of the lowest reported by the industry so far for the March quarter

Randfontein's profit on uranium sales dropped to R1,905m (R3,662m) following lower demand by the mine's only customer and lower contract prices

Randfontein's tax bill exploded to R35,52m from the December quarter's R1,881 because of a drop in capital expenditure to R13,992m from R82,313

Taxed profit was halved to R45,491m (R86,28m) but distributable earnings after capex jumped to 515c a share (64,9c a share)

Western Areas hedging policy paid off handsomely for the second consecutive quarter and the mine increased its gold price to R16 914/kg from R16 721/kg in the December quarter

The company has continued to sell forward a significant portion of gold production expected over the next nine months and has also taken out forward currency sales to cover much of its expected gold and uranium revenue

Loraine turns loss to R1,259m profit

CAPE TIMES 18/4/84 (214)

Own Correspondent

JOHANNESBURG — The marginal Loraine gold mine in the Free State was the outstanding Anglovaal performer in the March quarter, turning a loss after capex of R3,967m in the December quarter into a profit of R1,259m in the March quarter

The mine's profit before capex was R2,389m compared with a loss of R3 000 in the previous quarter

Loraine, Eastern Transvaal Consolidated and Village Main Reef all increased net profit but Hartebeestfontein made a lower profit because of sharply higher tax

Factors contributing to the rises included a higher gold price received at all mines except ET Cons, where the price received was exceptionally high in the December quarter

Higher grade and a slight increase in tonnage also contributed to Loraine's improved performance

Hartebeestfontein There was a small improvement in mill throughput at 769 000 tons (763 000 tons) but with grade fractionally lower at 9,8 g/t (9,9 g/t) gold recovery was lower

Profits from uranium oxide, pyrite and sulphuric acid sales increased to R4,725m (R3,445m) Pre-tax profit rose 14 percent to R69,372m, capex declined to R7,978m (R9,311m) which resulted, with a higher surcharge adjusted for the nine months up to the present, in a 32 percent jump in tax to R42,168m (R31,871m), leaving the taxed profit figure at R27,204m (R29,063m) — a fall of six percent

ET Cons The results for the quarter were adversely affected by cyclone Domoina which hindered production through flooding as well as causing surface damage

Ore milled totalled 73 500 tons (74 600 tons) with an average grade of 9 4 g/t (10,0 g/t)

With tax at R153 000 (R5 000 credit) the after-tax figure was down at R4,153m (R4,856m)

Loraine Mill throughput was 3 000 tons higher at 389 000 tons, while grade increased to 5,2 g/t (5,0 g/t) Gold recovery was higher at 2 021 kg (1 946 kg)

Unit costs were reduced to R75,62 (R76 91) a ton and, combined with higher revenue, this led to a working profit of R2,374m (R1,050 loss)

Because the December quarter's claim for State aid was reduced to R856 000 (previously estimated at R2 641m)

Capital spending was lower and loan repayments dropped to R47 000 (R255 000)

Village Main Reef Sands treated had an average yield of 0 64 g t (0 60 g t) Costs were adversely affected by the increased volumes of reagents needed and rose to R8 34 (R7 83) a ton but this was more than offset by higher gold prices which led to a working profit of R281 000 (R193 000)

Tax was reduced to R46 000 (R82 000) because of increased capex After-tax profit was therefore raised to R312 000 (R191 000)

GFSA gets Liberty stake in Clydesdale

214

CAPE TIMES 2/5/84

By BRENDAN RYAN

JOHANNESBURG. — Goldfields of South Africa (GFSA) is acquiring the Liberty Life group's controlling stake in Clydesdale Collieries.

The deal has been struck at R14,50 a Clydesdale share which compares with the suspension price on the Johannesburg Stock Exchange of R13 and places a value of R146m on the market capitalization of the company

The Liberty Life group is to take payment from GFSA in the form of new convertible redeemable cumulative preference shares (prefs) issued at R29 a share which compares with yesterday's JSE closing price for GFSA ordinary shares of R29,50

Dividend rate

The Liberty Life group will receive 50 prefs for every 100 Clydesdale shares held

The dividend rate on the prefs will be 10 percent and the prefs will be converted to GFSA ordinary shares on a one-for-one basis when GFSA's annual dividend reaches R2,90 a share

GFSA's dividend for the year to end-June was R1 a share

If conversion in this way does not take place by July 1, 1987 then the shares can be converted at the choice of the holders on July 1 of any of the years 1987 to 1996 inclusive

GFSA will also make an offer to all other shareholders in Clydesdale to acquire their shares on the same terms

The chairman, Mr Robin Plumbridge, said at a press conference in Johannesburg yesterday, "we are making the offer to other shareholders because we are required to do so by the regulations of the Johannesburg and London stock exchanges

"We are not after the full shareholding in Clydesdale and will be quite happy to have as many of the other shareholders stay with us for the future operations of the company"

Option

Guardian Bankers Growth Fund, which holds 250 000 shares (2,4 percent) in Clydesdale will have the option of taking either the GFSA prefs or the R14,5 cash alternative for its shares

The executive director of Liberty Holdings, Mr Roy McAlpine, said at yesterday's conference the fund would certainly take up the offer and sell its shares to GFSA

However, the fund is an independent trust which was not part of the Liberty Life group and could therefore not be included with the rest of the group in accepting the GFSA pref offer

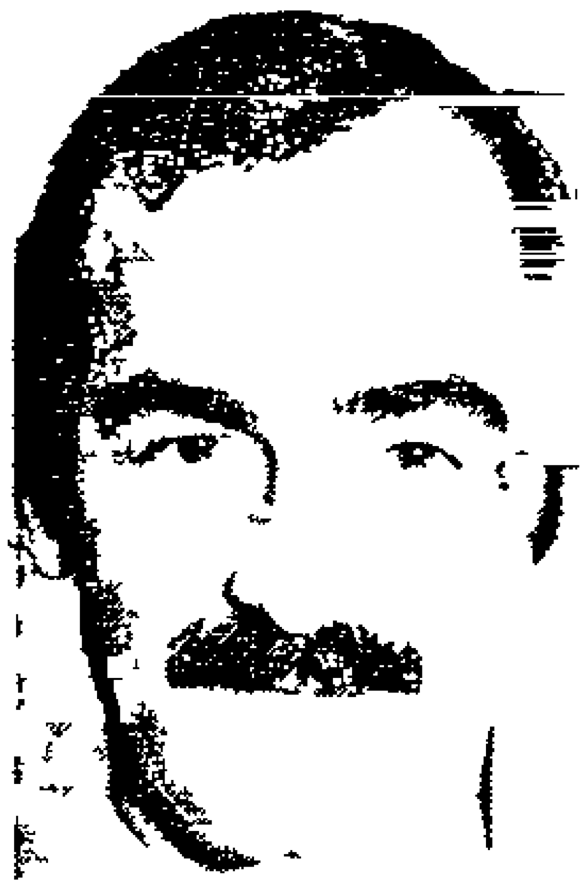
Mr Plumbridge said the deal had resulted from a recent conversation between himself and Liberty chairman Mr Donald Gordon and had been put together in a short space of time

He said the acquisition was consistent with GFSA's overall strategy of increasing its investment in mining operations where suitable opportunities were seen

The acquisition would have a small financial benefit for GFSA in the medium term

He said GFSA's main concern at present was

To page 13



Mr Andy Maclaurin, human resources executive for Checkers, has been appointed to the executive committee of Checkers SA Ltd

Southe earnin

JOHANNESBURG Southern Sun Hot Holdings had a drop attributable earnings seven percent in th year to March 31 th year, compared with th previous year

Net attributable ea ings were R29 500 00 compared wi R31 759 000 the previo year, equivalent to 53, a share (57,2c)

However, the dire tors point out in the pr liminary profit a nouncement that th restructuring of th group's casino intere on October 1 last ye

Joint Announcement

by

GOLD FIELDS OF SOUTH AFRICA LIMITED
("GOLD FIELDS")

LIBERTY LIFE ASSOCIATION OF AFRICA LIMITED
("LIBERTY LIFE")

LIBERTY HOLDINGS LIMITED
("LIBERTY HOLDINGS")

FIRST UNION GENERAL INVESTMENT TRUST

Some mining shares lose attraction

ARGUS 2/5/84

By DEREK TOMMEY, Financial Editor

TWO news items today show that some mining shares are no longer the attractive investments they were thought to be.

The Liberty Life group has announced that it is selling its stake in Clydesdale Collieries to Gold Fields of South Africa, and Gencor has announced that it is shutting down its Beisa gold and uranium mine in the Free State

Liberty Life's sales of its controlling interest in Clydesdale to Gold Fields seems a sensible move for both parties.

It is seen as a sound protective move by Liberty Life. Selling its major stake in Clydesdale will stop the value of its investments being dragged down if the coal market should weaken and coal share prices drop

With export coal prices falling, there seems a strong possibility of this happening

It also a good acquisition for Gold Fields This group has only a small stake in coal and gaining control of Clydesdale will rectify that shortcoming

R146-MILLION

Gold Fields is paying just over R146-million for control of Clydesdale by offering 50 preference shares at a price of R29 a share for every 100 Clydesdale ordinary shares

This values Clydesdale shares at R14,50 each.

The preference shares carry a dividend of R2,90 a year and will be automatically converted into Gold Fields shares when Gold Fields' dividend reaches this amount.

URANIUM WEAK

The closure of Beisa should not be a surprise The mine is predominantly a uranium producer with gold produced as a by-product.

The uranium market is known to have been weak for some time, and in the first nine months of last year the mine had an operating loss of almost R5-million.

As the mine is not eligible for state assistance, and with production costs rising, Gencor's decision to cut its losses and close down Beisa seems the right decision.

The move should help ease slightly the shortage of skilled labour in the industry and, in depriving suppliers of a customer, may perhaps help stabilise mining costs

Beisa, a subsidiary of St Helena, was financed mainly out of St Helena's tax savings, so its closure will not greatly affect shareholders.

The real loser would seem to be the Government, which through tax concessions put up the finance for Beisa and will not get any return on these concessions.

Police probe mine blast

Cape Times 21/6/84

Own Correspondent

JOHANNESBURG — Police are investigating a case of sabotage after an explosion had rocked the Western Holdings gold mine near Welkom soon after 7pm on Monday, destroying offices at number seven shaft.

No-one was injured in the blast and production has not been affected.

The owners of the mine, Anglo American Corporation, are offering a R5 000 reward for any information leading to the arrest of the people responsible

Colonel Koos Calitz, CID chief for the Northern Free State, said yesterday that a case of sabotage was being investigated

An Anglo American spokesman said the blast caused damage estimated at about R100 000 He said he could not confirm a Sapa report which said this was the fourth "unexplained" explosion at the shaft in the past year

No mandate: Num declines offer by mine bosses

The National Union of Mineworkers (Num) has rejected an offer to meet the Chamber of Mines to discuss ways of averting possible labour unrest on gold and coal mines in coming weeks.

A union's spokesman said that they did not have a mandate from their members to discuss anything, unless to re-negotiate wages — the central issue in three strikes which occured last week.

There were three wage-related work stoppages at the Vryheid colliery, Rietspruit open cast colliery and at Dover Colliery in Witbank involving more than 2 000 workers last week.

Police

At Vryheid, police used tearsmoke to disperse strikers. One man was killed and four others seriously injured during a clash with police.

It was in the light of these uprisings that the Chamber appealed to the Num to meet and discuss the possible outbreak of violence on the mines. The union had warned the Chamber that similar incidents might occur following the Chamber's announcement that wages will be effected as from July 1 — an offer which Num has rejected.

The union spokesman said that they were dismayed by the Chamber for not changing their attitude to this sensitive issue. The union will wait and see what happens when the Chamber implements the new wages

Happy

The Chamber said that while it would be happy to meet with Num to discuss ways and means of averting any further unrest and violence, changes to the improved wages and conditions of employment that have been announced will not be discussed.

However, the stoppages at Rietspruit, Rand Mines owned colliery, occured on Tuesday after management unilaterally announced wage increases. The strike by about 800 mineworkers at Dover occured last Friday. Both mines are not affiliated to the Chamber.

Rep 4/7/84 (214)

Rand slide hoists gold earnings to R500 an oz

By BRENDAN RYAN
Mining Editor

THE slide in the value of the rand against the dollar has pushed rand revenues to the gold mines over R500/oz or R16 000/kg.

Gold mines, as well as platinum, coal and base mineral producers, will benefit from the plunging rand, depending on the extent to which their controlling mining houses have covered forward on expected dollar receipts from mineral exports.

Gold Fields of South Africa's gold producers should reap the full benefit of the fall in the rand's value because the house's policy to date has been not to take forward cover on expected dollar receipts from the sale of its gold.

Other mining houses have taken varying degrees of forward cover on their gold/dollar revenues following last year's relaxations of exchange control affecting them.

However, if they have underestimated the weakness of the rand and tied up contracts at higher expected exchange rates, they will benefit far less.

JCI did this in the March quarter in forward currency dealings for Randfontein. Amcoal's management also did not expect the rand to drop as far as it did in the group's financial year to March.

Mining houses which have left portions of their expected dollar revenues uncovered will benefit fully.

At yesterday's closing rate in Johannesburg of R1/$0,7085, a gold price of $369/oz is equivalent to a rand price of R521/oz or R16 744/kg.

This is well above the rough average the gold mining industry has been working on over the last year of about R15 000/kg or R466/oz.

The gold price has never sustained levels of more than R500/oz for longer than about a month and if the present trend is maintained for any length of time it will be one of the highest-earning periods for the gold mines.

When gold peaked at $850/oz in January 1980 the rand price got up to about R580/oz.

Since then there have been only two periods when the rand price has moved over R500/oz.

These were September 1982, when it briefly touched R535/oz, and then during the first quarter of last year when the gold price got moving and the rand price hit R560/oz briefly and remained over R520 for about a month.

In real terms, however, the benefits to the mines of the current level of gold price will have been hit by the heavy rises in working costs over the past four years.

For coal producers the effects of the weakening rand will be beneficial on uncovered sales or correct forward exchange rate estimates.

The current spot price for steam coal fob Richards Bay is about $33 a ton.

Two weeks ago that was worth R43 on an exchange rate of R1/$0,7680 Yesterday it was worth R46,6 at R1/$0,7085

The lower rand means the coal mines can survive greater price competition pressure in the export markets and stay profitable.

Cuts in the dollar price forced on them by consumers are being offset by the dropping exchange rate.

Business Day

RDM 5/7/84 (214)

Why more gold will mean less

By BRENDAN RYAN
Mining Editor

FORECAST higher gold production by SA mines of 53 tons a year by 1990 will reduce the real price of gold by about 4%, according to mining analyst Mr H L Monro.

He was replying to comments in the June issue of the Journal of the South African Institute of Mining and Metallurgy (SAIMM) on his paper, Uneconomic gold production in South Africa, published in the May issue.

Mr Monro says demand for gold is mainly a function of the growth rate of gold-buying countries.

"Inflation has also had an important effect but it is only transient. The high growth rate of the Seventies ensured that the demand for gold placed a heavy burden on the supply."

This burden was increased by a falling supply from non-communist mines and the result was an enormous increase in the gold price.

In the Eighties the growth rate of gold-buying countries had dropped to a low level and had seriously affected the demand for gold.

"To make matters worse, the supply from non-communist mines is increasing. This briefly explains why the upward trend of the gold price has changed and it now tends to be downwards.

"There is a grave risk that the growth rate in the Western World during the next few years will, as in the early Eighties, be insufficient to ensure an upward trend in the gold price.

"Should SA further increase this risk by increasing production when there is already a surfeit?" Mr Monro asks.

His controversial paper, which said that mines were producing too much gold and were, therefore, not maximising profit levels, brought a big response from the industry and economists.

Mr Monro proposed that one solution to the problem could be the amalgamation by each mining house of all its operating gold mines.

Replying to the views and criticisms, Mr Monro says he is disappointed there was no direct comment on the main theme of his paper — that there has been excessive mining of low-grade ore.

Mr B K Martus, chief minerals economist for Rand Mines, says he fully supports Mr Monro's attempts to estimate optimum gold production levels but does not accept his definition of this.

Optimum levels in the mining industry, he says, can only be calculated on a dynamic basis.

"The correct basis for the establishment of optimum profit levels is over the life of a mine. This is a fact that the industry acknowledges by calculating optimum profitability, and therefore optimum production levels, by the method of present value.

"If reconciling vastly disparate shareholder interests by amalgamating mines, then battling with the infinitely more difficult problem of cartelisation, were not daunting enough, the author's proposal faces a third problem."

This was the degree of scepticism likely to be generated by this model. If a decision-maker were uncertain about the validity of any concept, he would be unlikely to do anything that was irrevocable, Mr Martus said.

Mr Monro, in reply, says lack of understanding by decision-makers usually results in the status quo being maintained, often with unfortunate results.

"For this reason, the derivation of the optimum sales rate needs to be thoroughly examined and the findings widely publicised," he says.

An independent consultant, Mr D M Hawkins, says there are large, potentially mineable reserves of gold around the world, and a unilateral reduction in supply by SA could lead to an effort replacement from other suppliers.

Mr Monro counters that achievement of optimum SA production would raise the gold price by only about 15%, hardly enough to cause a mining boom.

"In spite of a five-fold increase in the gold price since 1970, the world supply of new gold in 1982 fell by 20% and the increased scrap supply was insufficient to make up the shortfall.

"An approximate doubling of the price between 1931 and 1940 resulted in an increase of over 80% in world mine production.

"Thus, a large increase in the price in the Thirties resulted in a large increase in supply but a drop in the Seventies. The reason is simple, gold is now being mined faster than it is being discovered."

Professor P J Niewenhuizen, of the Department of Economics at Rand Afrikaans University, complained that the 1972-1982 period covered by Mr Monro's study was relatively short which to study supply/price and demand/price relationships.

Determination of price elasticity of supply and demand in a market as volatile as gold was methodologically very difficult if not impossible.

Mr Monro says these difficulties are not as great as Prof Niewenhuizen believes and the greatest problems results from a lack of data, particularly concerning scrap gold.

APPOINTMENTS

Mr C J Fourie, formerly of Volkskas Industrial Bank, has joined Interbank Discount House as chief dealer.

Mr R D Rauschenbach has been elected president of the SA-German Chamber of Trade and Industry.

Mr Frans Mentrup has been appointed to the board of Mitchell Cotts Airfreight (SA) Pty.

Mr Mervyn Serebro has been appointed general manager development and estates the OK Bazaars.

RDM 24/7/84

Board appointed to end mines dispute

214

Labour Correspondent

THE MINISTER of Manpower has appointed official conciliation boards to settle the wage dispute between the black National Union of Mineworkers and the Chamber of Mines on gold and coal mines

The boards, which consist of representatives of the two sides under the chairmanship of a Department of Manpower official, have been appointed in response to the NUM's decision to declare a dispute with the Chamber after wage talks between the two deadlocked

If they fail to settle the dispute within thirty days, the NUM, which claims a membership of about 75 000, will be entitled to hold a legal strike ballot on the mines

This could lead to the first-ever legal strike by black miners.

The appointment of the boards was revealed yesterday by the NUM's general secretary, Mr Cyril Ramaphosa, and confirmed by a Chamber spokesman. They were established late last week, but the NUM was informed of the Minister's decision yesterday

Mr Ramaphosa said no date had been set for the boards' first meeting He added, however, that he remained pessimistic about the prospects of a settlemen, and warned that the NUM would fight "through to the end"

If the boards failed to settle the dispute, the union would go ahead with plans to hold strike ballots

The NUM is demanding a 25% increase for its members, while the Chamber has replied with an offer of around 14%

The Chamber recently decided to implement its offer ahead of a settlement of the dispute, a move which led to strikes at several collieries

Sowetan 26/7/84

214

OFS mine will probe tribal riot

AN internal inquiry into the tribal fight which caused the death of five mineworkers and injuring of 27 others at Lorraine Gold Mine near Odendaalsrust, OFS, will be conducted by Anglo Vaal, owners of the mine.

The company's spokesman said that 20 of the 27 injured workers have been discharged from the mine's Allandridge Hospital and two were still in a serious condition.

The incident happened when two groups of Pondos and Shangaans clashed on the mine on Sunday night The mine security stopped the fight and the South African Police held several workers for questioning

The spokesman said that it was not known what the cause of the fight was, but indicated that the inquiry will probably reveal what sparked-off the fight

The toll has remained unchanged since Sunday All was back to normal and the workers have been going to their work, the spokesman said yesterday

The police are investigating.

LABOUR NEWS RDM 7/8/84 214

Key talks today as black gold mine strike looms

By PHILLIP VAN NIEKERK

HOPES of averting the country's first-ever legal strike by black gold mine workers hinge on a crucial official conciliation board meeting this morning between the National Union of Mineworkers (NUM) and the Chamber of Mines

The meeting is the first between the two parties since this year's pay talks broke down in June, putting the NUM into dispute with the chamber

In terms of the Labour Relations Act, the meeting will be chaired by an official from the Department of Manpower

If the conciliation board (CB) fails to resolve the dispute, the NUM, which claims a signed-up membership of 90 000, will be entitled to hold a strike ballot and call a legal strike

Mr Cyril Ramaphosa, general secretary of the NUM, said yesterday they were going into the talks with the intention of settling

"But if we can't settle," he said, "then we're going to have to decide what action to take".

A spokesman for the chamber refused to say whether they were considering an improved offer to put to the NUM in a bid to close the gap

In July the chamber, against the wishes of the NUM, implemented pay increases of around 14% for the almost half-a-million black workers on chamber mines

The increases were accompanied by strikes by thousands of workers from at least five collieries in the Eastern Transvaal and Natal

Today's CB meeting is a prelude to three other CB meetings this week involving NUM disputes, including a meeting tomorrow with the chamber over pay increases for black coalmine workers

The NUM will also be meeting with two Rand Mines-owned collieries, Duvha and Rietspruit, which are not part of the chamber.

Brazilian move by East Daggafontein

621A ~~230~~ ~~166A~~

C. Times 17/9/84

Own Correspondent

EAST Daggafontein has further expanded its considerable exploration interests in South Africa and has moved into Brazil

In May this year the company excercised its right to acquire the entire issued share capitals of TG Exploration and Juno Exploration which were the exploration arms in South Africa of Texasgulf

The original announcement in December last year gave some details of the exploration activity in which the two companies were involved

This was primarily linked to the extensive gold search being carried out by JCI

Interim results reveal that TG Exploration is managing a joint venture with Anglo American Prospecting Services to prospect an area of some 6 000 ha in the Eastern Transvaal

East Daggafontein has also bought for R200 000 "certain strategically situated mineral rights" in the district of Klerksdorp

"Although it is not anticipated that these mineral rights will be exploited in the near future, your directors are of the opinion that they could be of significant value in the longer term," says chairman Mr Adolf Lundin

50 percent interest

East Daggafontein's move into Brazil involves a gold exploration project in the state of Bahia where it holds some 16 000ha of ground under option

"It has subsequently entered into a joint venture with a foreign group in terms of which that group will earn a 50 percent interest in the joint venture upon the expenditure of Canadian dollars 300 000," Mr Lundin says

TG's share capital has been increased by R12,5m since the end of May and the company is to be renamed ED Exploration

East Dagga's taxed income for the six months to end-June dipped to R342 000 from the R399 000 earned in the first half of 1983

The interim statement shows that East Dagga's royalty income from the tributing agreements with Grootvlei and Marievale plummeted to R177 000

A jump in interest received to R970 000 (R133 000) as a result of the inflow of funds after the rights issue in February was the saver for the company in the six months

The rights issue raised some R26m to pay for East Dagga's participation in the Daggafontein dump retreatment operation being set up by East Rand Gold and Uranium

Uncertainty of income

The outlook for the rest of the financial year is poor and Mr Lundin says it is unlikely that a profit of "any significance" will be shown

Reasons for this are the uncertainty of income from the tributing agreements and the level of exploration expenditure likely to be incurred by TG

East Dagga has also advanced R425 000 to Springs Dagga Gold Mines which is its share of shareholder funding of that company's operations since October 31 last year

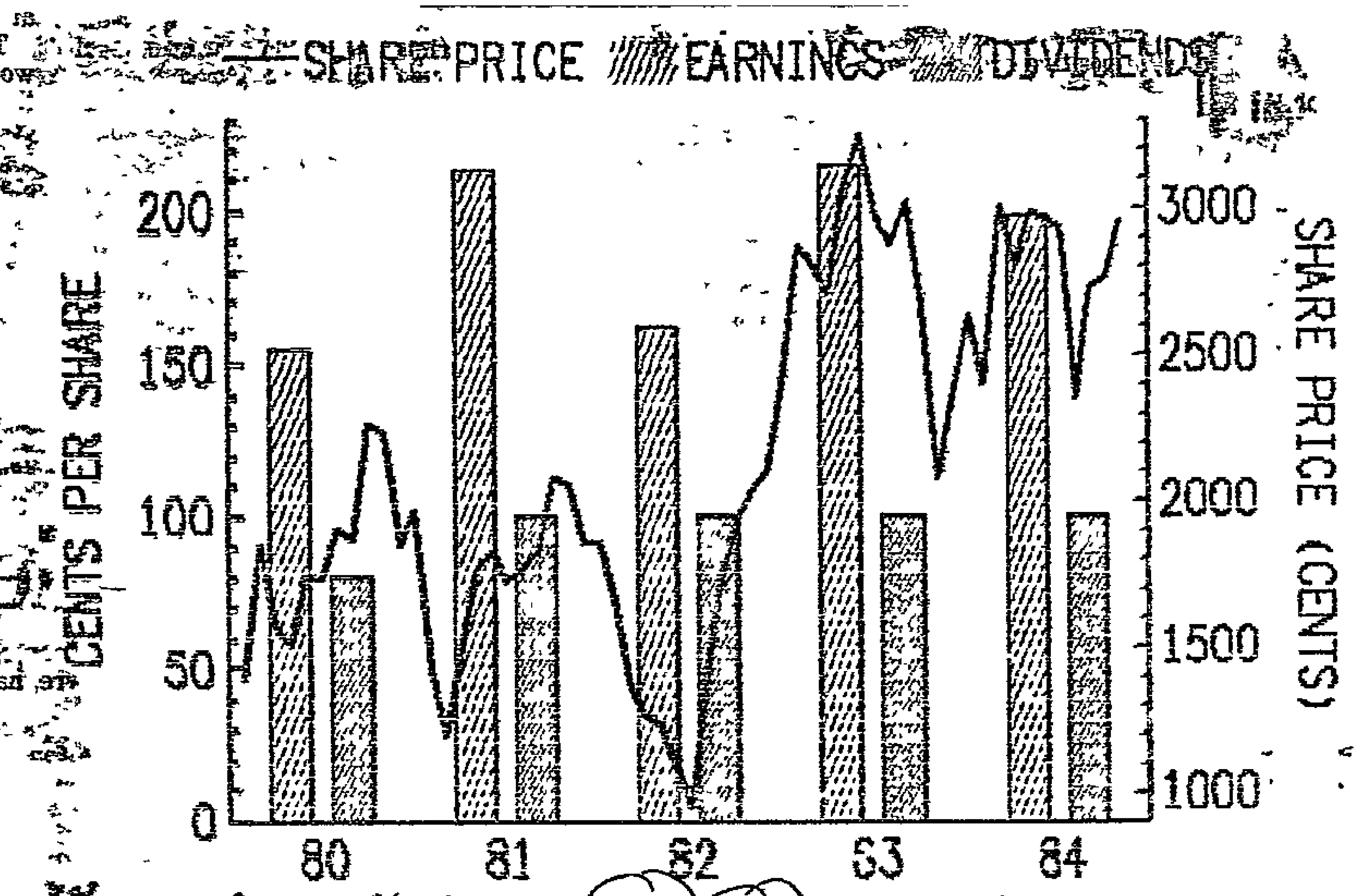
Springs Dagga is being managed by Egoli which holds 75 percent of the company with East Daggafontein holding the balance

Egoli has made the development of an operating mine at Springs Dagga a priority and is involved in detailed planning at present

Egoli hopes to obtain a separate listing for Springs Dagga but at the moment the company is losing money and is a drain on the resources of both Egoli and East Daggafontein

East Dagga's major local interest is its participation in the Daggafontein dump retreatment operation being set up by Ergo

A subsidiary of East Dagga, Dumpco, will sell dump material to the new treatment plant once it is set up



RDM 9/10/84 ~~235~~ 214

High tax rate felt as capex declines

GFSA profits take a tumble

By ADAM PAYNE

TOTAL after-tax profits of the GFSA group gold mines declined by 5% in the September quarter, compared with June, after higher pre-tax profit.

The group is now feeling the full effect of higher taxation — particularly high in the past quarter because capital spending was lower.

The combined after-tax profit was down to R181,269m (R191,648m) although working profit at R362,351m (R321,6m) was 12,6% higher, mainly because of the higher gold price at R17 338/kg (R15 579).

All mines except Doornfontein achieved higher earnings a share because of lower capital spending.

Mr Colin Fenton, head of GFSA's gold operations, said: "The traditional pattern in the September quarter of lower capex — the first quarter of the financial year — coupled with the effects of the annual wage and salary review, invariably causes a dip. The irony is that it coincided with the highest rand price levels in the industry's history."

In the September quarter the depreciation of the rand against the dollar resulted in an average receipt of R17 338/kg of gold compared R16 479 at the height of the 1980 gold boom.

At R604m the mines' combined revenue exceeded the June quarter's figure by nearly 10% — in spite of a drop of 423kg in the amount of metal produced. This shortfall related directly to an aggregate drop in yield, from 9,6g/t to 9,4g/t, because milling tonnages were constant at all mines except Deelkraal where tonnage milled was up by 3 000 tons.

Costs rose by 6,2%, to R242m, mainly because of increased pay for black mine workers from July.

This pay rise accounted for about 5% so that the remaining increase due to inflation was well controlled.

The average yield in the group dropped marginally to 9,4g/t (9,6g/t).

Working costs rose to R242,095m (R228,267m).

Capital spending was R56,84m (R86,629m) — a drop of 34% and tax rose to R221,003m (R171,366m) — a rise of 29%.

DRIEFONTEIN CONS: Yield was lower at both East and West Driefontein but profit after lower capex was higher giving higher eps at 72c (64c).

Pre-tax profit rose to R243m (R224m) but after heavier tax net profit dropped to R94m (R105m).

No 4 sub vertical shaft at East Driefontein is being commissioned and No 5 shaft at the East mine was sunk to its final depth of 1 970m.

VLAKFONTEIN: More tonnage was bought from outside sources and profit rose 45% with a higher yield.

DOORNFONTEIN: Results were virtually unchanged. Mr Fenton reported that the No 3 sub vertical shaft would be commissioned in three to four years. It will be 3 460m deep.

DEELKRAAL: Tonnage was marginally up, costs were only 3,2% higher and, with lower capex, eps were more than doubled at 8c (3,6c).

VENTERSPOST: Costs were up 5%. A fire broke out on the lowest level and a large part of the mine was sealed off. A loss of production, which has not yet been evaluated, is inevitable.

KLOOF: The mine had a good quarter with eps rising after lower capex and higher tax. Unit costs were higher, partly because of stockpiling of ore.

The mine is attempting to average 180 000 tons a month to total 540 000 tons a quarter compared with the 525 000 tons in the September quarter.

LIBANON: Grade has at last bottomed out and rose to 5,3g/t (5,1g/t) in the September quarter.

Costs were up by 5,7%. Earnings a share rose strongly to 68,7c (38,3c) because capex was halved to R4,083m.

● See page 3

LABOUR NEWS RDM 10/10/84 (24)

1 100 Marievale miners strike for pay increase

By PHILLIP VAN NIEKERK

MORE than 1 100 miners at Gencor's Marievale gold mine, near Springs, went on strike yesterday

The miners are demanding a pay increase to bring them into line with the deal negotiated between the National Union of Mineworkers (NUM) and the Chamber of Mines last month

A Gencor statement said no promises of any nature had been made to grant further increases to the workers over and above the annual increases implemented in July

A Gencor spokesman could not say whether the company would be prepared to grant the increases in the light of the fact that the NUM was recognised at the mine, and that increases had been granted at other recognised mines

The NUM-chamber settlement, reached during the country's first legal strike by black miners, only applied to the seven Anglo mines where the NUM was recognised

The separate deal involved an improvement to leave pay benefits which amounted to a 2,3% increase on the total wage bill

Even though the NUM was recognised at Marievale on July 13, union members at the mine were not party to the dispute or the settlement with the chamber for the 1984 pay increases

The Gencor statement said virtually all the workers had refused to report for work yesterday morning

It said the miners had behaved peacefully since the strike began on Monday night

The Gencor spokesman said workers had been informed that they were participating in an illegal strike which could have serious consequences "including dismissal"

However, there was no sign late yesterday when the workers would return to their jobs

The statement added that essential services on the mine, including the treatment plant, were still operating

The Rand Daily Mail was unable to get comment from the NUM yesterday, but it was reported that union officials had been denied access to the striking workers, in spite of the union being recognised at the mine

A union delegation met mine management yesterday to inform them of the causes of the strike

Sowetan 11/10/84 214

Marievale miners on strike

VIRTUALLY the entire workforce of 1 160 mineworkers at Gencor's Marievale Consolidated Gold Mine outside Springs is out on strike because of dissatisfaction over wage increases.

Most of the night shift refused to go underground on Tuesday night and were joined by the morning shift yesterday morning, a spokesman for the General Mining Corporation (Gencor) said

A worker delegation met on Tuesday with the mine management and expressed dissatisfaction with the 13,3 to 14,4 percent increases which were implemented at all Chamber of Mines mines on July 1.

Illegal

Because the statutory procedures had not been followed, the stoppage was regarded as an illegal strike by management, the Gencor spokesman added

However, the strikers have not yet been given any ultimatum, nor have they been threatened with dismissal for failing to return to work

The National Union of Mineworkers (NUM), which represents the majority of the Marievale black workers, signed a recognition agreement with the mine shortly after the start of annual wage negotiations with the Chamber this year

Mr Cyril Ramaphosa, general secretary of the union, said the Marievale manager had told employees they would receive the same increases the NUM managed to negotiate with the Chamber

Sowetan 12/10/84 ~~[illegible]~~ 214 ~~[illegible]~~

Miners end their strike

THE 1 160 striking mineworkers at Gencor's Marievale Consolidated Gold Mine outside Springs returned to work on Wednesday, ending a one-day stoppage at the mine.

The miners refused to go underground on Monday night and were joined by the morning shift on Tuesday. A delegation of representatives met with mine management to demand increases over and above those granted to all Chamber mines on July 1

According to Mr Cyril Ramaphosa, General Secretary of the National Union of Mineworkers (NUM) which has a recognition agreement with the mine, mineworkers were promised they would receive whatever the union managed to achieve in negotiations with the Chamber of Mines

However, the improved offer, accepted by the NUM after a one day legal strike, is only applicable to seven Anglo American gold mines

The union's dispute with the chamber in respect of members at the Rand Mutual Hospital ended in deadlock after the second mediation meeting on Tuesday Mr Ramaphosa said the dispute would now be going to arbitration

The dispute revolves around the NUM's demand for an 18 percent wage increase and a chamber offer of a 14,4 percent rise

In the disputes with Teba, the Chamber's recruiting wing, and Rand Refinery, Mr Ramaphosa said the union's negotiating team would be reporting back to members during the course of the week

NUM 12/10/84 ~~211~~ ~~213~~ ~~143~~ 214

Miners back after striking

Mail Reporter

WORK has returned to normal at Gencor's Marievale goldmine near Springs where more than 1 100 workers went on strike this week demanding a pay increase they claimed they had been offered

A spokesman for Gencor said the workers had returned for the Tuesday night and Wednesday shifts

He would not comment on a National Union of Mineworkers (NUM) claim that the union had been refused access to the mine during the strike even though the union is recognised there

Nor would he say whether the workers had been offered increases to get them to return to work

R40m plant for Harmony

16/10/84 (214)

Mercury correspondent

Johannesburg—Harmony gold mine is to build a new gold recovery plant at its No 4 shaft complex at a cost of about R40m.

The Rand Mines-managed producer revealed in its September quarterly results that the plant will be designed to treat 120 000 tons of ore a month and construction work will start later this year.

Harmony is currently sinking a twin-shaft system at the No 4 shaft complex.

The decision to build a new gold plant means the mine has scrapped its original idea of converting the Merriespruit uranium plant into a gold treatment plant.

Harmony closed down the Merriespruit plant in April this year because of depressed conditions in the world uranium plant.

Features

The plant had a number of features in common with a conventional gold recovery plant such as a filter section, thickeners and pachuca tanks.

Conversion would have required the construction of an ore milling circuit and a gold precipitation circuit.

Harmony chairman Mr Clive Knobbs said yesterday that although conversion of the Merriespruit uranium plant would have been cheaper, the high cost of transporting the ore from the No 4 shaft made the project uneconomical.

'The high capital cost of constructing and running a 10km railway line, including a bridge over the Sand River, to transport Harmony 4 shaft ore to Merriespruit was simply not a proposition,' he said.

The Merriespruit plant, which was only commissioned in 1980 at a cost of R33m provided through consumer loan finance, will now remain mothballed until the uranium market improves or Harmony requires another gold plant on that side of its property.

Quarterlies

The quarterly results also reveal that Harmony and Blyvooruitzicht have climbed into the forward gold markets in a big way after dipping their toes in the market during the June quarter.

These mines' positions in the forward markets are now proportionately the same or greater than those taken by marginal producers Durban Deep and ERPM.

Harmony has sold 11 207 kg of gold forward over the next four quarters at prices ranging from R19 052 for the current December quarter to R21 462 for the September quarter next year.

That is about 34 percent of the gold the mine could produce over the next four quarters.

Harmony's forward sales for the 1985 September quarter alone total 4 100 kg which is 49 percent of the 8 326 kg which Harmony has just produced in the current September quarter.

Blyvooruitzicht has sold forward 6 034 kg which is about 38 percent of the next four quarters' production.

Durban Deep has sold 2 500 kg forward over the same period while for ERPM the forward sales total 2 656 kg.

Mr Knobbs said yesterday 'We believe it unlikely that the prices in the spot market will rise in the next year to the levels at which we are currently closing deals in the forward market.

'Naturally there is no certainty that this will be the case and hence not more than 50 percent of production has been sold forward.'

YS RDM 16/10/84 (214)

Gold refiners strike over NUM-Chamber pay row

By PHILLIP VAN NIEKERK

MORE than 220 workers at the Rand Refinery, which processes all the country's gold, went on strike yesterday after the National Union of Mineworkers (NUM) failed to agree with the Chamber of Mines on annual increases

But there were signs last night that the workers, who make up more than 80% of the workforce at the refinery, were preparing to return to their jobs today

The strike follows months of negotiations between the NUM and the chamber, culminating in a conciliation board meeting last week in which the union agreed to take a final offer from the chamber back to its members

The NUM has lowered its demand to 18%, while the chamber has offered about 11%

A letter from the NUM informing the chamber that their members had rejected the offer, but were prepared to talk further, was delivered yesterday

Mr Johan Liebenberg, industrial relations adviser to the chamber, said the workers downed tools at 6 37am, before it was possible to inform the Divisional Inspector of Manpower that deadlock had been reached

Technically the strike was illegal

But Mr Cyril Ramaphosa, general secretary of the NUM, said the strike was legal because the union had followed all the procedures since July

Mr Liebenberg said output at the refinery had not been affected and they could maintain production for a "very long time" Mr Ramaphosa countered with "They would of course say that."

A spokesman for the chamber said last night that the workers had agreed to return today after talks with management

Workers from the Johannesburg depot of Teba, the chamber's recruiting arm, are to decide in the next few days whether or not to strike because of a deadlock reached between the NUM and the chamber

TS RDM 19/10/84 214

Company scorn for 'union breaking' claim

By PHILLIP VAN NIEKERK

TENSION is high at Anglovaal's Hartebeestfontein gold mine near Klerksdorp where the company has denied as "absolute nonsense" claims by the National Union of Mineworkers that management is "provoking a strike" to break the union

The union says mine police have maintained a constant presence at the No 2 and 4 shaft hostels this week where a dispute has arisen over the chanting of union songs

An NUM spokesman said workers were teargassed on Wednesday and four union members, including two shaft stewards, were arrested this week They have been charged with disturbing the peace and face disciplinary hearings

Mr Ray Moore, a spokesman for Anglovaal, said mine security officials were there to maintain law and order and were only being used when there was need

"There have been complaints by residents of the hostels that certain people are disturbing the peace late at night. If the union people go about their business in an orderly manner, then there are no problems"

Mr Moore said that as far as he knew, no teargas had been fired

The NUM spokesman said they had agreed to stop singing the union songs on Tuesday and that the four men were arrested later during a union meeting when no songs were being sung

He said the constant presence of mine security was provoking the workers

The mine was among those hit by strikes last month

NCE Argus 19/10/84 (244)

Record rand gold price bonanza for SA mines

Argus Correspondent

JOHANNESBURG — Although the rand has seesawed wildly this week against a rampant US dollar, touching one new low after another, gold has held up surprisingly well on world markets with the result that South African gold mines are receiving their highest rand price yet for their production

The lowest point touched by the rand against the dollar yesterday was around 55,45 US cents, while gold traded little changed at just under $340

Based on this combination the country's gold producers will receive about R610 an ounce on gold sold overseas — the first time the rand gold price has exceeded R600

Not even in the halcyon days of 1980, when the world gold price touched $800, did the gold mines receive such a high income — because the rand against the US dollar was then in the $1,35 range, giving the mines only R595 for their production

By all indications the dollar has not yet run out of steam Thus South Africa can look forward to a bonanza year in bullion production

In practical terms this means that the Government will receive extremely good tax payments from the industry, while its own outlay in terms of assistance to marginal mines — there is not a single gold producer operating at a loss at the current rand gold price — will be extremely low

This more than welcome bonanza will help the authorities to balance their books and keep off the pressure for another rise in tax rates

It is not only the gold mining industry that is benefiting from the low rand-dollar exchange rate

All the country's mineral exporters — such as the chrome mines, manganese producers, the coal, antimony, iron ore and other industries — have generally had their contracts written in dollar terms

Should the current agricultural season benefit from normal weather and production recover to average levels, the country will not only benefit from the exports that will result but also from being able to avoid costly imports of essential foods such as those in the past two seasons

CONFIDENCE LOW

Thus, while the domestic economy may be in for a battering with business confidence generally extremely low, industries and companies which rely heavily on exports for their existence are in for a good year

The devaluation of the rand should have also given South Africa's manufacturers an edge in world markets Regrettably this has not been the case

South Africa's inflation — running at a rate at least double that of major trading partners — has eroded any price edge that may have resulted from the low rand rate, while the country's abysmally low productivity, too, has not helped the manufacturing sector on world markets

Inflation and low productivity remain two of the major stumbling blocks the country must tackle before any progress can be made in terms of getting the economy moving again

This week the Minister of Finance, Mr Barend du Plessis, told the 25th anniversary dinner of the Association of General Banks that the authorities were detemined to win the battle against these twin evils

He said that recent, somewhat draconian, measures adopted by the authorities would remain in place until the battle against inflation was won or at least was a long way down the road to having been won

His message was clear The country will have to bite the bullet now in expectation of better times ahead

LABOUR NEWS RDM 23/10/84

Job warning to refinery strikers

By PHILLIP VAN NIEKERK

MORE than 220 workers on strike at the Rand Refinery on the East Rand have been warned they could face dismissal if they continue with their legal strike, which began yesterday

Pamphlets have been distributed at the Chamber of Mines-run refinery, which processes all the country's gold, warning workers that if they are not back today, management has the right to dismiss them

This is the second Monday in a row that the workers have gone on strike as a result of the deadlocked wage dispute between the National Union of Mineworkers (NUM) and the chamber

Last Tuesday they returned to their jobs, but this time they were going to stay out indefinitely, an NUM spokesman said yesterday

When the chamber and the NUM deadlocked at the official conciliation board more than a week ago, the workers were demanding an 18% pay rise while the chamber was offering 12%

If they are dismissed, the workers face the prospect of being "repatriated" to the homelands Nearly all the striking workers live in a company hostel near the factory premises

Already, the union is gearing up to take legal action on behalf of the workers if the chamber decides to dismiss them and evict them from the hostels

The chamber — who say they have certain "contingency measures" to deal with the strike — have denied that production in the refinery has been affected

But the NUM says it is ridiculous to claim that 90% of the workforce can go on strike without affecting production

Meanwhile, the refinery workers could be joined by workers from the Johannesburg depot of Teba, the recruiting arm of the chamber, who are also involved in a wage dispute with the chamber

Teba workers were due to decide last week whether or not to press on with their legal strike, but no decision has been announced yet

Other NUM members now entitled to strike legally are those employed at Rietspruit and Duvha, two Rand Mines-run collieries in the Eastern Transvaal

SOWETAN, Thursday, October 25, 1984

Mine slaps recruiting ban on Bamcwu

By JOSHUA RABOROKO

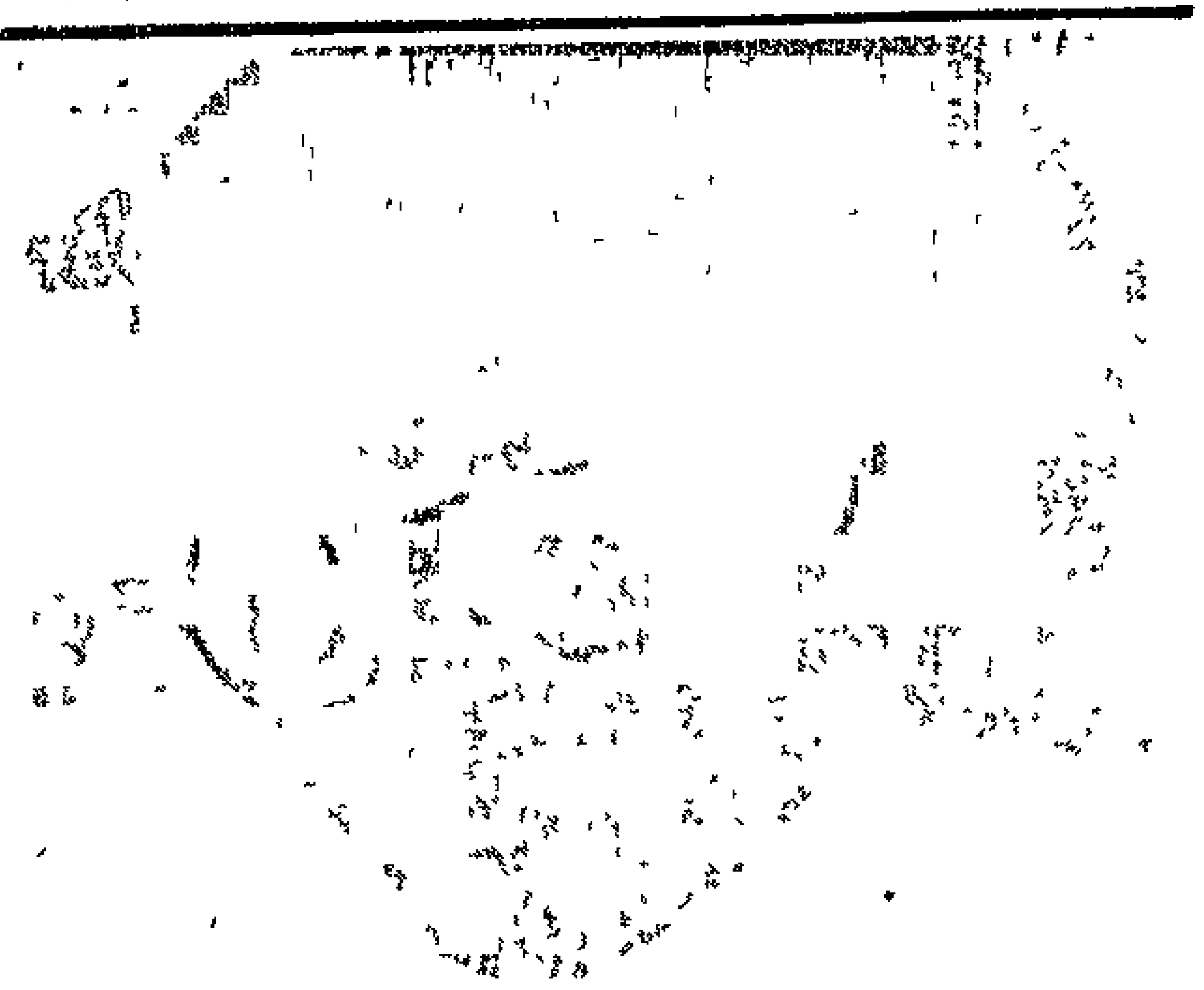
THE BLACK Allied Mining and Construction Workers' Union (Bamcwu), has been banned from recruiting workers at the Durban Roodepoort Deep Goldmine owned by Rand Mines.

The news of the ban was announced yesterday by Bamcwu's general secretary, Mr Phandelani Nefolovhodwe, who said that the company has notified them that their rights to recruit workers on the mine, have been cancelled.

The ban was sparked-off, following "strained relations" between the parties during the recent strike over wages and the subsequent arrest and dismissal of members at the gold mine

Mr Nefolovhodwe said that management accused them of "insigating and fabricating" stories about the events during the strike in which several people were injured by police dogs.

Rand Mines' chairman, Mr Clive Knobbs, confirmed the cancellation of Bamcwu's right to recruit workers at the mine. This action, he said, was because of the "malicious and irresponsible manner" in which the union behaved during the strike.



BAMCWU's Phandelani Nefolovhodwe . . . rights withdrawn.

"As far as we are concerned, this is but another ploy by the exploiters to supress the genuine mouthpiece of the exploited We see this and the continued incaceration without charges of our shop stewards at the mines as an effort to bash Bamcwu's image on the mine," Mr Nefolovhodwe said

GFSA gold mines interim dividends less than forecast

CAPE TIMES 12/12/84

214

By BRENDAN RYAN

JOHANNESBURG. — Interim dividends from Gold Fields of South Africa's (GFSA) gold mines appear conservative but in line with the group's established policy.

However, while most analysts expected restrained payouts from the group, the interim dividends declared by Driefontein Consolidated and Vlakfontein appear lower than necessary

Driefontein has declared an interim of 115c a share for the six months ending December compared with a previous interim of 105c

One broker pitched the interim at a maintained 105c but most had forecasts varying from 130c to 140c

Vlakfontein, as predicted by the chairman, Mr Alan Munro, in his last annual review, has announced a capital-repayment in lieu of dividend of 15c a share

That, according to market analysts, is stingy because Vlaks had distributable earnings of 13c a share for the September quarter alone and the rand gold price has improved considerably for the December quarter

Deelkraal has declared an interim dividend of 10c a share This is a maiden interim dividend from the mine which analysts found encouraging

Market predictions on the dividend had ranged from 10c to 15c

Doornfontein has declared an interim dividend of 80c a share which is unchanged from the previous interim dividend

That is in line with most market predictions although some analysts were looking for a declaration of between 90c and 100c a share

Kloof has declared an interim of 160c a share which compares with a previous interim of 130c a share

While some analysts had predicted a maintained interim others had estimated the declaration to be as high as 200c

Libanon's declaration of 120c a share (previous interim — 110c) is generally in line with market predictions which had ranged from 95c to 135c

Marginal mine

GFSA's only marginal mine, Venterspost, has declared an interim dividend of 75c a share which is well up on the 1983 interim of 40c a share

Market predictions had ranged from a maintained 40c a share to 80c a share

Most analysts felt the declarations from GFSA were well below what the mines could have paid out

However, they commented this was to be expected given the group's conservative policy on interim declarations and some felt that the token increases over the interim dividends paid last year were encouraging

crews from Three Anchor

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Cape Times 12/12/84

214

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RDM 17/12/84 (2.14)

Opposition grows to OFS mine merger

By ELIZABETH ROUSE

MAJOR French bank, Dreyfus, is mustering its international clients in a major campaign against the proposed merger of Anglo American's six Free State gold mines

A telex-telegram message is being sent to clients, prompting them to express disenchantment at Anglo's proposed move to merge Free State Geduld, President Brand, President Steyn, Western Holdings, Welkom and unlisted Jeannette Gold Mines into a R3,7bn market capitalised company

The bank joins US huge US investment funds, such as International Investors Fund of New York, in expressing opposition to the disappearance of four gold shares from the Free State sector, leaving only five shares in that sector

The bank's and investment funds' main argument is that the merger deprives them of a free choice of investment among producers with varying prospects and that the JSE's gold sector — which has not seen a new listing in six years — is being further truncated

Fears of dilution of dividends by inclusion of short-life producers in one major company are another major factor in investor dissatisfaction The mixture of high grade mines such as Brand and Steyn with the marginal Western Holdings complex is viewed with misgivings

Institutions, UK unit trusts and North American funds are the main objectors to the merger Many may not hold more than 5% of their portfolios in a single stock When the gold companies are merged, institutional holdings will in many cases be at or above 5%

That means they will either not be able to buy more stock in the giant company or be forced to sell stock to satisfy regulations

Anglo American has already come up against the Finance Minister, Mr Barend du Plessis, who has expressed his misgivings about the tax implications of the merger. He intends referring the fiscal implications of the large merger to the Margo Commission on tax

Anglo's gold and uranium division chairman, Mr Peter Gush, answered that the operation would be "totally tax neutral".

However, tax considerations have been the main reason for new gold mining developments taking place under the aegis of a large producer In the golden days the opening of large ore bodies would have warranted listings of separate gold producers

Johannesburg broking firms are also getting adverse reaction to the merger from their clients

"Opposition is growing," says a leading firm's mining analyst "Anglo appears to have misread the market, not anticipating the reaction of shareholders"

The scheme has obvious benefits for the future of the Free State mines, which are now moving into lower grade areas But an equitable merger will have to be devised to satisfy shareholders

The analyst believes that a scheme similar that of Western Holdings — which left Welkom (owning 6,84m Western Holding shares) on the JSE board — might be a possible solution

R3-m project to boost Wit Nigel ore tonnage

STAR 19/12/84 (21C)

By Stan Kennedy

Work has started on an incline shaft and conveyor system at Wit Nigel gold mine that will help boost the ore tonnage from 40 000 tons to 75 000 tons a month and place the mine in an on-going profitable situation

The R3 million project is an alternative to the further sinking of No 10 shaft which was aborted at 60 m just over two years ago — after an outlay of R10 million — because of a shortage of capital. It was started by former managers, African Land and Exploration, and its abandonment was one of the major reasons for the management shake-up which resulted in former stockbroker Mr Peter George taking over.

Mr Danie Theron, Wit Nigel's consulting engineer and a director, told *The Star* this week that the endless rope haulages on the lower levels made it difficult to increases tonnages. They were hazardous and labour intensive. With the incline shaft and conveyor system, it would be possible to mine to 31 level (1 370 m), where there were higher grades of ore. At present ore is being mined at 28 level (1 200 m)

The ore will be taken by conveyor to 16 and 18 levels, where it will be taken to No 7 shaft and hoisted to the surface

He said that when the system is in operation next year, the mine will start making "reasonable" profits

"If we can raise R20 million, we will develop a long-term plan and push the tonnage still further to 300 000 tons a month so that we can generate our own capital and make good profits and pay dividends"

Capacity of the mills is 50 000 tons and of the new R1 million charcoal-in-pulp/leach (CIP/L) plant 60 000 tons. Mr Theron said the money would go to extending the mill and the CIP/L plant

The mine has been operating since 1935, but always under a cloud of imminent closure, he said. The mine was run on a shoestring.

The reef is not clearly defined, and the normal methods of exploration, such as borehole drilling, are too costly to use for determining the deposits.

"It is difficult to evalauate the mine," he said. "Putting down boreholes does not tell you anything. If you drill and you get values you are in a puddle, if you drill and don't get values you are in a sandbank

"The only way to get any idea of the payshoots and their direction of flow is by developing"

The gold deposits are contained in thousands of payshoots, interspersed with as many barren areas. Developing the mine, however, means that a great deal of waste is hoisted to the surface, but its incidence to the mills is reduced to the minimum by workers at the waste-picking plant

As a marginal producer, with recovered grades averaging 3,5 g/t, the mine needs to increase its tonnage milled substantially. Break-even point is costs of R43 a ton milled at a gold price of R19 100 a kg

Costs have been well contained since the new management team took over and in the quarter ended September 30, they stood at R49 a ton — itself a drop of R10 a ton from the previous quarter. It is understood they have declined still further, and that the mine is making a small profit.

Cheers to the mines and wish for a better gold price

(214) STAR 22/12/84 (214)

By Stan Kennedy

The rand value of all mineral sales this year is expected to be some five to six percent higher than the record R16,174 billion in 1983 — to as high as R17,2 billion.

If provisional estimates for December prove correct, gold output this year compared to 1983 will decline marginally to around 677 tons.

Despite slightly lower output and a declining dollar price, rand revenues are expected to exceed the previous year substantially to reach record levels.

Mr George Nesbit, president of the Chamber of Mines, says in an exclusive year-end review for *The Star* that despite a reduction in gold output, the industry continues to expand in tons milled.

It is this factor, he says, which has enabled it to maintain output while grades of ore mined continue to decline. These were down 2,3 percent from 6,58 grams to 6,43 grams a ton milled during the first nine months of this year.

Says Mr Nesbit: "Any examination of the South African mining scene is inexorably dominated by the fortunes of gold.

"Gold sales this year will, as in previous years, account for nearly 70 percent of the value of the country's total mineral exports and will provide some 50 percent of its foreign exchange earnings.

Chamber of Mines' George Nesbit — 1984 was a very good year.

SHORT-TERM DEPRESSION

"But the past two years have not proved kind for gold. The dollar price has erratically fallen from a high of $511,50 an ounce in February 1983 to barely $300 this past week.

"While no one doubts that the price will continue its historic upward path in the long run, the recent short-run depression in price is of obvious concern."

The falling dollar prices will mean a reduction in forex earnings by the industry but, because of the depreciating rand — down from around 80 US cents in January to 53 this week — earnings in terms of local currency will actually rise.

Performances of other precious metals and diamonds were disappointing.

The substantial improvement on diamond sales in 1983 was not maintained after the first quarter this year, with sales declining below output.

Silver, now trading at less than $6,35 an ounce, is at its lowest since August 1982. Platinum, only recently selling at a premium to gold, is now fixed at around $295 an ounce — its lowest since October 1982.

Mr Nesbit sees no point in denying that the current state of the precious metals market is grist to the pessimists' mill.

"But I am optimistic about the future for two major reasons.

"First, the current strength of the US dollar has, in a sense, distorted precious metal prices which are now at levels approaching record highs in some countries.

"Second, there is a tendency by analysts to overlook physical demand for precious metals which, despite high non-dollar prices, is reviving in both the jewellery trade and industry."

The world jewellery industry, for example, is expected to use some 900 tons of gold in 1984 — 14 percent more than in 1983. Similarly, there are real signs of a revival in industrial demand for gold, silver and the platinum group metals.

So, while domestic demand remains fickle, he says, there are positive signs of a real revival on the immediate horizon.

While international coal markets are tending towards uncertainty, there has been evidence of a hardening of both demand and price. Consequently, the country's coal mining industry — second largest export earner after gold — showed a marked improvement.

Production will reach 150 million tons this year and total sales will generate about R3 billion, with a thriving export market representing more than 50 percent of that figure.

Manganese ore sales are expected to rise 40 percent this year, ferro-manganese 50 percent and chrome ore 50 percent.

In the non-ferrous metals and minerals sector, copper continues to be over-supplied on world markets and the local industry remains confronted by unrealistically low prices.

Despite a depreciating rand, the value of copper exports is expected to drop this year.

Tin prices in rand terms should show an increase, largely as a result of the weak rand, but export earnings will fall because of a drop in tonnage.

The short recovery in the lead price in April should boost export earnings despite a decline in export volumes. Nickel prices have firmed and export revenues should be more than 70 percent than in 1983.

Zinc concentrate export sales are buoyant with a 333 percent rise in revenues for the first six months of the year, compared to the same period in 1983.

Mr Nesbit says the depressed state of the precious metals and most base mineral prices this year made it, generally, unsatisfactory for the industry.

"Nevertheless, the industry is resilient, cost-effective and efficient and given victory in the battle against inflation, which is still our major problem, it remains poised to respond to the expected strengthening of international demand," he says.

FURNITURE KAROO - Page 2

Packer

16.72 18.92 29.04 31.68 34.76 38.28 41.36 44.00 47.08 47.08 53.68 56.76 60.28 66.00
31.14 34.72 46.32 46.66 46.16 45.52 43.49 40.70 42.61 38.72 40.06 40.28 41.63 41.38
Current Hours: 44 Hourly Change 1975 to date: Nominal +294.7% Real +21.1% Current Real Weekly Wage: R 37.69

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NES

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83.58 86.39 82.81 82.95 80.64 77.95 74.49 67.97 71.28 64.77 65.67 65.58 66.85 65.66
Current Hours: 44 Hourly Change 1975 to date: Nominal +133.3% Real -28.4% Current Real Weekly Wage: R 59.81

Drvr >2722kg

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Current Hours: 48 Hourly Change 1975 to date: Nominal +204.7% Real -6.6% Current Real Weekly Wage: R 32.92

Drvr 2722-4536k

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46.55 45.87 47.72 47.95 46.75 44.99 42.57 39.89 42.21 38.36 39.73 39.97 41.33 41.10
Current Hours: 48 Hourly Change 1975 to date: Nominal +162.2% Real -19.6% Current Real Weekly Wage: R 37.44

Drvr >4536kg

30.00 30.00 33.88 37.40 40.48 43.56 47.08 49.72 53.24 53.24 59.84 62.92 66.44 72.16
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Current Hours: 48 Hourly Change 1975 to date: Nominal +140.5% Real -26.2% Current Real Weekly Wage: R 41.21

MINING — GOLD.

1985

GFSA lifts profits to record levels

214

Cape Times 11/1/85

By BRENDAN RYAN

JOHANNESBURG. — The money rolled in to Gold Fields of South Africa's gold mines in the December quarter as the group earned record quarterly taxed profits of nearly R222m.

Earnings were boosted by the depreciation of the rand and GFSA's average gold price received for the quarter rose to a record R19 439/kg (R605/oz) compared with R17 338/kg (R539/oz) in the September quarter and R15 579/kg (R485/oz) in the June quarter

GFSA does not sell gold forward or get involved in forward currency dealing and the group has therefore received the full benefit of the rand's depreciation

Deelkraal showed a drop in grade to 4,8 g/t in the December quarter (September quarter 5,1 g/t) as the mine reacted to the soaring rand gold price which has moved Deelkraal's pay limit down 0,5 g/t in the last six months

GFSA gold operations head, Mr Colin Fenton, said the mine was able to react quickly because of the availability of previously unpay stopes He said the grade would remain at around 4,8 g/t if the rand gold price stayed at present levels

At **Doornfontein** an accident closed down the crushing plant for five days

The mill switched to treating ore from the mine's crushed surface stockpile which has a lower grade than ore direct from underground

As a result, the mine's grade dipped to 6,2 g/t (6,8 g/t)

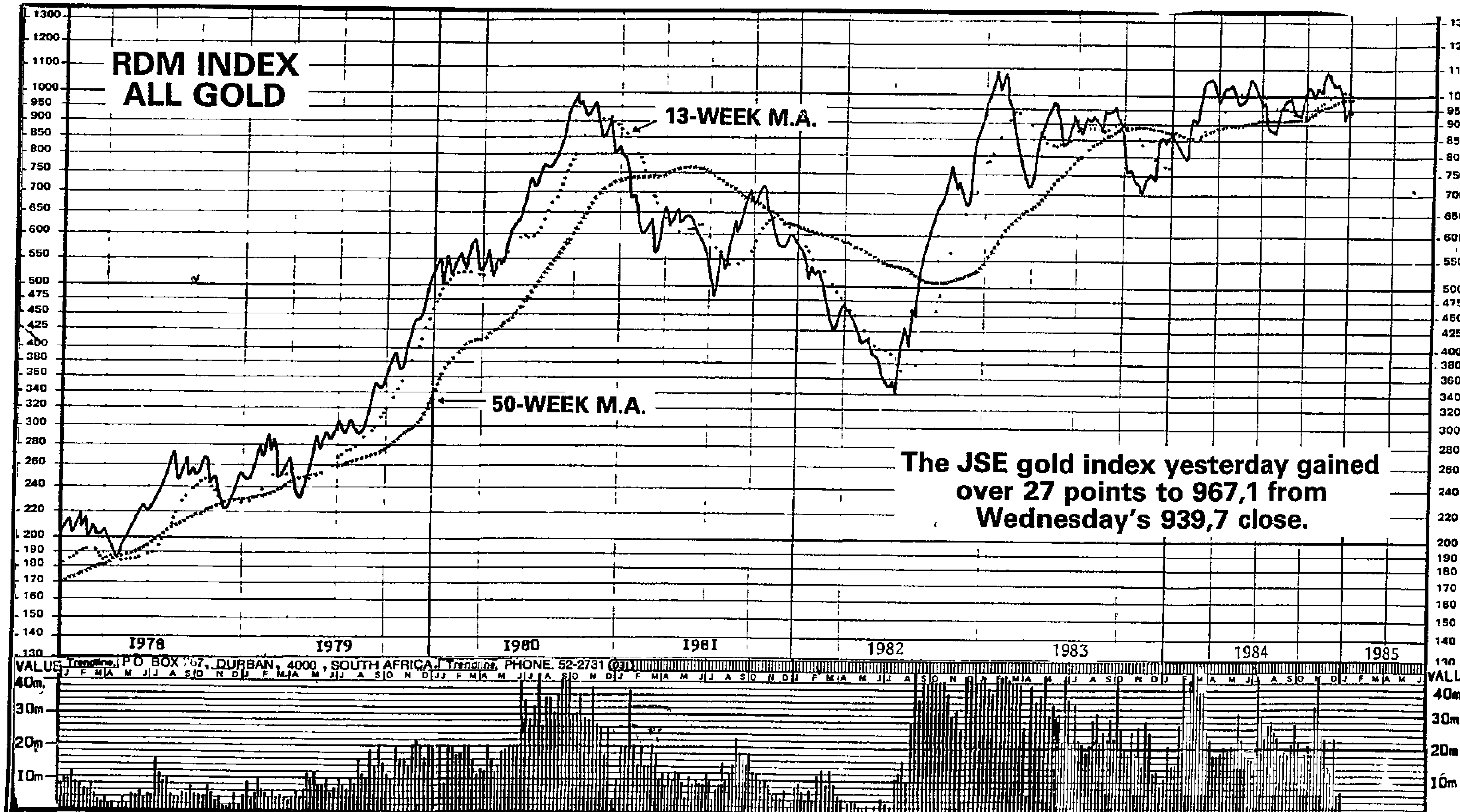
However, the mine still managed a 55 percent jump in distributable earnings which was the best in the group

Kloof has speeded up its capex programme and brought forward the start of work on the No 5 ventilation shaft This will increase the mine's estimated capex for the year to June by R10,7m

Libanon pushed distributable earnings up 30 percent

Vlakfontein made taxed profits of R940 000 (R786 000) in yet another good quarter for this consistently profitable small operation

At **Driefontein Consolidated** grade dipped to 11,8 g/t (12,2 g/t) at East Drie in response to the higher gold price but rose marginally to 13,3 g/t (13,2 g/t) at West Drie where the mining system does not allow a rapid response to changes in the pay limit



Gold mines on West Rand may extend production

CAPE TIMES 14/1/85

214

By BRENDAN RYAN

JOHANNESBURG — Drilling programmes by various mining houses on the West Rand could lead to extensions of the lives of the principal gold mines in the area

That is the conclusion of an in-depth geological study of the West Rand carried out by JSE stockbrokers Davis Borkum Hare

The report was prepared by the firm's mining research department under the direction of Mr E D Gleason, assisted by Mr H T Roadley and Dr E S A Antrobus

Developments

Some of the developments could take place in the near future while others are purely speculative, depending on drilling activities, and may only come to fruition in 10 to 20 years time

The brokers say that marginal mine Venterspost, managed by Gold Fields of South Africa (GFSA), is likely to have a payable area to the east of its existing lease

In this area the South Reef suboutcrops and lies at depths of 2 000 m containing at least 15m tons of payable ore

The area lies between Venterspost and JCI-controlled Randfontein Estates and covers the Gemspost-Bekkersdal region.

The South Reef also underlies the Cooke section of Randfontein

"Part of the area is owned by Randfontein so any decision to exploit the area would probably be by arrangement, with Randfontein being used as a vehicle to take advantage of tax allowances for the capital expenditure necessary to sink a new shaft," the brokers say

Areas

The report says there are two additional areas that Randfontein Estates might also at some stage exploit.

These are the Ventersdorp Contact Reef (VCR) on the western boundary of the existing Cooke Section and the Kimberley Reef below the UE1A Reef throughout the Cooke section as well as to the west and east of it

"In order to exploit these reefs, capital expenditure could be held to a minimum by making use of the existing shaft systems in the Cooke Section, although, naturally, the shafts would need to be deepened

"Mining would be more expensive than is achievable with the UE1A Reef but the grades are good

"Given the expansion programme that Randfontein is presently conducting through the Doornkop Section and its involvement in the mining venture at Theunissen, an early announcement regarding the future is not anticipated

"Nevertheless, we are of the opinion that by the time that Doornkop is operational, further drilling will have confirmed our geological conclusions and that shaft development will commence within four to five years with a view to expanding operations and exploiting the Kimberley Reef by 1993," the brokers say

Future

The brokers conclude Randfontein has a future that will extend well into the 21st century and the long-term returns indicate a sound investment at a share price of R220 (The report was published at the end of November and the share price subsequently dropped to below R200 before recovering to its present levels)

Other areas of interest in the region are south of Western Areas and south-west of Kloof where GFSA is carrying out an extensive drilling programme on the VCR

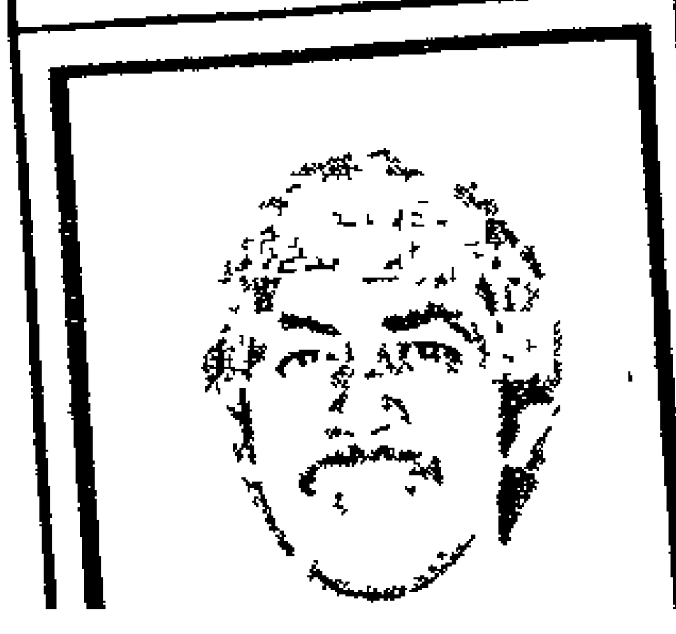
"JCI and Anglo American Corporation have both been drilling for the Upper Elsburg Reef to the south of Western Areas and although comments from the chairmen are encouraging, the reefs are deep A new mine is possible but not, in our opinion, within the next few years," the brokers say

The report says drilling is in progress in a number of areas to confirm the possibilities outlined

Asseng sees no improvement

JOHANNESBURG — Associated Engineering expects no improvement of any significance in the level of market activity before the end of 1985, the chairman, Mr John Collyear, said in the annual report

He said the company remains committed to the overall strategy of increasing its share of the engine spares replacement market, the improvement of productivity and reduction of manufacturing unit costs



brokers Davis Borkum Hare.

The report was prepared by the firm's mining research department under the direction of Mr E D Gleason, assisted by Mr H T Roadley and Dr E S A Antrobus

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The work force was reduced to 997 at the end of November last year from 1 153 on October 1, 1983, the majority of which was related to productivity improvements

Collyear said all group companies continued to finance their overseas purchases by means of Euro-Dollar bills, with full forward cover being taken throughout the year

"While the taking of forward cover has negated most of the benefit in interest rate differentials, our policy has enabled us to avoid substantial foreign exchange losses," he said. — Reuter

(214)

RDM 12/2/85

Management promise ends miners' strike

By PHILLIP VAN NIEKERK

MORE than 13 000 striking miners from the Kloof goldmine near Carletonville began returning to their jobs last night after gaining an undertaking from management at the Gold Fields-run mine to look into their grievances

The workers went on strike on Sunday night, demanding the dismissal of a hostel manager, the payment of leave pay and citing a number of other grievances

A spokesman for Gold Fields of South Africa said the workers had agreed to return following negotiations between management and the National Union of Mineworkers (NUM)

The spokesman said management had undertaken to look into the long list of grievances supplied by the workers

Mr Cyril Ramaphosa, the general secretary of the NUM, said the workers were demanding the dismissal of a hostel manager who was allegedly victimising them in a "blatant and racialistic" way

He said most of the victimisation centred around the three-week-old boycott of the local concession stores, one of a number of such boycotts launched by union members in recent months

Mr Ramaphosa said the workers had also objected to only receiving their leave pay when they returned from leave "Management has agreed now that they will pay the in Soweto opened by Mayor Edward Kunene

(214) Sowetan 12/2/85

13 000 miners refuse to work

By JOSHUA RABOROKO

MORE THAN 13 000 mineworkers at Kloof Gold Mine near Westonaria yesterday stopped work and refused to go underground.

The Westonaria gold mine — one of the largest gold producers in the country — was virtually brought to a standstill when the workers refused to go underground in the presence of "heavy security"

According to a spokesman for Gold Fields of SA (GFSA), owners of the mine, production was "obviously" affected by the workers' action which had been peaceful

The spokesman said that it had not been ascertained what the reason for the work stoppage was, but management held discussions with the leader of the National Union of Mineworkers, Mr Cyril Ramaphosa yesterday

Resume duties

A spokesman for the Chamber of Mines yesterday said that the Kloof Gold Mine produced 32 000 kg of gold last year

GFSA's spokesman told **The SOWETAN** that after discussions with Mr Ramaphosa yesterday the workers resolved to resume duties at 9 pm last night.

However, it could not be established by late last night whether or not the workers had returned

Although it could not be established what the cause of the stoppage was, it is understood that white miners were brought to the surface and withdrawn from the mine at about 10 am on Monday morning

An industrial relations consultant and several trade unionists have said that this is probably the biggest industrial action by workers so far this year

Sowetan 13/2/85 214

Union may go to court

By JOSHUA RABOROKO

THE Black Allied Mining and Construction Workers' Union (Bamcwu) is considering legal action against Rand Mines, owners of Durban Deep Goldmine on the West Rand for the reinstatement of their members sacked during a mine strike last year.

The workers claim they were dismissed after they were found not guilty and discharged in the Roodepoort Magistrate's Court when they appeared on charges under the Intimidation Act, according to Bamcwu's publicity secretary, Mr Motshumi Mkhini yesterday.

He said the workers went back to the mine for their jobs after the court hearing but were told that they could not be employed again and their services have been terminated

They were then subjected to an inquiry which found them "guilty", but were immediately told that they could appeal against the conviction This they did and "it appears that management is not prepared to re-employ them because of the court case — and this is aimed at victimising union members," he said

Resigned

However, the company's spokesman Mr Paul Forbes, said the workers were re-engaged after the trial, but a disciplinary inquiry found them "guilty". One of the workers then resigned and later applied for a vacancy which he could not get

He added that the rest of the workers were told that they have the right to appeal against the disciplinary inquiry and "we are still looking into their case "

A worker who did not want his name mentioned told The SOWETAN that his "bosses" accused him of being a trade unionist, being involved in an illegal strike and terminated his services He was paid his wages, but did not get his severance pay and other benefits

Two other workers who management had claimed did not approach them after the court case, declared that they did apply for their jobs, but were not welcomed They were also not going to be paid for the period they have been awaiting trial

Mr Forbes said that much will depend on the outcome of the "appeal hearing" He could not guarantee that they will be re-employed

But Bamcwu's Mokhini said if they were not reinstated they will consider taking legal action against the company

RDM 16/2/85

12 000 strikers face sacking

By PHILLIP VAN NIEKERK

HELICOPTERS dropped leaflets, police dispersed picketers, and 12 000 striking workers at Gold Fields' East Driefontein gold mine near Carletonville were threatened with dismissal yesterday afternoon if they did not return to work

The workers have been on strike since Thursday night over a long list of grievances Their action brings to 25 000 the number of Gold Fields miners who have been on strike this week

Mr Cyril Ramaphosa, general secretary of the National Union of Mineworkers (NUM), said the workers were complaining about the quality of the mine's food, its handling of disciplinary cases, and assaults by white miners on black workers

He said management had refused to talk to the union in an effort to resolve the dispute

The dispute at the nearby Kloof mine earlier in the week was resolved after management met with the union and undertook to look at the workers' grievances

A statement from Gold Fields said all efforts were under way late yesterday to persuade the workers to end their illegal stoppage, and if they did not return they would "regrettably" have to be discharged

The statement said police had moved in to disperse the crowd which had been picketing the gates of the hostels

● About 1 200 miners at Rand Mines' Rietspruit Colliery near Witbank continued their strike yesterday over the dismissal of two NUM shop stewards

The two were dismissed for their role in organising a two-hour prayer service in memory of a worker who died in an accident on the mine last week

A management spokesman said the men were fired after an inquiry into their role in the stoppage.

Tension mounts at Anglo mine

By PHILLIP VAN NIEKERK

THE situation was tense at Anglo American's Vaal Reefs mine near Klerksdorp last night after more than 5 000 mineworkers downed tools underground at three shafts of the giant mining complex during the day

Management was holding urgent talks with representatives of the National Union of Mineworkers (NUM) in a bid to resolve the dispute which threatened to spread to include more of the 42 000 workers employed at the mine

Mr Cyril Ramaphosa, general secretary of the National Union of Mineworkers (NUM), said workers were protesting against alleged victimisation of shaft stewards and delays in recognising them

Tension has risen at Vaal Reefs since workers launched a boycott of liquor outlets and stores on the mine last week.

Workers downed tools yesterday morning after working half a shift, and were later brought back to the surface

A spokesman for Anglo American said he could not comment because talks were still in progress

Several new mines likely, gold chiefs say

2/4

Financial Editor

Argus 29/3/85

SOUTH AFRICA seems likely to get one new gold mine this year and several more in the next two or three years

Mr E Pavitt, chairman of Gencor, says investigations have indicated that the Poplar gold project in the Leandra district of the Transvaal will be viable if suitable arrangements can be made about taxation and mining rights

The proposed mine would mill 90 000 tons of ore a month at a yield of 5,5 grams a ton and should have a life expectancy of 20 years

Mr J Ogilvie Thompson, chairman of Amgold, reports that several prospecting ventures have proved promising

Prospecting results in Barberton and Pietersburg areas have been pleasing, and it is planned to step up exploratory drilling

, Friday, April 12, 1985

Business Mercury

M 12/4/85 214

Receiver scores heavily from GFSA earnings

Mercury Correspondent

JOHANNESBURG— The Receiver of Revenue scored heavily in the March quarter from the earnings of the gold mines managed by Gold Fields of South Africa (GFSA)

Overall the results were largely unchanged from those of the December quarter, but while total taxed profits for GFSA's mines rose by R4,6m to R218,982m the Receiver's slice increased by R12,5m to R262,6m

The group has restated the tax and earnings figures of its mines for the December quarter

GFSA's mines have a June year-end and are therefore affected retrospectively by the tax changes announced in the Budget

Record

The average price received by the group's mines for their gold sales rose to set yet another record of R19 796/kg compared with the December quarter's R19 439/kg

This is the result of the slide in the value of the rand to an average of R1/$0,49 in the March quarter from R1/$0,55, which more than compensated for the continued slide of the dollar gold price during the March quarter

The group dropped grades at nearly all the mines to take advantage of the rising rand gold price and its favourable effect on the mines' pay limits

Net sundry revenue (mainly interest received) for the group's mines rose to R59m in the March quarter from R42,2m in the December quarter

Kloof turned in an excellent set of results for the quarter, increasing net profits to R57,579m (R56,786m) and distributable earnings after capex to 113,5c (103,8c)

The increase in Kloof's milled tonnage to 540 000 from the December quarter's 525 000 is in spite of a fire in an electrical substation during January which led to a five-day suspension of milling

The mine also managed to reduce its total working costs to R42,293m (R43,091m)

Tonnage

Venterspost had a clear quarter with no disruption to operations by fires and as a result tonnage milled rose to 390 000 from the March quarter's 358 000 tons

Vlakfontein, at the end of the March quarter, was sitting with retained distributable earnings of R1,531m (25,5c a share) after making a stingy capital repayment of 15c at the interim stage

This amount of retained cash seems excessive and unless GFSA has something in mind for the funds there should a very healthy final dividend to come from the company

W/C ARGUS 20/4/85 (214)

Profits up, taxes up, but mines pay more

BETTER gold prices and the lower rand rate combined to increase profits for many of the country's mines in the March quarter

Many were clobbered by the State's higher offtake but several were still able to announce sharply higher dividends

Free State Geduld more than doubled its interim payout to 315c compared with 135c year ago

Other dividends are **President Brand** 250c, up from 150c, **President Steyn** 270c, up from 210c and **Western Holdings** 415c, up from 250c

Ergo's final is being lifted to 37,5c from 35c for the year to March, making a total 65c (62,5c)

Welkom's interim is up by 72 percent to 107c after a jump in taxed profit to R28,2-million (R16,9-million)

After-tax profit of the Free State mines rose by 12 percent to R168-million in the March quarter, largely from a higher rand gold price of R19 862 a kg (up from R19 329)

President Brand's after-tax profit was 31 percent higher at R58,6million

Earnings at **President Steyn** increased by 15 percent to R34,3million

Anglo's Transvaal mines increased after-tax profits by 12 percent to a total R168-million

Vaal Reefs' pre-tax profit as R233-million (R232-million), but higher tax pushed net profit below the December quarter's level

Elandsrand's profit eased to R34,2-million (R36,9-million)

Western Deep's pre-tax profit was R120,6-million (R122-million)

Ergo's was R28,7-million (R20,7-million) and **SA Land's** R2,2-million (R2,3-million)

Gencor group gold mines' combined after-tax income 12 percent below the December quarter

The 11 mines had a total net income of R159-million, compared uwith R181-million

This was mainly because of higher tax resulting from a 32 percent lower capital expenditure of R19,1million

Buffelsfontein's net profit rose from R81,5-milion to R86,5-million

Beatrix more than doubled its gold production from 2 043 kg and after-tax income increased from R33-million to R55,5-million

Stilfontein received a higher rand gold price of R20 156 but working revenue increased and tax and State's share took R7,2-million (R1,7-million), leaving R9-million (R24,5-million)

At **West Rand** where tonnage milled, yields and profits remained almost static, after-tax profits of R2,3million slightly lower than the previous quarter's R2,5million

After-tax profits of **Johannesburg Consolidated Investments** group for the quarter were well down

Randfontein, after tax and the State's share of profit, was left with R57,9-million (R62,3-million)

Western Areas' net profit plunged to R5,7-million from R18-million

Three of **Anglovaal's** four gold mines to return higher profits were **Hartebeestfontein, Loraine** and **Village Main Reef.**

The total tax bill was R6-million higher at R66-million, while the combined after-tax profit of all four mines was R48-million

Hartebeestfontein lifted its taxed profit by R3,3-million to R31,3-million Loraine's figure was R971 000 up at R12,7-million and Village showed a R57 000 gain at R327 000

Higher dividends are being paid by coal producers **Witbank** and **Welgedacht** after a big jump in profits, partly due to favourable exchange rates

The quarterly reports show Witbank's profit after tax went up by 56 percent from R14-million to R22-million Welgedacht's after-tax profit more than doubled to almost R5-million

Rand Mines's four gold mining companies jointly showed a net decline of 8 percent in after-tax profits

Harmony increased its profit from R33,8-million to R36,5-million

Durban Deep improved its profitability to R1,6-million (R1,2-million)

The other two had lower profits — **Blyvooruitzicht's** at R11,9-million (R16,6-million) and **ERPM's** at R1,4-million (R4,2-million)

The first quarter was favourable for **Gold Fields'** seven coal and base metal companies with **O'Okiep Copper** turning a R3,2-million loss for the December quarter into a profit of R876 000

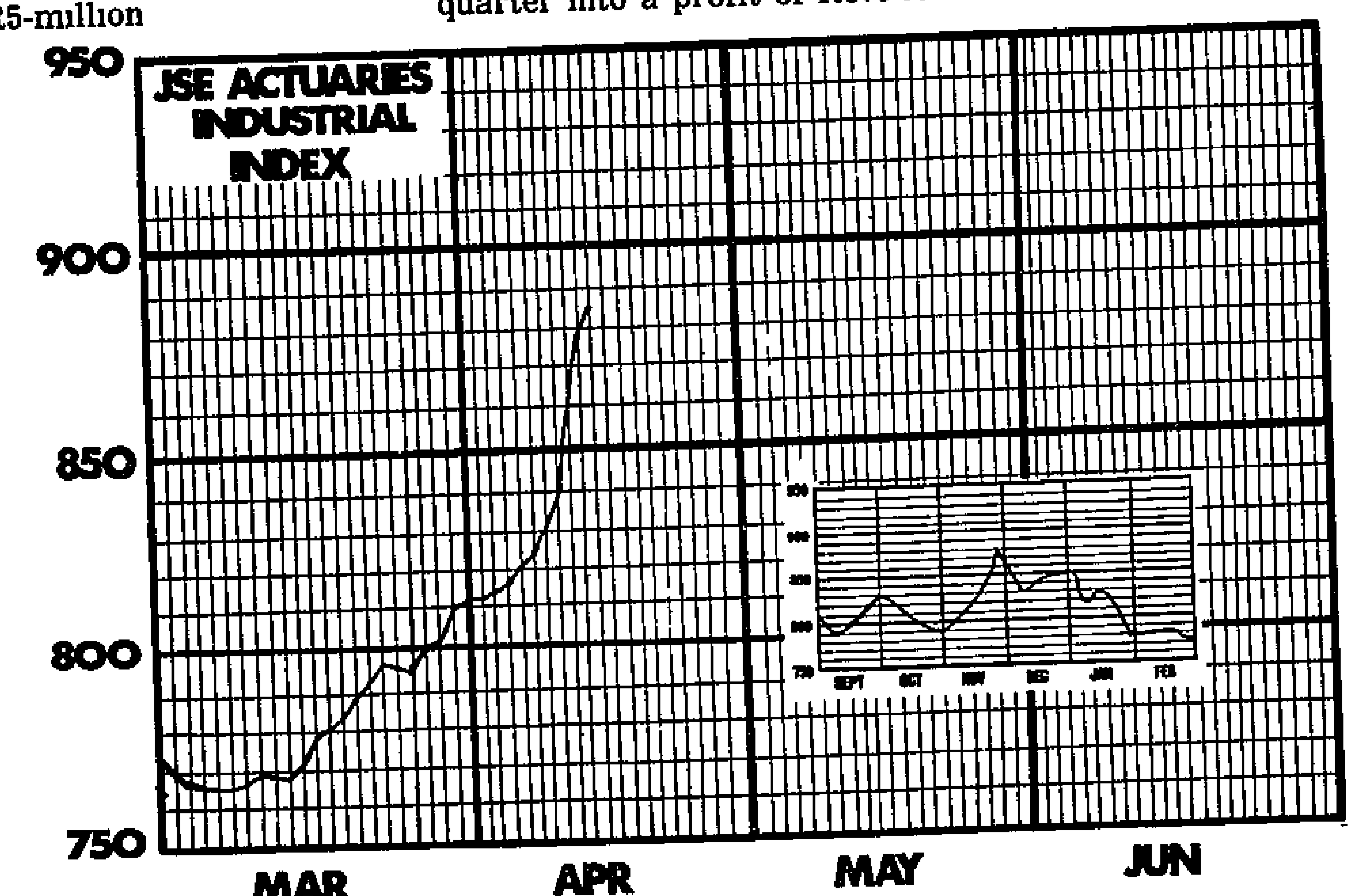
But **Apex** was substantially lower with a profit of R2,7-million (R5,2-million)

Clydesdale (Transvaal) Collieries, despite higher cost of sales and tax, returned an after-tax profit of R3,06-million (R2,95-million)

The Cape's **Black Mountain** mine reported a net R11,9-million, down from R11,6-million

SA Manganese Amcor (Samancor) turned a R485 000 loss into a R101-million taxed profit for the year to February The company benefited from better export prices as a result of the low rand and says profits should improve in the current year the total dividend payout increased to 37c from 1984's 5c

Tom Hood



Up 1 point yesterday to close at 897,00.

Golds recover

JOHANNESBURG. — Gold shares recovered slightly in late trading to close mixed, after tending easier on a lack of interest, as the bullion price failed to respond decisively to the weakness of the dollar

Among heavyweights, **Kloof** lost R2 at R82,50 but Winkelhaak gained 50c at R72,50, while cheaper issues moved about 25c either way.

Industrials closed mixed with a firmer bias, showing 36 shares up, 18 down and 53 unchanged

Shortly before the close the JSE all gold index stood at 1109,6 versus Thursday's 1119,4 close, the industrial index at 897,0 against 896,0 and the overall index dropped to 1106 8 from 1109,3 — Sapa

SOWETAN

MONDAY, APRIL 22, 1985

22c +3c GST (SA) Elsewhere 25c

Sotho, Xhosa miners clash

10 DIE

~~213~~

214

Sowetan 22/4/85

AT least 10 mineworkers were killed and nine others seriously injured yesterday morning in faction fighting involving Basotho and Xhosa tribesmen at the President Steyn gold mine near Welkom.

By JOSHUA RABOROKO

The fight, which started at about 12 45 am, involved more than 7 000 hostel dwellers at the mine's number four shaft, according to a police spokesperson

At least 4 200 Xhosa and 3 000 Basotho mineworkers fought with "everything they could lay their hands on," the spokesperson told The SOWETAN yesterday

Four men were discharged from hospital after treatment, and the condition of five others at the Ernest Oppenheimer Hospital was described by a spokesman as "satisfactory."

A spokesman for the Anglo-American Corporation, the mine's owners, said the fight was apparently sparked off by the fatal stabbing last week of a Lesotho worker by a Transkeian

Both the corporation's and police spokesmen confirmed that by last night the situation at the mine returned to normal while talks were in progress between the two factions and mine management

A spokesman for the National Union of Mineworkers has confirmed the incident and said they expect a full inquiry' The spokesman could not give details because "our shop stewards are still looking into the matter"

Meanwhile violence flared in most townships in the Transvaal and the trouble-torn Eastern Cape yesterday when police fired teargas and rubber bullets at rioting youths who looted and burned buildings and a school

In Duduza near Nigel, police fired tearsmoke to disperse hundreds of youths who stoned a bus ferrying Inkatha supporters going to a meeting at the local hall

The township was tense after a beerhall was looted, and a store belonging to an Inkatha member, a Mr Mbele, was also looted Streets were barricaded with stones by youths

In Cradock, Eastern Cape, extensive damage was caused when a private house was set alight by arsonists, according to a spokesman for the police directorate in Pretoria, Lieutenant J Barnard

Lt Barnard also said in KwaNobuhle, Uitenhage, and in Langa, a butchery and house were set alight Nobody was arrested and no injuries were reported

In Adelaide, in the Eastern Cape, a school was set alight causing damage estimated at thousands of rands

Calm returns to OFS mine

THE situation at the President Steyn goldmine near Welkom, the scene of faction fighting which claimed the lives of 10 miners and left 12 others with serious injury remained calm yesterday.

214 Sowetan 23/4/85

A spokesman for the Anglo American, owners of the mine, told The SOWETAN yesterday that mineworkers involved in the tribal unrest at the goldmine at the weekend had started returning to work in the morning.

By JOSHUA RABOROKO

At least 10 miners were killed and 12 injured, four serious, when violence broke out between Basotho and Xhosa tribesmen at the mine's shaft hostel.

The fight apparently started after a Lesotho worker was fatally stabbed by a Transkeian last week, according to a spokesman for the corporation.

During the fight, workers used "everything they could lay their hands on" to attack each other.

The corporation's spokesman also said the names of the injured and dead have not been released because their next of kin have not been informed. The names of the dead will probably be released this week.

The Commercial Catering and Allied Workers Union (Ccawusa) has disassociated itself from the bombing of a Spar store in Durban last week.

The bombing took place in the wake of a boycott of all Spar stores launched by the union following the dismissal of workers at the plant during last December.

"Ccawusa disassociates itself from this incident entirely," the statement said.

NUM declares wage war with Anglo

~~145~~ ~~385~~ ~~183~~ 214

THE National Union of Mineworkers yesterday declared wage and bonus disputes with 16 gold and uranium mines representing over 20 000 miners in the country.

The union's spokesman said the disputes with Anglo-American Corporation and Gold Fields of South Africa (GFSA) revolved around the unilateral and selective granting of wage increases to certain monthly staff members and bonuses paid to employees on termination of contract

The mines include Vaal Reefs, President Steyn and President Brand Gold Mine, Free State Geduld, Western Holdings Faaiplaas, Western Deep Level, Elandsfontein, Kloof, Lebanon, Driefontein Consolidated, Beelkraal and Dooringfontein Gold Mine

As a result of the selective and discriminatory granting of increments by the corporation to Vaal Reefs employees, there was a work stoppage early this year

The workers demanded that the increase of 10 percent granted to certain workers and effected in January be applied to all miners indiscriminately

Anglo's spokesman said the copies of the papers by NUM asking for a conciliation board to solve the issue have been handed to the gold and uranium divisions The company has nothing to say at this stage

Referring to Gold Fields dispute, the union said workers have raised the issue of cash payment on bonuses paid to black employees on termination of contract of employment, but no response has been received

Gold Fields' spokesman said they received copies of the dispute and were considering the merits of the matter

CAPE TIMES 25/4/85 214

Waverley lifts gold output 40%

Own Correspondent

JOHANNESBURG — Waverley Gold Mines' financial results for the March quarter are poor in spite of a 40 percent jump in gold production to 87 kg.

The heap leach plant treated 52 000 tons of material (December quarter: 5 230 tons) to produce 19,7 kg of gold (2,41 kg)

However, operations at the heap leach plant were hit by the treatment of "excessively acidic material" which knocked yield to 0,38 g/t (0,46 g/t).

Waverley pushed up the amount of material sent to the SA Land treatment plant which increased gold output from that source to 67,15 kg (59,78 kg)

Revenue dropped to R12,64 a ton treated from the previous quarter's R15,7/ton, while working costs increased 14 percent to R11,03/ton (R10,88 a ton)

However, the increase in unit working costs has been favourably affected by the jump in tonnage treated and a truer picture is given by the increase in total costs

These increased by a horrifying 68 percent to R1,507m (R896 658)

A note to the quarterly report says the high level of working costs are partially due to certain costs attributable to the year to date not having been provided for in the previous quarters.

The quarterly report does not provide answers to the obvious questions of why these were not provided for in the previous quarters and also what precisely these costs were

Net income after tax dropped to R214 392 (R408 657)

Results for the March quarter for the overall Egoli Consolidated Mines group, Johannesburg Mineral Corporation and West Witwatersrand Gold Mines have been affected by the effects of the recent restructuring of the group.

According to Egoli "agreement in principle" has been reached for the injection of R41m for the proposed Springs Dagga mine

Fired miners may be rehired

THE REHIRING of 3 000 mineworkers fired from the Hartebeesfontein Mine last week will be top of the agenda when the National Union of Mineworkers meets representatives from the Anglovaal mining house tomorrow.

214

A spokesman for Anglovaal said no mineworkers had been rehired at this point, but talks with the union would address the issue

"Hartebeesfontein production will be affected by the sackings, but we will only know later this week what effects will be felt. Initial effects were minimal, but if we pull new labour into the mine some people will have to be trained and acclimatised before they can start work Their productivity will also take some time to build up," said Anglovaal spokesman, Mr Ray Moore

Fired miner would get 'preferential treatment'

sowetan 1/5/85

214

Own Correspondent

AFTER a meeting lasting several hours last night, the National Union of Mineworkers and Anglo American agreed that preferential treatment would be given to re-application for jobs by some of the 14 000 miners dismissed from Vaal Reefs at the weekend.

The management did not give a figure as to how many would be considered for re-employment

At the same time, the union said negotiations with Anglovaal management, owners of the Hartbeesfontein mine where about 3 000 were fired, had been "positive" and would continue today

The procedure for the re-employment of the fired miners would be discussed at further meetings with Anglo American, a Num spokesman said

An Anglovaal spokesman said earlier yesterday that applications by dismissed employees would be given preferential treatment

The situation at Vaal Reefs and Hartbeesfontein was described as "quiet" by management

The Anglovaal spokesman said the last of the dismissed miners would probably leave the mine premises yesterday

He said recruitment of new staff, which had begun as soon as the discharges took effect, would continue

Workers at both mines were dismissed following alleged illegal strikes last week

EXPLOSIONS ROCK MINE HOUSES

EXPLOSIONS rocked buildings in Johannesburg early yesterday of two gold mining companies involved in a dispute over thousands of black mine workers who have been sacked

214

Police liaison officer for the Witwatersrand, Colonel Fred Bull, told **Sapa** the explosions ripped through buildings belonging to the Anglo American Corporation and Anglo-Vaal

There were no deaths or injuries

The blasts took place at about 12 30am

One blast was at an Anglo American building in Fox Street and the other at a building belonging to Anglovaal in McLaren Street

Reporters on the scene said the Anglo American building was the corporation's headquarters, but Colonel Bull made no mention of this in his official statement

Police

Damage was limited to the glass doors and windows of both buildings and the glass doors and windows of surrounding buildings and shops, Colonel Bull said

He did not specify the explosive devices used, although police on the scene earlier told **Sapa** they suspected limpet mines had been used

Police did not immediately link the mine disputes and the explosions

Police cordoned off the blast area and dozens of nightshift workers from surrounding buildings rushed to the scene

One security guard, Mr Johannes van Niekerk, heard the first blast — apparently in the Anglovaal building — and moments thereafter he saw the second explosion in the Anglo-American building, he said

"I just saw a huge flame and then glass rained down around me "

The blast could be heard as far away as New Doornfontein

Police at John Vorster Square in Johannesburg heard the blasts and immediately sent out patrols to investigate

Agreement

Ambulances, civil defence officials and senior police officers rushed to the scene once the blast area was located

"Glass was everywhere, it was like a carpet on the street If anyone had been standing in the vicinity when it (the blasts) happened, they would have been cut to shreds," a reporter said

- Agreement was reached between Anglo-American and the National Union of Mineworkers (NUM) that all 14 000 Vaal Reefs mineworkers dismissed for striking illegally would be given the opportunity of being re-employed, NUM said hours before the blasts

A spokesman for Anglo-Vaal, owners of Hartebeesfontein near Stilfontein, where 3 000 strikers were discharged, said before the explosions the men would also be considered for re-employment — Sapa

• See Page 3

CM: Times 3/5/85

(214)

Gold plant boosts RMP — profits up 7%

Own Correspondent

JOHANNESBURG — Rand Mines Properties (RMP) has increased its half-year profits by seven percent from R8,9m (72c a share) to R9,6m (77c a share) in spite of the quiet property market

The company has broken with its tradition of paying an annual dividend and has declared a first-ever interim dividend of 17c

RMP expects its after-tax profits for the year to be about R20m or 161c a share This is based on assumed township land sales of about R20m for the year, and an average gold price of R19 500 a kg for the second half

Yesterday's results are in line with the forecast made by the chairman, Mr D T Watt, in his last annual statement that profits this year would be about the same as the record levels of 1984

Were it not for the company's gold-from-sand plant — now operating well after initial teething troubles — the interim report would present a different picture

The gold plant generated a working profit of R8,5m (R7,9m in the previous six months), thus making a strong contribution to pre-tax profits of R12,8m (first half 1984 R13,9m)

Shown below the line in the interim report is a profit of R9,6m on the sale of Thesen & Co for R27,2m in October last year — a move taken to help finance the new gold plant at City Deep This surplus has been transferred to non-distributable reserve

The sale of Thesens was the main reason for the 33 percent decline in half-year turnover from R51,9m to R34,8m, as well as the R20m drop in fixed assets from R92,8m to R72,5m

The ratio of current assets to current liabilities now stands at 2,38 (0,87 at the halfway stage last year)

The interim results do not include pre-tax profits of R7m on a major sale of industrial land in the proposed township of Aeroton Extension 5

RMP's interest bill was only R163 000 for the half-year, against R1,2m in the same time last year Tax was down 35 percent from just under R5m to R3,2m

Production at the sand treatment plant remained steady for the six months compared with the second half of 1984 but, because of a jump in the rand/gold price received — from R16 421 to R17 959 a kg — revenue rose from R23,1m to R24,4m (equal to R8,48 and R9,30 a ton respectively)

Total costs rose marginally from R15,2m to R15,9m (R5,58 and R6,06 a ton respectively), leaving working profit almost eight percent up at R8,5m

Capital expenditure at the plant was up from R1m to R1,7m Total capital expenditure commitments stood at R46m at mid-year

He says "With gold to bolster its currently quieter property business, RMP is set to weather the economic downturn and will be well placed to take advantage of the upturn when it occurs

"At March 31, liabilities were well down and the company was relatively ungeared This — and the success of the gold plant — augurs well for the establishment of the proposed new gold plant at City Deep "

CAPE TIMES 3/5/85

(214)

TCL beats forecasts with 29% profit rise

By ADAM PAYNE

JOHANNESBURG. — Transvaal Consolidated Land and Exploration company (TCL) has beaten forecasts with a 29 percent rise in after-tax profits and an increased interim dividend of 85c (75c).

In spite of an increase of R20m in its tax burden — mainly because of the recently-imposed 15 percent surcharge — TCL's bottom line profits were R51,1m (456c a share) in the half-year to March 31, compared with R39,7m (354c a share) in the first half last year

Included in these results is a once-off net profit, after minority interests, of R7.3m for 65c a share on the sale of Thesens

Operating profits in the second half of the year are expected to match those of the first half

Total earnings for 1985 will show an improvement and accordingly the total dividend for the year will be higher than last year's 280c, the company says in its interim report

The balance sheet at the halfway stage is strong showing a current ratio of assets to liabilities of 1 44 and total borrowings to equity of 0 15

Turnover

Group turnover for the six months was up by 16 percent from R256,9m to R297,6m

Group operating profit rose by 38 percent from R63 1m to R87 2m

In line with the higher rand gold price dividends from (mainly gold) investments rose by 23 percent from R10 4m to R12 8m which after exploration expenditure of R4,7m (R2,8m) left pre tax profit up 48 percent from R70 7m to R105m

Because of the tax surcharge, the tax bill for the half-year went up by 86 percent from R23 5m to R43,8m Of this R31,4m (R21,2m) is normal tax while the balance represents deferred tax which jumped from R2 4m to R12 4m

The interim report points out that the added tax surcharge pruned R3,6m or 32c a share off the company's bottom line

In addition, it created an additional deferred tax liability of R34,2m — R25,6m of which is attributable to TCL shareholders

Minority shareholders' interests in after-tax profits rose from R7,5m to just over R10m

TCL says that the main reasons for its strong performance in the first half were

First, considerable improvements in the coal and base minerals division where export proceeds were boosted by the decline of the rand against the dollar

Secondly the increase in the rand price of gold which enhanced the profits of RMP s sand treatment plant at Crown Mines and raised dividend income from gold investments

TCL adds that the profits of the property division of RMP held up well in the face of a severe decline in demand for both industrial and commercial properties

Commenting on TCL s performance, the chairman, Mr D T "Dammy Watt says that the coal division was well ahead of budget thanks to the exchange rates and higher export tonnages

"The group's chrome operations were also better than expected for the same reason, and the timber division — Lotzaba Forests — performed well' says Mr Watts

"When the economy comes out of the current trough, the property division will come into its own again

"Possibly the main gratifying aspect of the first-half results was that TCL was able to forge ahead so strongly in spite of the big tax knock which it had to take because of the additional tax surcharge imposed on mining companies in the last Budget"

Vaal Reefs explains why 14 400 workers were fired

ARGUS 3/5/85

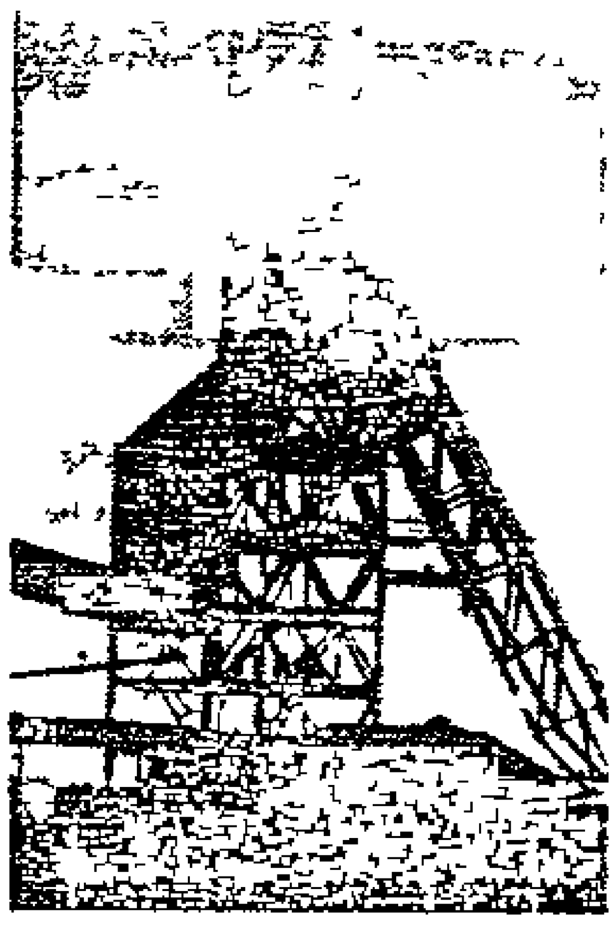
Argus Correspondent

JOHANNESBURG — The Vaal Reefs Exploration and Mining Company has issued a statement on the dismissal of 14 400 mineworkers from the south division of the mine last weekend

The statement was issued last night, partly in response to messages sent to the Anglo American Corporation owners of Vaal Reefs, by a range of international labour organisations

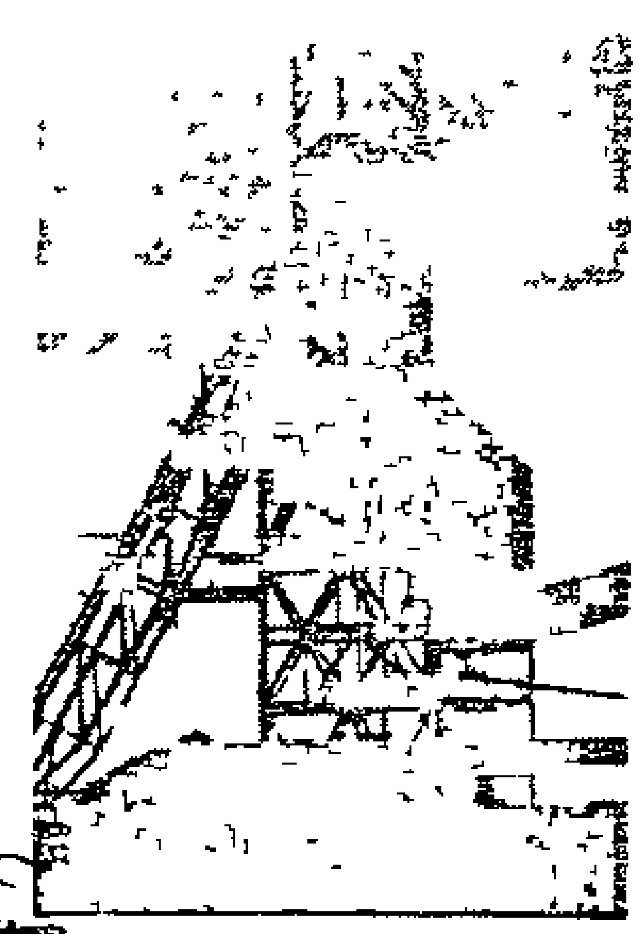
Telexes condemning the dismissals have so far been received from the International Confederation of Free Trade Unions, the British Trade Union Council, the Swedish Miners' Union, the Associated Mineworkers' Union of Zimbabwe and the Canadian Labour Congress

"Management's primary concern in making the decision to dismiss, with all the serious labour relations and lost production consequences this entails, was to prevent further disorder and possible violence on the mine," the statement said



SACKED!

THE mass dismissal of more than 17 000 workers from two mines in the Transvaal has brought a flurry of condemnatory telexes from international and local labour organisations to the Anglo-American Corporation and Anglo Vaal **SHERYL RAINE** takes a look at the merry-go-round of claims and counter-claims that surround the dismissal debacle



Why the mineworkers went

W/C ARGUS 4/5/85 214

JOHANNESBURG. — To uninitiated outsiders, industrial relations experts and hardline trade unionists the decison by two of South Africa's mining giants to sack 17400 workers has been met with shock, perplexity and dismay.

Even now as the dust begins to settle over the biggest single cleanout of labour in the country's history, there are more questions than straight answers on the dismissals

Only one thing is absolutely clear.

At a cost of millions, the Vaal Reefs gold mine owned by Anglo American has fired 14 400 people and Hartebeesfontein gold mine owned by Anglo Vaal has sacked at least 3 000.

The questions on everybody's lips are What happened? Why the firing trigger from mining giants who've enjoyed a relatively enlightened image in the new age of local trade unionism?

The answers differ depending on who you speak to

The National Union of Mineworkers (NUM), led by general secretary Cyril Ramaphosa, says the reason for a strike at Vaal Reefs last Thursday and Friday centred on a management decision to dismiss 700 workers for allegedly refusing to carry out instructions to do work reserved for white miners in terms of the Mines and Works Act

Gunpoint

At Hartebeesfontein, he says, an almost simultaneous strike was caused when four shaft stewards were dismissed, marched at gunpoint from the mine and sent home Workers who witnessed this downed tools

He believes the decisions to fire constituted a tough exercise in management muscle rippling calculated to deal the union a devastating blow. He sincerely believes the whole debacle could have been solved through negotiations with the union

That's his story and he's sticking to it,

Bobby Godsell, Anglo American's head of group industrial relations, says the firing of 14 400 at Vaal Reefs was the climax to six to seven weeks of go slows, half shifts, boycotts of concession stores and liquor outlets, disruptions, individual work stoppages and negotiations with NUM whenever grievances were tabled The last mass refusal by workers at the south division of the mine to go to work last Friday was not preceded or followed by union demands or any articulation of grievances

Several grievances tabled by the union had been settled to the satisfaction of both parties The job reservation issue raised by a group of workers had been discussed and, in management's mind, had been settled

Anglo Vaal has said that trouble at Hartebeesfontein had simmered for some time and included boycotts and an invasion by junior staff members of the senior dining room

Both say the strikes were wildcat affairs and constituted a last straw to management's tolerance

That's their story and they're sticking to it

But there are broader issues involved

Mr Ramaphosa has said that the use of black miners to do "white jobs" in the mines is rife The Mines and Works Act, which reserves certain jobs for scheduled persons (ie white miners), is being contravened liberally

There are some who believe this is the shrewdest card being played in the dismissal debacle and that the raising of the job reservation issue at this point gives the union's strategists ten out of ten

It appears that, strategy and cynicism aside, the NUM has a very valid point

Asked what the position at Vaal Reefs is and the situation in the mining industry generally, Mr Godsell made it clear that Anglo American was opposed to the racial allocation of jobs on the mine and committed to changing that Some mineworkers with access only to the Mines and Works Act could misconstrue what was in their job descriptions if they failed to consult the exemptions granted by the government mining engineer.

However, at the end of the argument he is obliged to concede that the regulations are not 100 percent respected in practice

There are black miners doing white jobs and it's an issue on which the miners have management's sympathy, says Mr Godsell

That's cold comfort for Mr Rampahosa and his 110 000 members "Our men are doing the jobs and not getting the money," he says bluntly

One task he raises is the charging up of the face Regulations say black miners can do the job as long as a white miner is in sight or within 30 metres Black miners, he says, are doing the job in the absence of white miners He claims that this has enabled management to get by with fewer miners

The party is over, he warns

Notices have been sent to all NUM members informing them to the last detail about what the law allows them to do and instructing them to refuse to do "white" jobs

This, he promises, will slow production at every mine where the NUM is organised And it will all be legal.

Another vital issue concerns the question of union control Did, for instance, the NUM call the strikes at Vaal Reefs? Or was the union out of control?

Mr Ramaphosa "There is a lot of control We have set up specific structures to ensure that there will be discipline and control within the union We have a regional committee, a branch committee and a shop stewards' council All these structures ensure there will be discipline and control Decisions are taken by the workers jointly and there is the whole worker control principle that we adhere to

Mr Godsell "In our view the union did not order that strike The NUM is in a vast industry and the process of unionisation is not completed overnight Vaal Reefs has tended to come in at the end of the queue in terms of unionisation It is interesting to note that recognition of the NUM had been processed at the east and west divisions of the mine but not the south division where the strike occurred It is fatuous for anyone to expect any union which is not yet recognised to control worker actions 100 percent"

He takes care to say that Anglo American regard the NUM as their partners in trying to create adequate channels for the tabling of grievances and looks to the NUM for assistance and support for the maintenance of good order on the mine in future

Miners sacking: Lesotho plea

SOWETAN 6/5/85

MASERU — The Lesotho Prime Minister, Chief Leabua Jonathan, has called for Basotho workers sacked by South African mines to be reinstated, and for the establishment of a fund to set up industrial projects that could absorb Basotho mine workers locally if they lost their jobs in South Africa

Addressing a public meeting in the Malimong constituency at the weekend Chief Jonathan said such a fund would enable Lesotho to create at least one major industry a year and brace itself for hard times that would follow an influx of repatriated mine workers

He said there were more than 3 000 Basotho men among the 17 000 workers recently fired from South African mines

His Minister of Foreign Affairs Mr Vincent Makhele would ask the South African Minister of Foreign Affairs, Mr Pik Botha, to intercede with the mining houses on behalf of those 3 000 Basotho miners — Sapa

Confederation?

Star 7/5/85

Strike: 22 charged

CARLETONVILLE Twenty-two members of the Mineworkers Union appeared in the Carletonville Magistrate's Court today on charges of attending an illegal meeting

214

The charges arise from a recent strike at the East Driefontein Gold Mine near Carletonville

No evidence was led and the case was remanded until May 21

What good is gold?

(214) Star Soweto 13/5/85

POUR A crucible of molten gold is being poured into a slipper mould at a refinery in the Tranvaal.

Gold is the biggest earner of foreign revenue in South Africa and its industry – the mining industry – among the largest employers in the country. Graham Bell group economist for Gold Field of South Africa, takes a look at the mineral and tells us what makes this metal tick!

EVERY day in South Africa and all over the world there are people carefully watching the gold price. And every day on the inside pages of newspapers all over the world details of the gold price and gold share prices are given Only when there is a very sharp movement in the gold price, do editors think it is necessary to put this information on the front page

But for South Africa, gold is the most important single commodity and the quality of life of all of us depends in one way or another on its price

Most economists agree that gold is not as important as it was, say, 30 years ago. Our whole mining industry makes up only about 10 percent of total economic activity compared to 20 percent in 1960

And this includes their products Timber products, exports are crucial to this country's

humans ever since the year dot Because of its colour and special qualities (soft, non-rusting) it has a special value which has driven men to extreme acts.

Since gold was first discovered thousands of years ago no more than 9 cents per ounce against R620 per ounce for gold

The first recorded gold production in South Africa was in 1884 when 74 kilogrammes was mined. The amount increased steadily over the next 80 years until 1970 when peak produces about 60 percent of the total gold mined in non-communist countries Communist production is dominated by Russia which mines 200 to 300 tons per year

What is this magical metal used for? The most common use of gold is in jewellery sales in Turkey were about equal to France's (17 tons) while sales in the Philippines were equal to those in Iran (3 tons)

Another important use is in electronics In this industry gold is used in very small quantities for switches, connec-

... coal, platinum and diamonds which are also big

Jobs

But gold mines still employ over half-a-million people, 90 percent of whom are blacks. The number of jobs in gold mining has risen by over 3 per cent per year since 1975, much more than in the private manufacturing sector. Salaries and wages in gold mining now amount to nearly R3 000 million per year.

Many manufacturing companies are dependent on gold mines for sales of heavy engineering goods, transport equipment are all used in large quantities Escom provides a tremendous amount of electricity to gold mines

All the companies providing these goods also employ large numbers of workers If the gold industry was to stop working tomorrow the industrial heart of South Africa would beat very weakly

There is one area where gold is still as important as ever Today gold accounts for about 40 percent of total exports from South Africa And strong ...ry economic health.

We are a developing economy and can not yet produce all the goods that we want to consume. However, we are rich in minerals which we export to buy the goods that we want from overseas This does not only mean goods like motor cars, radios, clothes etc, but also the machinery and equipment to make these things.

Price

In the past few years the gold price has fallen sharply which has helped to put severe strain on the economy An obvious effect has been the very high level of interest rates. One of the most important influences on interest rates is the flow of money in foreign currencies (the dollar, pound etc) into South Africa

If this flow is weak interest rates rise because there is less money around. With the fall in the gold price less foreign money has come in. However, over the next year or so there is a good chance that the gold price will rise a bit and this will help to lower interest rates again.

Gold is a strong commidity which has fired the hearts of

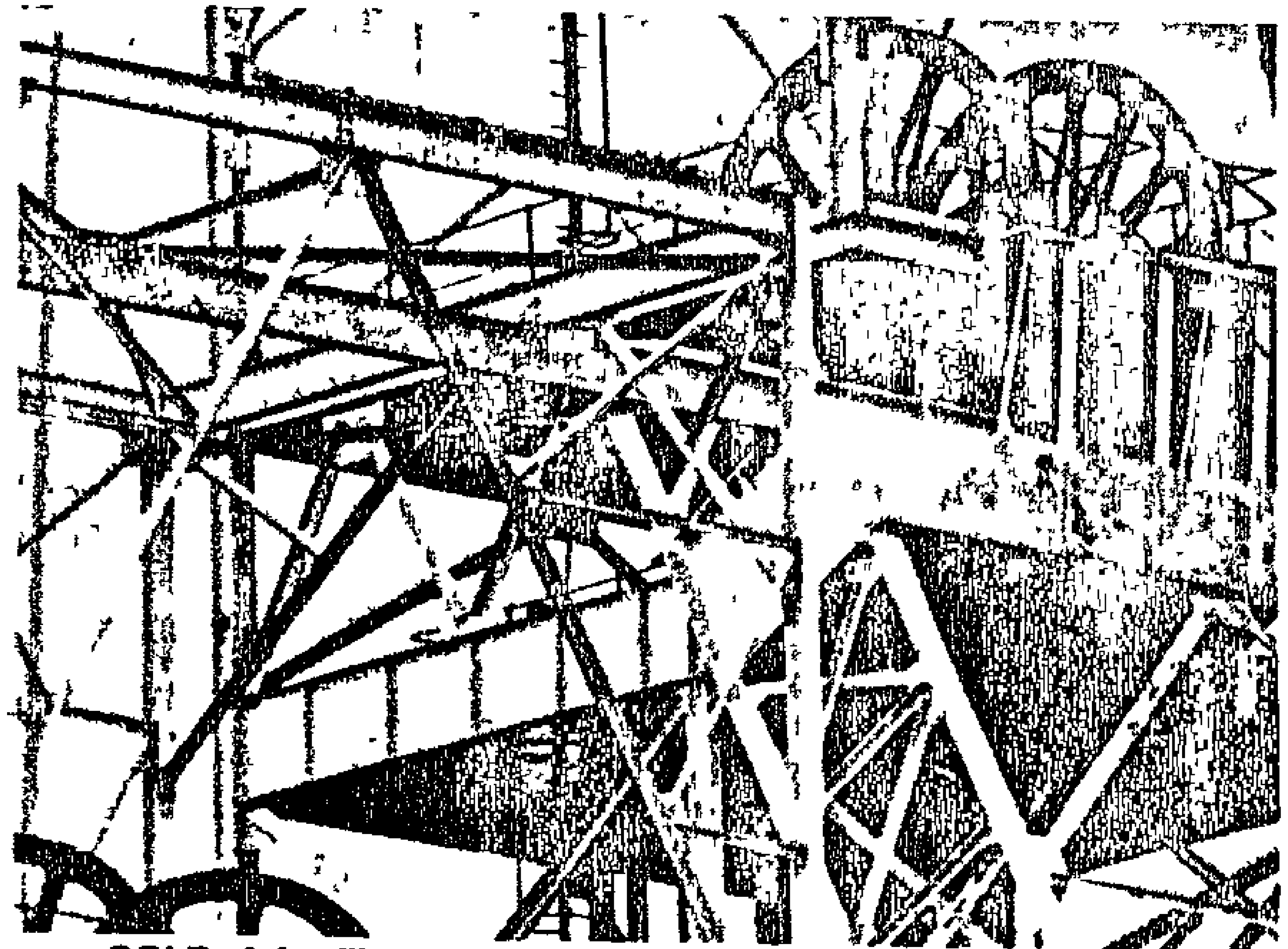
100 000 tons have been mined. Compare this to copper, for example, where **7 million** tons are mined **every year.** The difference is that copper sells for ...

...tion of 1 000 tons was mined Since then there has been a decline to just under 700 tons last year

Despite this decline, South Africa still ...

... of gold is in jewellery manufacture. Gold jewellery is very popular all over the world — in both developed and developing countries For example, in 1983 gold jewell-

UNDERGROUND: Miners prepare to go underground at one of the mines on the Witwatersrand.



GOLD: A familiar sight at all gold mines — the headgear

switches, connectors and solders. There is gold in computers and video recorders which are selling in very large quantities all over the the world. Japan is very big in electronics and uses more gold in this industry than even the United States

Every year about 50 tons of gold is used by dentists to fix teeth This is particularly popular in Germany where about 16 tons were used in 1983 Gold is also used for decorative purposes on glass and ceramics.

The final use of gold is very important. Every year investors all over the world put some of their money into gold. They buy gold bars or coins and hope that the price will go up and make them richer.

Gold is traditionally a way of protecting yourself from rising inflation. When inflation is high the value of paper money falls, but the gold price is usually strong.

These days in the major economies inflation is quite low (only three percent in the US, Japan and Germany) so the need to invest in gold is low. However, there are always some people who buy gold just in case.

24 die in weekend unrest

CH - Times 13/5/85

JOHANNESBURG. — More than 24 people — including an 18-month-old child — were killed in unrest-related incidents at the weekend.

In the worst incident, 19 miners were killed and 47 injured when fighting broke out at the President Brand gold mine at Welkom on Saturday night.

This is the second outbreak of faction fighting in eight days at the mine's number three shaft hostel, where one person died and another was seriously injured last weekend.

The deaths were confirmed by an Anglo American Corporation spokesman yesterday who said the 47 workers injured in Saturday's fight were being treated in hospital at Welkom

The spokesman said late last night that more than 500 hostel-dwellers had decided to return home after the fighting

Teargas

Saturday's fight was stopped by mine-security personnel using teargas

"There are other tribes in the hostel, but as far as we know only Xhosa and Basutho were involved in the fighting

"There are about 3 000 miners in the hostel, but we don't know exactly how many were involved," he said

He said fighting had only lasted for about 15 minutes, but 16 died almost immediately Three miners had died in hospital during the night

An investigation would be held to find out why the fight had broken out, he said

Spokesman for the National Union of Mineworkers could not be contacted for comment yesterday

In other incidents of unrest

● A 16-year-old-girl and a man of about 25 died when police fired shotguns at 200 people who stoned a policeman's house on their way from a funeral at Joza near Grahamstown yesterday. A 38-year-old man was wounded and 60 people were arrested in the incident.

● An 18-month-old child was killed in New Brighton, Port Elizabeth, when youths threw a petrol bomb into a moving bus on Saturday

A police spokesman said the driver had lost control of the bus and it crashed into a house killing the child who was in the house

● In New Brighton on Friday, three youths, one of whom was armed, boarded a bus and robbed the conductor. They were setting fire to the vehicle when a police patrol arrived

Police fired a shotgun at the fleeing youths, fatally wounding a 15-year-old boy The spokesman said the money was found on the youth

● In KwaThema on the East Rand, police opened fire with buckshot and used tearsmoke on a crowd of about 800 who had looted a liquor store on Saturday. The spokesman said a 25-year-old man was killed

At least 190 people have died in incidents of unrest since January

Meanwhile, in Zwide more than 15 000 people yesterday attended the funerals of three victims of last week's unrest.

Witnesses said police kept a low profile but fired teargas at the crowd when it moved to nearby KwaZekele afterwards for the traditional "washing of hands" ceremony at the victims' homes They said there were no injuries

ANC flags

The coffins of Scicelo Estile, 17, Raymond Mbolekwa, 20, and Sebemzile Qukoma, 14, were draped with green, yellow and black African National Congress flags and carried shoulder-high to the cemetery

Police reported incidents of unrest at the weekend from

● In the Cape Veeplaas, KwaZakele, New Brighton, Zwide (all in Port Elizabeth), Kirkwood, Oudtshoorn, Galashewe (Kimberley), Joza and Patterton (Grahamstown), Fort Beaufort, Ntandi (Somerset East), Humansdorp, Duncan Village (East London) and Kroonvale (Graaff-Reinet)

● In the Transvaal KwaThema, Tembisa, Tsakane (all on the East Rand), Soweto, Mamelodi (Pretoria), Zandela (near Sasolburg) and Katlehong

● In the Free State. Parys and Kroonstad — Sapa, Own Correspondent and UPI

Order gives gold dealers the jitters

214

MM 18/5/85

Mercury Correspondent

JOHANNESBURG—Anxious investors and gold dealers reacted with shock in Johannesburg and London last night hours after South Africa's biggest Krugerrand and gold coin dealer was voluntarily placed under provisional judicial management.

In an urgent application to the Rand Supreme Court, the South African Gold Coin Exchange applied to be put under provisional judicial management in order to take pressure off the business and solve its cash flow problems

There was an immediate stampede late yesterday by clients of the company, and those of other gold dealers whose metal dealings were channelled through the exchange and who are 'exposed' by the possibility that the exchange could be put into liquidation

The order was granted to Mr Elias Levine's coin exchange to stave off provisional liquidation by anxious clients

In papers before the Supreme Court, the exchange was said to be solvent but facing liquidity problems

Mr Levine said in his application that any move to provisionally liquidate the exchange would 'be destructive to the orderly marketplace in which the exchange has 20 percent in ordinary Krugerrands and 70 percent of proof Krugerrands' It would have interrupted the evaluation of proofs, he added.

Mr Levine said he believed that given the opportunity to carry on with its operations under a provisional judicial manager, the exchange would be able to overcome its present problems

The Court papers emphasised that 'proof Krugerrands of customers of the exchange, which have been lodged with the exchange for whatever purpose, are presently all in the possession of the exchange in safe keeping, as was intended at the time of the lodging of the coins with the applicants'

Main source

One concerned gold dealer said last night 'My clients are telephoning every five minutes to find out the situation and we've got no clarity on just what it means '

Within hours the news had spread to London gold dealers who said they had heard the exhange was in difficulty and that it had been their main source of proof Krugerrands in which it's chairman, Mr Levine, specialised

The coins are so rare in London at the moment that they are trading at around R140 above the normal market rate

Rumours about the financial position of the exchange have recently been spreading, said Mr Levine, and might have led to an application for its provisional liquidation

Yesterday's application to court was brought by the directors of the company. They include Mr Levine's son, Leo, Miss Adele Levine, Mr Carlof Ferreira and Miss Lynette Rice

The return day of the rule nisi is June 25 when it will be decided whether to place the exchange under final judicial management

Striking mineworkers go for talks today

20/5/85

Sowetan

By JOSHUA RABOROKO

THE management of Blyvooruitzicht Gold Mine near Carletonville and a workers' delegation will meet today in an attempt to resolve the "illegal" strike by 9 000 workers on Saturday.

In a statement to The SOWETAN yesterday a spokesman for the Rand Mines, owners of the gold mine, said workers who did "essential services" were back at work and the situation was back to normal

The workers stopped work following the dismissal of two co-workers, believed to be members of the National Union of Mineworkers

The statement also said the two discharged men had appeared before a normal mine disciplinary hearing on charges of intimidating and threatening fellow workers

"They were found guilty and dismissed and we believe that this is the real reason for the strike," Mr Gordon Mosenthal, the mine's managing director said

He said on Thursday they were handed a list of grievances and the names of a deputation to meet with management on Friday to discuss them A meeting was arranged but only one man turned up

The man then asked for postponement of the discussions until today

He said the strike started on Saturday when only 300 men of the total of 2 000 night shift reported for work Conditions at the mine were normal and no incidents of violence were reported yesterday

The workers had started boycotting bars and beerhalls at the mine hostel, the spokesman said It was hoped the matter will be resolved by today

The NUM's general secretary Mr Cyril Ramaphosa was not available for comment yesterday

CAPE TIMES 28/5/85 (214)

ERPM to start R300m project

Own Correspondent

JOHANNESBURG — The ERPM gold mine near Boksburg is to go ahead with its R300m rejuvenation project, which will add another 50 years to the life of the mine

ERPM's chairman and head of the gold division of Rand Mines, Mr Clive Knobbs, said the major obstacle to the project — the siting of a R45m new hostel — had been overcome

"Minister of Mineral and Energy Affairs, Mr Danie Steyn, has given us permission to build the hostel on a site 2,5km from the far east vertical shaft, which is the main pivot on which the programme hinges"

The only hurdle still to be overcome was finance, for which plans were well advanced, he said

Siting of the hostel, which will house 6 500 black workers, has been a bone of contention for the past four years

The mine had always said the hostel needed to be close to the shaft to make the project viable Boksburg authorities were adamant that it should be built in the township of Vosloorust, 13 km from the shaft

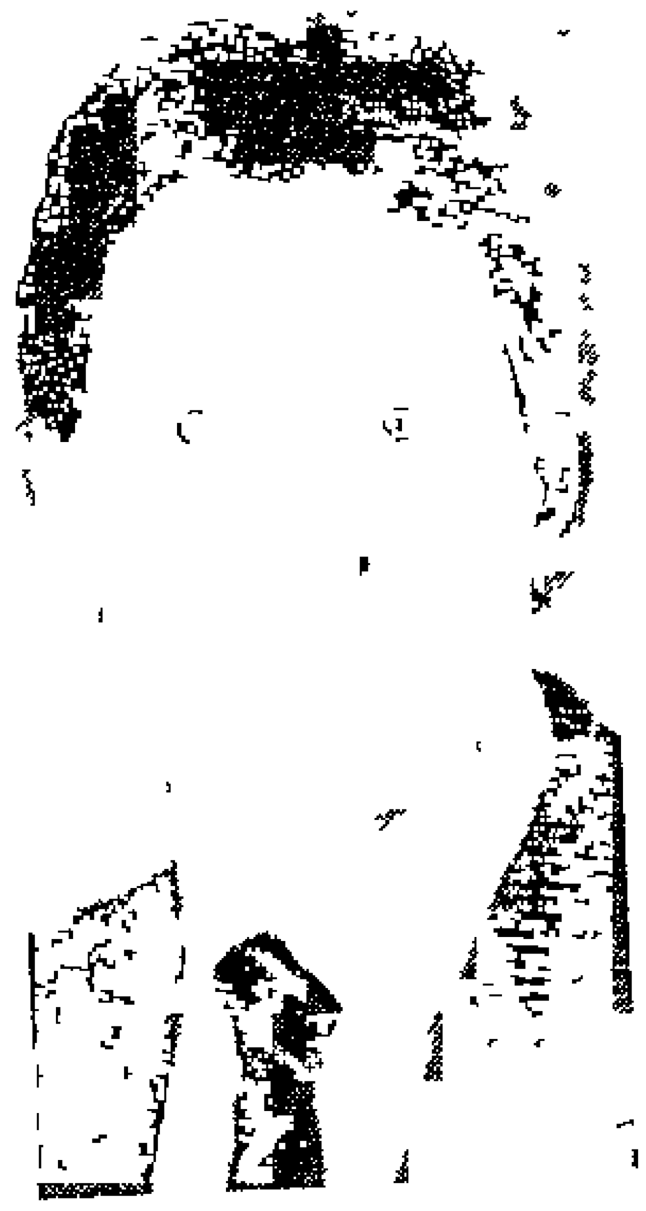
"The ideal site to house the far east vertical's workers is right next to the shaft However, we agreed as a concession to drop that plan in favour of the site just granted

"We thus freed the original area close to the shaft for further township development," said Mr Knobbs

"We are delighted that, in granting the site, the minister took into account the national and international implications of the rejuvenation of ERPM

"The far east vertical system will give us access to additional ore reserves in a high-grade area in the southeast section of the mine It will also enable us to increase our production and milling capacity from 2,8m tons a year to just under 4m tons a year

"This means an increase in gold production from 11 tons a year to over 18 tons a year," he said



Mr Gary Scallan has been appointed managing director of National Finance Brokers

Star Times 4/6/88 (214)

Kloof extention

Continued from page 8

below surface and would not support an economic independent mining operation

However, studies showed that if Kloof's existing mining lease was extended to incorporate the area, it would enable production from the enlarged lease area to be increased substantially at an attractive rate of return

Mr Plumbridge said the two divisions, according to advice from consultants, should be able to operate on full production until the year 2030 — "we are faced with a very long-life operation"

He said in negotiating the proposals the board of Kloof had been advised by Finansbank Ltd which has found them to be fair and reasonable to Kloof and its shareholders and recommends acceptance of them

The enabling resolutions will be submitted to shareholders of Kloof for consideration at a general meeting of the company to be called as soon as possible, Mr Plumbridge said

He said in order to improve the marketability of Kloof shares it will also be proposed that Kloof's authorized share capitral be sub-dividied by four into share of 25c each

If the proposal is approved, the number of shares to be issued to the vendors will be subject to a pro rata adjustment — Sapa

Workings for ~~VC~~ Variable Costs
Mats 63.00
Lab 24.00
Vro/h .50
87.50 ÷ 1000 = 8.75c

4/6/85 214

Kloof to extend gold mining area

JOHANNESBURG. — Following the arrangements made with various stock exchanges to suspend listings of both Gold Fields and Kloof shares yesterday, an announcement was made in Johannesburg about proposals to extend the Kloof Gold Mining Co lease area by some 1 309 ha.

Listings of the shares will recommence today

The chairman of Gold Fields, Mr R A Plumbridge, told a meeting that the extension would be to the south and west and that Kloof would divide its operations into two divisions for managerial purposes — the Kloof division and the Leeudoorn division

He said the scheme was accepted yesterday by the boards of Kloof and its main shareholder, Gold Fields of South Africa (GFSA) which, with one of its wholly-owned subsidiaries, is the chief vendor of the mineral rights involved

The proposal is based on the economic assessment of geological results in the Bank Break area which show that the extension area contains mineable ore reserves of approximately 39m tons, consisting mainly of VCR, at an overall average grade in situ of 10 g/ton

In terms of the agreement between Kloof and the vendors, Kloof will acquire the mineral rights in return for 35 000 Kloof shares and will make the vendors a cash refund of approximately R3,5m for exploration expenditure incurred in the area

In addition, the vendors undertake to contribute R119,9m towards the capital expenditure needed to bring Leeudoorn division to production

Mr Plumbridge said these funds would be provided by calls, at Kloof's discretion, on unsecured, convertible debentures which will bear interest at 18 percent a year

The debentures will be convertible into 2 725 000 Kloof shares at the start of the financial year immediately after the Leeudoorn division has reached a milling rate of 100 000 tons a month

The Kloof division will continue operations at the existing maximum milling rate of 180 000 tons a month with 15 percent surface sorting in the northern portion of the lease area

The Leeudoorn division, which will mine the southern portion of the lease area, will be brought to production late in 1990 and the milling rate will be increased progressively to 120 000 tons a month and, ultimately, to 180 000 tons a month without sorting

The estimated capital expenditure needed to bring the Leeudoorn division to financial self-sufficiency is R453m — in 1985 money terms

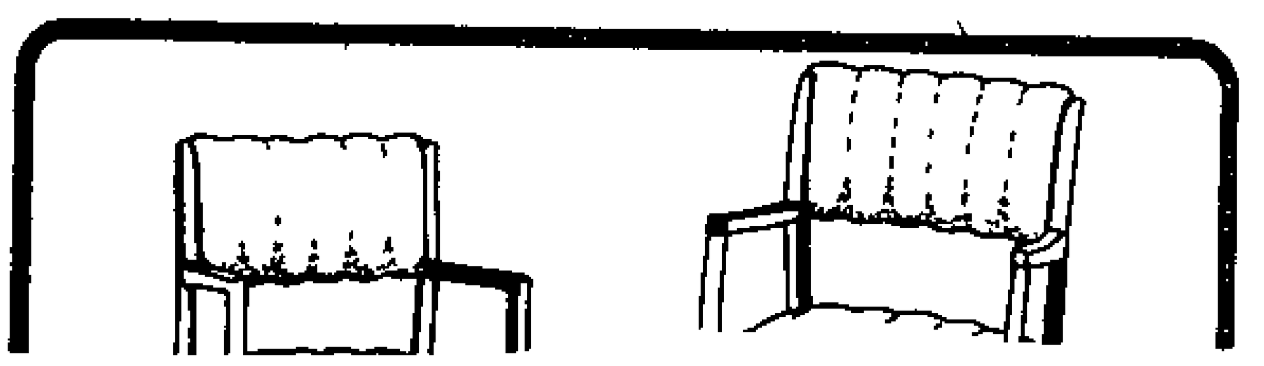
This expenditure, as incurred, will be allowed for formula tax and State's share of profits purposes

He said the drilling programme, which was carried out by Gold Fields, was to the south and west of Kloof's existing mining lease area

The estimated tonnage occurs at depths ranging from 1 800 m to 4 000 m

Continued on page 9

Mr Andrew Ovenstone, executive chairman of the Ovenstone group, has been appointed to the Western Cape board of Barclays National Bank



Jobs boost in the mines

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Sowetan 5/6/85

By JOSHUA RABOROKO

MORE than 12 000 jobs — the bulk of which will be occupied by blacks — are to be created in the mining industry.

Two mine companies — Kloof Gold Mine and Gold Fields of South Africa — are to create jobs that will not have apartheid regulations in the industry hard-hit by job reservation in the country.

Announcing the scheme in Johannesburg this week the chairman of Kloof, Mr C T Fenton, said it was the wish of the companies to eliminate racial discrimination in their mines

Jobs will be created in the Western Transvaal goldmines near Ventersdorp when the companies expand their production of gold operations into Kloof and Leeudoorn divisions in the area, Mr Fenton said

Mr Fenton said the two divisions will create jobs for over 12 000 miners; the bulk of which will come from rural and urban areas

They were interested in employing people with higher education so that they could do skilled jobs in the mines

"Our aim here is to get rid of job reservation and the Government has indicated it will be forced to introduce legislation next year if the Chamber of Mines and unions do not come to a conclusion in their present talks," he said

"We are committed to scrapping job reservation and have built homes and other facilities for our employees on the mines, almost similar to those owned by whites."

Both the Black Allied Mining and Construction Workers' Union and the National Union of Mineworkers have said that they will wait and see until the project gets off the ground

Wages war flares up

Sowetan 6/6/85

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THE fight between the Chamber of Mines and the National Union of Mineworkers over wage demands and the scrapping of job reservation in the mining industry has started.

Already the union has declared disputes with four mine houses over wages and conditions of employment and it is likely that the union will declare another dispute with the chamber over the "delay" in responding to their proposals

The ink was not yet dry in the agreement NUM signed with Namaqualand Mines division of De Beers Consolidated Mines when the union declared a dispute with the company following a deadlock in wage negotiations The parties signed a recognition agreement last month

The NUM is in dispute over 10% increases granted to a small section of Anglo American miners The dispute affects 50 percent of its workforce. The union is also in a dispute with Gold Fields over holiday pay agreement, affecting about 65 000 miners

The union has expressed concern about the delay which the chamber of mines has taken to consider their proposals which were submitted a few months ago, according to union sources

This concern deepened this week when the chamber and eight unions (mainly white) representing almost 50 000 miners announced an 11 percent pay rise, but it had not considered NUM's proposals

An NUM spokesman said traditionally black miners wage increases come into effect as from July and already the union was "impatient with the delay" in their proposals being met

Several hundreds of black miners went on strike over wages at numerous mine industries in the country last year, and many others also resorted to industrial actions early this year

The chamber's industrial relations advisor, Mr Johan Liebenberg, said the chamber was still considering the proposals and will meet the union for negotiations within a few weeks There is no delay

He said NUM's demands were high and the chamber was hoping that "in a spirit of goodwill and co-operation" they will reach a settlement during negotiations He declined to give figures of the demands

Sowetan 11/6/85

500 down tools

MORE than 500 workers yesterday downed tools over dismissals of colleagues at two companies, one a multi-national company, on the East Rand

About 260 employees of John Deere, a multi-national company in Nigel, went on strike after a shop steward was dismissed by the company for allegedly being absent from work

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The United Mining and Metal and Allied Workers Union claims that the shop steward was detained under the Internal Security Act When released last week, he went back to work and was sacked

However, the company's managing director, Mr Bill Hubbard, confirmed the strike over the dismissal He did not give reasons for the action

Over 200 workers at Fedbisco near Isando yesterday downed tools over the dismissal of a colleague who was earlier reinstated by the company following negotiations between two trade unions organising on the plant

Meanwhile, the threat of sympathy strikes by over 15 000 workers at AECI companies in the country is looming Workers have voted in favour of strikes, according to the general secretary of the South African Chemical Workers' Union, Mr Michael Tsotetsi, yesterday

He said following their Supreme Court hearing last week management tried to call them to the negotiation table, but talks deadlocked again The company had applied for a court order restraining the union from organising or calling on strikes at the four plants The application was dismissed

The union had initially called a strike at AECI's plant in Newcastle after two conciliation board meetings had failed to resolve the wage issue

Union, chamber avert clash

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By JOSHUA RABOROKO

Sowetan 11/6/85

A CONFLICT in wage negotiatons between the Chamber of Mines and the National Union of Mineworkers has been averted by the chamber's offer to start talks on Thursday.

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The Chamber's offer comes a week after the black miners union has declared a dispute and threatened industrial action if the mine management failed to grant them a 40 percent wage increase which they made in April this year

Sources close to the parties say this might be the last time that separate negotiations are held for black and white miners The chamber and white unions have been discussing the possibility of scrapping job reservation in the mines

The Num has been left out of previous talks and they have asserted that if the law was not repealed they would fight or even take industrial action this year They will bring the issue on the negotiation table on Thursday

A strike by 25 000 white miners over wages was averted last week when the unions accepted the chamber's offer soon after the Mineworkers' Union of Arrie Paulos had held strike ballots

Union, chamber avert clash

By JOSHUA RABOROKO

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Sowetan 11/6/85

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Victory for NUM

214

Sowetan 21/6/85

By JOSHUA RABOROKO

THE National Union of Mineworkers has been granted an extra leave day for its members by the East Rand Gold and Uranium (Ergo) company — a day the union claims will be used to celebrate the International Labour Day (May 1).

The extra day — which has been seen as "a victory for the NUM" in trade union circles — was granted to the union during wage negotiations with the company this week.

However, a spokesman for the Anglo-American Corporation, which owns Ergo, has warned that the granting of the extra day was "merely a concession" because it did not mean that "we regard May Day as a paid public holiday."

He explained that a worker may apply for this extra day, following the procedures adhered to when applying for normal leave. Management has made it clear that not all workers could take May 1 together as holiday

The demand that May Day be regarded as a paid public holiday has been on the agenda of several black trade unions in the country The NUM's achievement of this extra day has been hailed as a historic breakthrough which might get a precedent

May day stands for international justice and trade union solidarity against the struggle of workers for elementary justice and basic human rights

The NUM said they regard the "concession" as a "victory" for their members who will be in a position to celebrate the international day without any hassles.

The parties also agreed that wages will be increased by between 12,5 percent across-the-board This raises the minimum wage of workers from R364 to R430 per month

The union spokesman said the agreement, which covers more than 800 of the 900 workers employed by Ergo, was still not enough They will negotiate for more for their members

Meanwhile the Minister of Manpower, Mr P T C du Plessis, has appointed a conciliation board to settle the dispute over wages between the chamber and the NUM

Cooke 3 leads in mechanised gold mining

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JCI's Randfontein Estates mine has set up the gold-mining industry's first large-scale semi-mechanised underground operation at its new Cooke No 3 Shaft

About 30% of the ore reserves mined from the shaft will be recovered by a mining operation similar to that used in mechanised underground coal mines

The development is the most striking example to date of the gold-mining industry's efforts to mechanise where possible and change the labour-intensive nature of some of its operations

Labour costs

The spur is the need for increased productivity to offset inflated working costs

Labour charges can amount to 40% of working costs and mining-house executives have frequently complained of little or no improvement in productivity from the black work force in return for hefty boosts in real pay in the past 10 years

Increasing mechanisation has implications for the provision of new jobs on the gold mines The industry has traditionally been a major employer of semi-skilled and unskilled workers

By Brendan Ryan

Mining and quarrying in 1984 employed 717 000 people and accounted for one in every seven people in non-agricultural employment in South Africa

Remitted

Black mineworkers constituted about 90% of the work force on gold, coal and platinum mines belonging to the Chamber of Mines

About R1-billion of the R2,2-billion these workers earned in 1984 was remitted outside South Africa Their earnings went to about 3-million dependants

Retiring president of the Chamber of Mines George Nisbet says provisional estimates show the mining industry could invest nearly R12-billion between 1985 and 1990 to create 6 000 skilled and more than 40 000 unskilled jobs

However, the bottom line for mining — as for any business — is productivity and profitability The best way to achieve both is by mechanisation High up-front capital costs reduce exposure to rising annual operating costs.

At Cooke No 3 geological conditions and the recent breakthroughs in a technique called backfilling have allowed JCI's engineers to introduce mechanised mining

In conventional operations the ore is mined by drilling and blasting a reef The mining face is kept to a width of about a metre to reduce the amount of waste rock mined with the ore

The workings are supported by timber and steel and the ore is recovered by using a scraper winch

At Cooke No 3, several reefs occur close together and they are being taken out in one operation The mining face is 8m high. After blasting the ore is taken out by load-haul dumpers

Pillars

JCI estimates the productivity of each worker is about four times higher than in a conventional mining operation

Pillars containing 45% of the ore are left in place to support the roof They will be recovered when the mined-out areas are backfilled to provide roof support.

Backfilling involves pumping a mixture of cement and crushed underground waste rock or slimes into mined-out areas The mixture solidifies and forms support pillars

The use of the system is probably one of the gold industry's most important technological breakthroughs because it means improved underground support which translates into safer working conditions and higher gold extraction rates

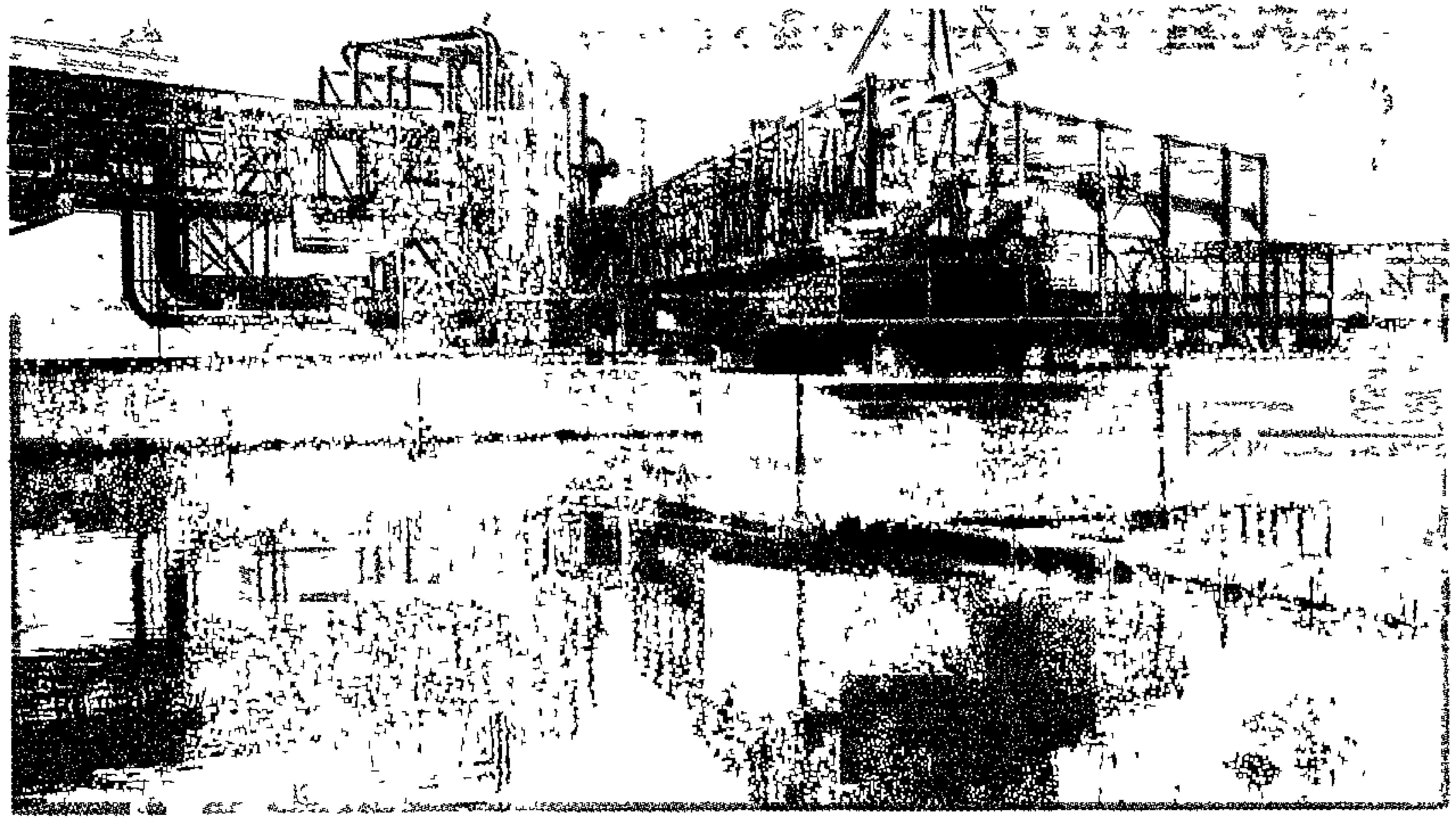
At a cut-off point where the reefs at Cooke No 3 spread too far apart, conventional methods for extracting each reef separately will be used

Western Areas

Mr Nisbet, chairman of JCI's gold and uranium division, says it is planned on using the technique in some areas of Randfontein's sister mine, Western Areas

Mechanisation is also being applied to the more difficult conditions posed by the narrow reefs, especially when these are found at great depth, such as the Carbon Leader at Western Deep Levels (WDL)

At WDL No 1 shaft special load-haul dumpers will be used to carry ore and rock in the stopes



A thickener tank at Randfontein's Doornkop section the base

8 000 striking miners get ultimatum

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N Mercury 1/7/85

Mercury Correspondent

JOHANNESBURG—Amid fears of widespread labour unrest in the country's mining industry about 8 000 striking workers on two goldmines have been given an ultimatum to return to work today

The workers, from Gencor's Leslie and Bracken mines in the Eastern Transvaal, continued their strike this weekend, reportedly in protest against the Chamber of Mines' annual wage increases

A spokesman for Gencor said they had advised the workers, who failed to go underground on Saturday, to return today

The National Union of Mineworkers (NUM) is pressing on with plans for a strike ballot tomorrow on gold and coal mines, which the union claims could bring more than 200 000 workers out on legal strike in the next fortnight

The Chamber of Mines announced at the weekend that it would proceed with the implementation of wage increases due today for the industry's 550 000 gold and coal mineworkers

This is in spite of the dispute with the NUM which saw the conciliation board talks for both the coalmines and the goldmines deadlock last week, opening the way for legal strike action

Workforce

Mr Johan Liebenberg, the chamber's industrial relations adviser, told a Press conference on Saturday that they were implementing the increases because the NUM represented only a fraction of the workforce

In addition, he said, July 1 was the traditional date of implementation for the increases and workers would be expecting them

The increases, which were the chamber's final offer to the NUM, vary between 14 percent and 19,6 percent on the chamber minima, and include concessions on the number of working hours per fortnight

The NUM is holding out for 22 percent across-the-board an increase in minimum paid leave from two weeks to three weeks, leave allowances, a half-holiday on May Day, shorter working hours and inclusion talks with white miners aimed at the scrapping of job reservation

Hectic

Mr Cyril Ramaphosa, general secretary of the NUM, yesterday predicted that at least 200 000 workers would support a strike

By late yesterday Gencor, which runs both Bracken and Leslie, was the only mining house to be hit by strike action in what is traditionally a hectic period at the mines

Chamber of Mines questions safety report

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Star 2/7/85

By Duncan Collings

The Chamber of Mines says that while some aspects of the research project conducted for the National Union of Mineworkers by Mr Jean Leger of Wits University might prove useful, his report as a whole lacks validity.

This, the chamber says, is due to "the nature of his approach, the unproven speculative nature of its findings, and its overall tendentiousness".

The report, entitled *Towards Safer Underground Gold Mining*, was released last week and was highly critical of the levels of safety applied by the industry. It was reported in *The Star* on Thursday, June 27

FATALITY RATE

The chamber points out that 1984 witnessed the lowest fatality and injury rates in the industry as a whole.

The injury rates on the gold mines have virtually been halved in the last 10 years, while the fatality rate has been reduced 20 percent since 1978, the peak of the last decade

Referring to one of the finding of the report the chamber says it accepts that breaches of regulations do inevitably take place, but it questions whether these and the fact that blacks are allowed to do the work of whites under exemption have had any significantly negative effect on mine safety

The statistical evidence available, the chamber says, shows that since 1976 when ex emptions were introduced, the fatality rate has fallen by 15 percent and the injury rate by 48 percent

"This would seem to indicate that . the delegation of safety responsibilities to black team leaders may well have been a contributing factor to the steadily improving safety performances of the gold mines in recent years"

On the subject of bonuses paid to white miners the chamber says that at first sight it might seem tempting for a man to take chances to boost his income

But "logic and experience show that the opposite is the case in mining".

Accidents disrupt mining operations and therefore production on which miners' contract earnings depend.

The chamber adds that high productivity is more compatible with safe mining practice, and cites a number of examples of mines where the highest productivity teams have exceptionally safe records.

Dealing with another point of the report — which states that hearing is impaired where pneumatic drills are used — the chamber says this is acknowledged, but it points to the recent breakthrough of the development of a new significantly quieter and more productive drill

The chamber also points to its code of practice relevent to noise levels

MISSTATEMENT

"Finally," the chamber says, "one glaring misstatement of fact in the report is the claim by Mr Leger that less than two percent of the budget of the chamber's research organisation is directly applied to health and safety matters"

It says that in fact this proportion of the 1985 budget of R40 million is of the order of 32 percent, while directly and indirectly at a conservative estimate at least 75 percent of the budget relates to health and safety.

Mine violence claims life

POLICE used rubber bullets, birdshot and tearsmoke to disperse angry black strikers as violence flared on three gold mines owned by Gencor this week.

One black miner died while 560 others were dismissed by the company

Sowetan

Meanwhile most of the 19 700 black miners who were on strike at three Gencor gold mines returned to work yesterday morning, the company announced

A spokesman for the group could not say how many remained away from work but said the number of absentees at all three mines after the start of the morning shift was "insignificant".

The mine managements were currently interviewing absentees to establish why they had not returned to work

Ultimatum

2.14

Gencor announced on Monday night that the striking workers had been issued with an ultimatum to return to work yesterday morning or face dismissal

A Gencor spokesman has confirmed the death of one miner at Winkelhaak in the Eastern Transvaal and said "The cause of death is still unknown and the mine is investigating "

A spokesman for the NUM has expressed anger at the action of the police and mine officials

The union has warned that it will challenge mine managements who dismiss striking workers The management did not want to pay workers "a living wage" and "this has angered thousands of our members", a spokesman said yesterday

3/7/85

Gencor also confirmed that police were called in on Monday to disperse crowds which had gathered at two of the four sections of the Winkelhaak hostels

1 600 fired, police called in to restore order

Four mineworkers die in week of labour unrest

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Star 5/7/85

Four mineworkers have died, four were injured and nearly 1 600 workers fired in a week of labour turbulence claimed to have been sparked mainly by dissatisfaction over annual wage increases

First reports of trouble came from General Mining Union Corporation (Gencor) when about 27 000 black miners went on strike at the Winkelhaak, Bracken, Leslie and Kinross mines in the Transvaal and at Beatrix Mine in the Free State

Gencor fired 560 workers from the Bracken and Leslie mines after they failed to meet an ultimatum to return to work by last Friday

One miner was brought dead by colleagues to the Winkelhaak Mine Hospital The cause of death has still to be established

At Beatrix Mine, police were called to disperse a crowd which had formed at two of the four hostels A concession store was set alight

The workers who are not unionised returned to work on Tuesday after the company threatened to fire them

Although Gencor does not yet recognise the National Union of Mineworkers (NUM), the union has been recruiting members on some of its mines

A NUM spokesman cited the unrest at the Gencor mines as an example of workers' dissatisfaction with their annual wage increases

The NUM, which has rejected pay increases offered by the Chamber of Mines, is preparing to hold a strike ballot among members next week

More than 600 workers were also dismissed by the Vitro Building Products at Vanderbijlpark after a strike over pay rise dissatisfaction

An Anglo American spokesman said Vitro, a subsidiary of Amcoal, had fired them after they had staged "illegal" work stoppages

INTIMIDATION

Their pay increments were based on the Steel, Engineering Industries Federation (Seifsa) rates, he said The workers are not unionised

Police were called in after a group of workers intimidated some wishing to return to work Recruitment to replace dismissed workers began on Wednesday

About 500 employees of Silverton Engineering, near Pretoria, were dismissed this week after they downed tools to back demands for plant level wage negotiations

In the worst incident of labour unrest, three black miners were killed and four injured in rioting over a wage dispute on Wednesday at a platinum mine near Rustenburg

Gencor in the dark over cause

The climate of general excitement which normally precedes wage increases might have had something to do with the strikes by 27 000 black workers at five Gencor gold mines during the past week — but nobody in the company's management knows whether the increases themselves have played a role in the unrest.

In Johannesburg yesterday, the senior executive of Gencor's gold and uranium division, Mr Bruce Evans, said "We don't have the faintest clue what really caused the strikes and unrest."

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When asked if it was then only coincidence that the unrest followed the implementation of their annual increases, Mr Evans said the atmosphere of excitement might have played a role

One black mineworker died in the unrest

According to Mr Evans, the wage announcements were positively received by the majority of the 83 000 mineworkers on Gencor gold mines

The increases range from 16,9 percent for the lower categories to 12,2 percent for the higher categories On average, these increases are about 2 percent lower than the final Chamber of Mines' offer

Star 5/7/85

"We regard the wage increases that are implemented as very fair Although it goes against the grain, these increases are much higher than productivity improvement," Mr Evans said

He pointed out that Gencor's new minimum wages for non-staff black employees in pay categories 1 and 8, surface as well as underground, were either the same as or more than those recommended by the Chamber of Mines

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8/7/85

Mercury

Gold analysts predict . . .

Record rand gold price will boost mine revenue

JOHANNESBURG— South African gold mine revenues should be boosted by a record rand gold price of around R625 an ounce when financial statements for the quarter to end June are released next week, gold analysts predict

However, the higher revenues anticipated from the average price, about R20 above the previous period and a record quarterly average, could be offset by increased working costs of around 2,5 percent, they added

This could mean only a modest earnings improvement of about two to three percent, analysts said

Total first-quarter working revenues rose to R3 21 billion from R3 08 billion in the fourth quarter of last year while working costs increased to R1 62 from R1 56 billion, analysts added

Gold mines will have benefited from the record rand price of gold in the second quarter, but analysts said some mines stand to gain more than others, depending on the stance taken on forward cover of the rand

Business Mercury

Gold analysts said that those mines that did not take forward cover in the period could be in the best position

Gold analysts said most companies are reluctant to reveal strategies but Gold Fields of South Africa should have done well as it is on record as saying it does not hedge

Johannesburg Consolidated Investment's (JCI) Western Areas Gold Mining is expected to report a reasonable improvement in revenues as the forward cover strategy it is believed to have followed would give it revenues in line with the record rand gold price

They expect capital expenditure to be higher on most of the mines, especially those that have a year-end which coincides with the end of the second quarter

Analysts said that Gold Fields has a June year-end, so they expected it to have increased capital expenditure in this quarter

Mill throughput in this quarter is also seen higher, with a possible resultant slip in grade

Throughput is traditionally low in the first quarter as production is lost over the holiday season and it is normally stepped up in the second

Vaal Reefs Exploration and Gold Mining's results are expected to be disappointing, mainly because of loss of production in April when it dismissed black miners for striking

The company said it lost about a third of its quarterly output, analysts added. — (Reuter)

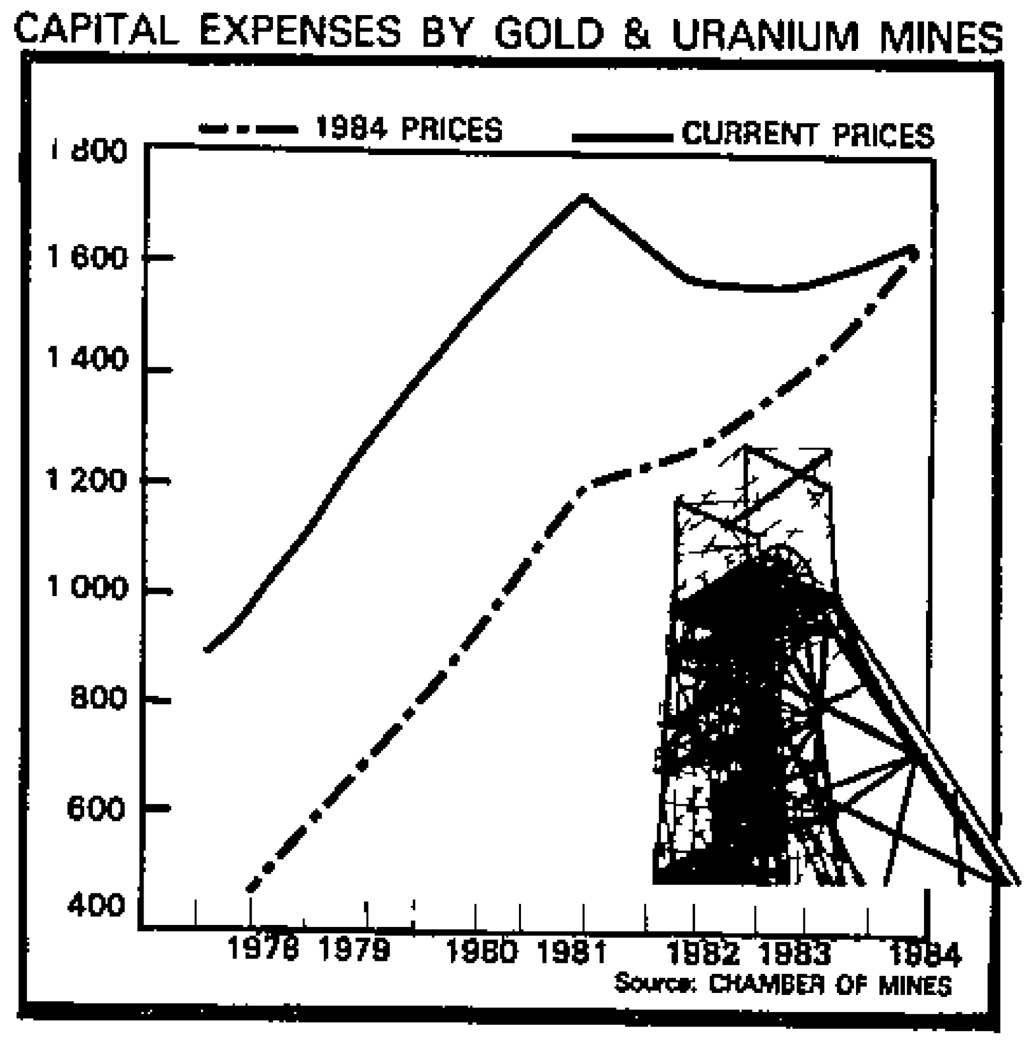
Politics favour 'made-in-SA'

(214)

B. Day 11/7/85

Mine equipment makers gearing up for change

CAPITAL EXPENSES BY GOLD & URANIUM MINES



GOLD mine mechanisation is boosting the activities of local mining equipment manufacturers.

In anticipation of the swing away from politically-vulnerable and labour-intensive mining techniques, manufacturers are gearing their products and production lines for the changes

The most dramatic change already evident underground is the switch from traditional track equipment to the more flexible trackless machinery Mining houses have discovered the laying of temporary tracks is both time-consuming and coslty The new heavy-duty but mobile equipment designed for assembly underground is considered to be more economic.

Other significant changes include adoption of the concept of continous transport both underground and on the surface. Conveyor belt systems cut back on labour requirements, fuel costs and speeds up other work.

CONTINUOUS TRANSPORT

"In open-cast mines, the continous transportation concept has become very important," says Noel de Wet, MD of materials handling company PWH

"In mining, the future lies in handling larger unit loads or units which can cater for the continous flow of material"

The changes, however gradual they may be, mean more business for the equipment manufacturers Unlike most industries, these companies have not been bruised by the recession and are adamant that it's business as usual

By CHERILYN IRETON

Concor, which supplies packs and materials for support underground, was seriously affected by strikes and stoppages in the first six months of the year Marketing manager Percy van Kerken says production at two factories was drastically affected during two months There have been more than 100 strikes between January and June and of those 75% were on the mines

"But even with the strikes, we are producing 20% more than last year," he says

Coal mines were mechanised some time ago and at the moment the equipment market is not as active as that of gold, says Ian Heron, MD of Joy Manufacturing, a leading coal mining equipment manufacturer "The boom days are over"

Coal mines spend almost 60% of their working costs on material and equipment Gold mines lag behind with only around 35% going to capital goods

The Chamber of Mines puts the total capital expenditure of gold and uranium mines at R1,645bn for 1984 This was up by R238m on 1983 and the figure is expected to climb by a further R317m this year The chamber estimates that in the next six years, R11,914m will be spent on capital goods

Hydro-powered mining equipment is another promising growth area for manufacturers Although still new on the South African market, experts are predicting that this type of equipment could eventually lead to the phasing-out of pneumatic driven machinery

"Waterjet drilling is ideal for soft and medium-hard rock High-pressure water jets can outperform rotary drilling and the holes are smaller, more uniform and much quieter, safer and cleaner," says Jarvis Clarke MD Rick Gray Jarvis Clarke SA is jointly owned by AECI and the Canadian-based parent company

"South Africa is the largest potential market for mining equipment in the world," says Gray

With volume up 50% on last year, his company has decided to set up a R3m local manufacturing plant Cheaper labour, unfavourable exchange rates and prohibitive import costs are the reasons behing the new plant From here the company plans to serve the southern African and Australian markets

FAVOURABLE SITUATION

The favourable export situation is encouraging many manufacturers to look at markets elsewhere Moxey Division, a handling extension of Babcock Moxey, is quoting on contracts South America

The mining houses are using their purchasing muscle and have adopted a tough attitude towards the buying and maintaining of equipment

As a result, spare parts have now become an important market to manufacturers

"The mines are definitely repairing and re-using old machinery," says GEC commercial manager John Holmes GEC manufactures pumps, water-cooling and refrigeration systems

Boomtown again?

ARGUS 17/7/85

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BARBERTON (Transvaal) — Barberton, the Lowveld's tiny hamlet that became a boom town after the discovery of gold more than 100 years ago, could relive its golden years

An American company has discovered huge deposits of workable ore and open mining operations are expected to start early next year

A spokesman for the Southland Energy Corporation, presently based in Johannesburg, said extensive sampling tests had been carried out during the past four years at two defunct mines in the Barberton/kaNgwane area

"These tests have proved very promising and we are hoping to be fully productive about eight months after mining commences," he said.

The Makongwe and Imperial mines are situated about 50km east of Barberton on the kaNgwane border

Low-grade ore left by former miners has been found to be economically viable and the Southland Energy Corporation expects to process approximately 3 500 tons of material daily

Three Anglovaal gold mines increase profits

2/14

By Stan Kennedy

Three Anglovaal group gold mines returned improved pre-tax profits in the year ended June but two of them — Hartebeestfontein and Eastern Transvaal Consolidated (ETC) — experienced massive tax increases, which led to reduced after-tax profits.

Star 17/7/85

Hartebeestfontein, the group's largest producer, had a taxed profit of R121,4 million compared to the previous year's R125,9 million. ETC's figure was R20,2 million (R22,9 million) while Village Main Reef's after-tax profit rose to R1,5 million (R1 million).

Milled tonnages were higher and costs well contained. Grades were little changed.

Prieska copper mine lifted its taxed profit to R34,4 million after tax, compared with R22,8 million a year ago.

CHANGED

Consolidated Murchison, the antimony producer whose published results have been changed to coincide with those of its managing groups Anglovaal and JCI, had a taxed profit for the 18 months of R20,7 million. This compared with the R6 million in the year ended December 1983.

JCI gold profits increase to R100-m

Financial Staff

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17/7/85

Despite reported losses on forward currency dealings, Johannesburg Consolidated Investments' two gold mines, Randfontein Estates and Western Areas, increased their combined pre-tax profit from R94 million to almost R100 million in the June quarter

Star

Gold revenue was up at both mines with Randfontein receiving R18 451 a kg (R17 893 a kg) and Western Areas R18 093 a kg (R16 451 a kg)

Working costs at Randfontein rose from R58,3 million in the March quarter to R64,5 million and Western Areas increased from R69,5 million to R75,9 million

The milling rate at Randfontein increased marginally from 1,4 million tons to 1,5 million tons and with the grade remaining the same at 5,6 g/t, the revenue per ton milled increased from R99,05 to R104,75

Profit after tax and State's share increased from R58 million to R78 million

Western areas continued to show a working loss but this was reduced from R4,9 million in the March quarter to R1,9 million

Profit from uranium operations was down from R5,4 million to R4,1 million as also was net sundry revenue

After tax and the state's share, the bottom line profits were reduced from R5,6 million to R5 million

Anglovaal gold mines lift profits by 38% (214)

By Stan Kennedy

Combined after-tax profit of the four gold mines in the Anglovaal group increased by 38 percent to R56,6 million in the quarter ended June Star 17/7/85

Hartebeestfontein's figure rose by R5,2 million to R36,5 million, Eastern Transvaal Consolidated's (ETC) increased by R2,7 million to R6,7 million, Loraine's total rose by R15 000 to R12,7 million and Village Main Reef's was R306 000 higher at R633 000.

ETC and Village lifted their milled tonnages and Loraine's was unchanged, but Hartebeestfontein had a decreased mill throughput because of labour unrest early in the quarter.

ETC had an unchanged grade while the other mines reported small declines and the group's total gold production was 10 086 kg (10 869 kg).

FLUCTUATIONS

Mill throughput at the copper/zinc producer, Prieska declined by 43 000 tons to 716 000 tons and grades were lower, leading to decreased copper concentrate production of 19 377 tons (26 822 tons) and zinc concentrate output of 31 516 tons (39 522 tons).

Fluctuations in tonnages and grade are now expected because the mine is working old areas in an effort to extend its life until mid-1986.

With despatches also down, operating profit decreased by R4,5 million but this was offset to some extent by higher non-mining income and a lower tax bill.

The result was that the after-tax profit was only R1 million down at R8,7 million

At Consolidated Murchison, net sales of antimony concentrates were virtually unchanged but gold sales were R1,8 million lower. This was because about 46 kg of gold was awaiting despatch to Rand Refinery at the quarter-end and this was not included in the accounts.

Gencor group golds in 14,2% profit increase

By Stan Kennedy

Despite a lower grade and a marginal increase in milled output, the combined results of the 11 gold mines in the Gencor group showed a satisfactory 14,2 percent increase in after-tax profit in the quarter ended June

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After-tax profit increased from R163,3 million in the March quarter to R186,4 million, due mainly to the higher average gold price received of R20 387 a kg (R20 055 a kg)

Star 18/7/85

Stilfontein was the best performer, increasing its after-tax profit by 89 percent to R17 million Buffelsfontein, however, was the biggest contributor to group profits with its R92 million bottom-line profits — an increase of 21 percent on the March quarter's R75,2 million.

Major factors which shored up Buffelsfontein figures were increased uranium income which rose from R3,7 million in the March quarter to R23,4 million and net sundry income which was almost trebled at R20 million

A note in the report says that the increase in uranium income is due to a large proportion of the sales having been delivered against the higher-priced contracts, together with an adjustment of the exchange rates used in the previous quarter

Average working costs per kilogram of gold rose substantially from R8 614 to R10 885 — an increase of 26,4 percent

After a tax offset on the Beatrice division's capital expenditure applied to repay loans, attributable profits to Buffelsfontein shareholders was just under R46 million, almost a 100 percent increase on the March quarter

The Beatrix division, which is mined by Buffelsfontein, and which receives 16 percent of the distributable income, showed a loss before tax of almost R4 million after a profit of R4 million in the March quarter

Kinross (R18 million), West Rand Consolidated (R2,6 million), St Helena (R17,2 million), Bracken (R4,2 million), and Unisel (R12,1 million) all had marginal increases in after-tax profits Winkelhaak, another good performer, chipped in with R17,2 million against R14 million in the previous quarter Grootvlei, Marievale and Leslie all showed decreased after-tax profits

Total contribution to group profits by the three mines was only 5,4 percent

Income up 19,5pc for Gencor group mines

JOHANNESBURG— The Gencor Group's gold mining companies jointly had an after-tax income in the June quarter that was 19,5 per cent higher than the March quarter

The 11 mines had a total net income of R190 million compared with R159 million in the previous quarter.

This can be attributed mainly to the favourable dollar-rand exchange which boosted the dollar/oz gold revenue

Eight of the mines had better after tax profits with Unisel up from R10,66 million to R12,14 million, Kinross from R16,49 million to R18,00 million, Stilfontein from R9,07 million to R17,05 million and Buffelsfontein from R75,16 million to R91,58 million

The mines with lower after tax profits were Grootvlei, dropping from R7,28 million to R5,19 million, Marievale from R1,01 million to R807 000, and Leslie from R4,22 million to R4,16 million

Gencor group quarterlies-gold mines

	Tons Milled	Yield	Costs	Rev	Rev	Rev	Net Profit	Capex
	000s	G/t	R/ton	R/t	Dlr/oz	R/kg	R000s	R000s
Buffelsfontein Gold Mining Company								
June	860	8,2	85,57	166,22	318	20287	91579	7600
Mar	864	8,9	84,96	178,49	306	20026	75158	6713
Stilfontein Gold Mining Company								
June	450	5,4	85,67	114,86	332	21374	17053	1730
Mar	438	6,0	84,56	121,99	305	20156	9072	1260
West Rand Consolidated Mines								
June	480	2,1	39,37	42,73	355	20243	2592	124
Mar	500	2,0	36,58	39,60	347	19388	2345	12
Grootvlei Proprietary Mines								
June	500	3,4	47,48	68,57	319	20156	5186	788
Mar	510	3,6	44,00	73,97	302	20516	7280	1148
Marievale Consolidated Mines								
June	90	3,2	49,27	66,17	320	20262	[illegible]	807
Mar	96	3,3	47,27	69,29	302	20955	[illegible]	1006
Bracken Mines								
June	250	3,9	42,56	80,39	319	20307	4215	158
Mar	258	3,8	41,28	77,67	303	19933	3313	66
Kinross Mines								
June	558	6,6	51,50	133,87	319	20196	18009	2427
Mar	558	6,6	49,55	130,84	304	19699	16494	2597
Leslie Gold Mines								
June	341	2,8	40,09	56,90	322	20513	4156	522
Mar	355	3,0	38,00	60,97	304	20108	4217	183
Winkelhaak Mines								
June	606	5,8	46,93	118,49	323	20333	17249	2809
Mar	610	5,8	45,20	115,33	300	19669	13978	1894
St Helena Gold Mines								
June	615	5,0	52,94	101,34	320	20267	17422	7907
Mar	599	5,2	50,20	104,98	307	20128	15700	5288
Unisel Gold Mines								
June	345	6,7	49,33	137,88	321	20334	12140	1178
Mar	345	6,6	46,55	134,63	309	20017	10665	879

July, 1985

Gencor pays off 1 500 mine workers

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Mercury Correspondent

JOHANNESBURG—The General Mining Union Corporation (Gencor) has paid off 1 543 workers in the wake of the wage strikes by 27 000 workers on five gold mines in the past week

Mr Bruce Evans, the chief executive of Gencor's gold and uranium division, said the vast majority of these had 'resigned of their own accord' while only a few had had to be discharged

Mr Evans said they had not yet established the exact cause of the strikes, which coincided with the annual wage increases for the industry's 550 00 workers

He said Gencor was implementing increases on average about 2 percent lower than the Chamber of Mines' final offer, but that the holiday leave allowance they were implementing added up to another 4 percent increase

The chamber offer has been rejected by the National Union of Mineworkers (NUM) which begins strike balloting on its 18 recognised mines, including Gencor's Marievale mine near Springs, on Monday

Mr Evans said Gencor regarded the increases as 'very fair' and said it was unfortunate that they were much higher than productivity improvement

Meanwhile, about 85 workers from Lonrho's Western Platinum Mine near Rustenburg have been arrested on charges of public violence following a strike on Thursday in which three workers died

Mr Ian Hoffe, Lonrho S A's technical director, said all 4 000 workers who participated in the strike were back at work yesterday barring about 200 who had 'disappeared'

Unrest flared after the annual increases for the the workers which are linked to the Chamber of Mines' increases on gold and coal mines were announced on Tuesday

NUM bid for strike 'has little backing'

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The National Union of Mineworkers (NUM) had at best a 30 percent vote in favour of a strike at the 27 gold and coal mines where it was represented, the Chamber of Mines' industrial relations adviser, Mr Johann Liebenberg, said at the weekend

Star

He was commenting on the NUM's announcement that it would proceed next month with a strike at the mines over its pay dispute with the chamber, on the strength of the ballots it had done at 16 of those mines

22/7/85

Mr Liebenberg said "The ballot does not really say anything meaningful, not only as far as the chamber is concerned, but also the union leadership, who cannot draw anything from it to support going ahead with a strike"

He said the NUM, because it was unregistered, was not legally obliged in terms of the Labour Relations Act to conduct a strike ballot at all once deadlock was reached at the Conciliation Board

"In theory, it could have called a strike then and there at the 27 mines where it is recognised, unless the constitution of the union itself required that a strike ballot be conducted" — Sapa

Knobbs gets on with it

By Stan Kennedy

For a man who admits to having no ambition, Mr Clive Knobbs, the new president of the Chamber of Mines, has had the gods smile favourably on him

So, what then, is the secret behind his success in reaching the highest position in one of the world's largest mining industries? How has he been able to rise from an underground graduate learner to become the chairman of the gold and uranium division of Rand Mines, one of the oldest mining groups in South Africa, in only 20 years?

"I have always derived a great deal of satisfaction in succeeding, not only in major projects but also in minor negotiations The expectancy of the end result is what drives me

"I have always put my head down and got on with the job I have never really looked far ahead This has satisfied my employers, who have rewarded me for a job well done

"In fact, it seems as if I have only really moved from one position to another "

Success, he says, involves thinking only of the job you are doing and doing it well That way, he believes, someone is bound to recognise your performance and dish out the necessary rewards

Study medicine

It has been this assiduousness and pertinacity, coupled with his skills and adeptness, that has made him a pillar of the mining industry at the age of 43

Schooled at Marist Brothers, Inanda, he enrolled at the Rand Mines training centre with the aim of earning enough money to study medicine

But as he became more involved, this "childhood craze", as he puts it, was worked out of his system and when he was offered a bursary to study for a B Sc (mining engineering) at the University of the Witwatersrand, he grasped the opportunity

Graduating in 1964, he joined Durban Roodepoort Deep gold mine as a learner graduate

At the same time he started studying for a BCom through Unisa. As if this was not enough, he embarked on a Master in Business Leadership (MBL) degree, also through Unisa, and completed it in 1974.

During this period of study, he was promoted to underground manager at Durban Deep and in 1972 was transferred to Harmony gold mine as a section manager, all the while putting his new-found knowledge to good use Two years later, he became assistant general manager of ERPM gold mine

"It has required a lot of dedication and sacrifice in terms of private leisure time and time with one's family," he says

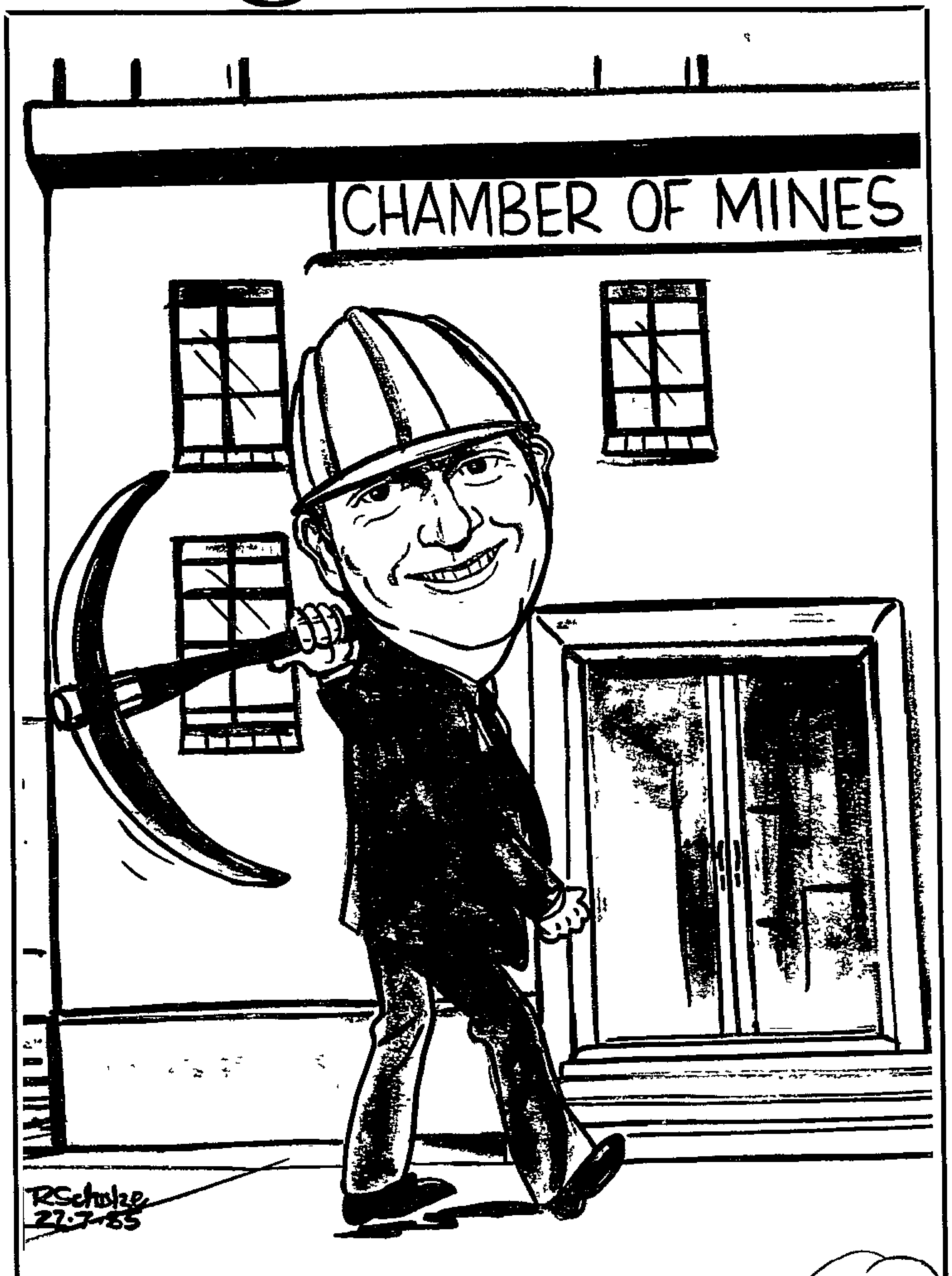
"Long stints on the job require a lot of determination and persistence, almost tenacity, when you have to get your teeth into something and you cannot afford to let up until there is a solution

"One must always believe that problems are not insurmountable You can always get round these things and turn problems into opportunities "

The polished nature of his problem-solving, the way he diagnostically reduces them to mere pinpricks, were put to good use when he was appointed general manager of Duvha Colliery in 1977, when it was in the planning stage

Two years later it went into production and he was transferred to head office as MD of the chrome division

Rapid promotion followed when in 1981 he was appointed managing director of Harmony and two years later when he became deputy chairman of the group's gold and uranium division



Mr Clive Knobbs . . . turning problems into opportunities.

Star 27/7/85

2/14

In the same year he became a member of the Chamber's Council, the Executive Committee and the Gold Producers' Committee

At the same time, he was appointed deputy chairman of the gold and uranium division of Rand Mines and, a year later, became chairman of the division and of the gold mining com panies

As chairman, he is responsible for the bottom-lines of the various companies and the setting of policies and direction, as well as setting growth targets and improving industrial relations and the quality of life of workers

This total immersion in his work has meant that there is less time spent with his wife and two small children

"I try to compensate them in some way or other Time is the real bugbear and this has to be booked well in advance if we are to be assured of spending time together If we don't do it this way, some work-related matter seems to fill the space too easily "

Powerful lobby

As president of the Chamber, it will be his job to bring all groups together and try to get agreement, even if this means that his own group, Rand Mines, may hold different views

"One knows that a decision may not be entirely satisfactory to every member company What is important is that, as a chamber standing together, it is a very powerful lobby and to have a company stand out and have its feet in concrete can make a significant impact on that influence

"It is not so much relegating one's group position as to be prepared to modify it in order to accommodate other views "

While the job will be a difficult and challenging one, he is looking forward to it Fortunately, he says, he will have the guidance of the permanent Chamber staff as well as the support and extensive knowledge of his colleagues on the various committees

An area he will concentrate on will be communications, in the broad sense The Chamber has not been active in the past in publicising the importance of the industry, he says

"We need to take a more positive approach and come out strongly, particularly in those areas where we have either been maligned or there is a great deal of ignorance "

Gold finds little favour — Santamtrust report

2/14 Star 2/8/85

By Stan Kennedy

Pressure on oil prices, positive international inflation prospects and relatively attractive alternative forms of investments are factors restraining gold from making more substantial headway, says Santamtrust in its *Market Opinion*

While the gold price has recently tended firmer, it has not gained the same amount of ground as that which the dollar has lost

Since February, the dollar price of gold has risen by 10 percent, while the German mark and British pound have appreciated against the dollar by 25 percent and 40 percent respectively

"It is not all that certain that the recent weak growth performance of the US economy, which is largely the reason behind the weakening of the dollar, will continue unchecked

"On the other hand, the development of a full-blooded recession in the US will not be of underlying positive value to the commodity markets Not only gold, but all our other export products can be negatively affected by such a development"

The report expresses the view that a drastic and sustained improvement in the price of gold is unlikely and that, at best, it will maintain its recent moderate upward tendency

On the prospects for inflation, it says the annual rate, which stands at 16,4 percent, could show a downward trend in August But it cannot be definite that from then on it will continue levelling off because of imported inflation

The renewed pressure on the rand, resulting from unfavourable capital flows brought about by the state of emergency, can lead to the imported inflation rate gaining momentum

"As a result of the present uncertain political climate one cannot but be concerned about the capital account of the balance of payments (BOP) and thus, the position of the rand

"Despite the unfavourable implications which a depreciation of the rand will hold for, among other things, inflation, the likelihood of a further weakening of the currency unit should not only be viewed as being negative

"If the rand could not readily adjust downwards, the local investment markets would, for instance, have been under much greater strain that is actually the case"

Santamtrust believes the SA economy is in a much better position to overcome political pressure from overseas.

It says the money market will probably tighten substantially if unfavourable flows on the capital account of the BOP persist

On the short-term outlook for the capital market, it says a sustained high level of inflation may temporarily contribute to a more bearish attitude than the one prevailing during the past few months.

In addition, the level of government spending in the first quarter of the fiscal year was not encouraging, while the state of emergency could result in certain expenditures exceeding budget levels

"In view of the level to which demand is declining, and given the extent of institutional liquidity, we are optimistic that the downward trend in rates will be resumed in the not-too-distant future," says the report

EEC split over the 'recall' of envoys

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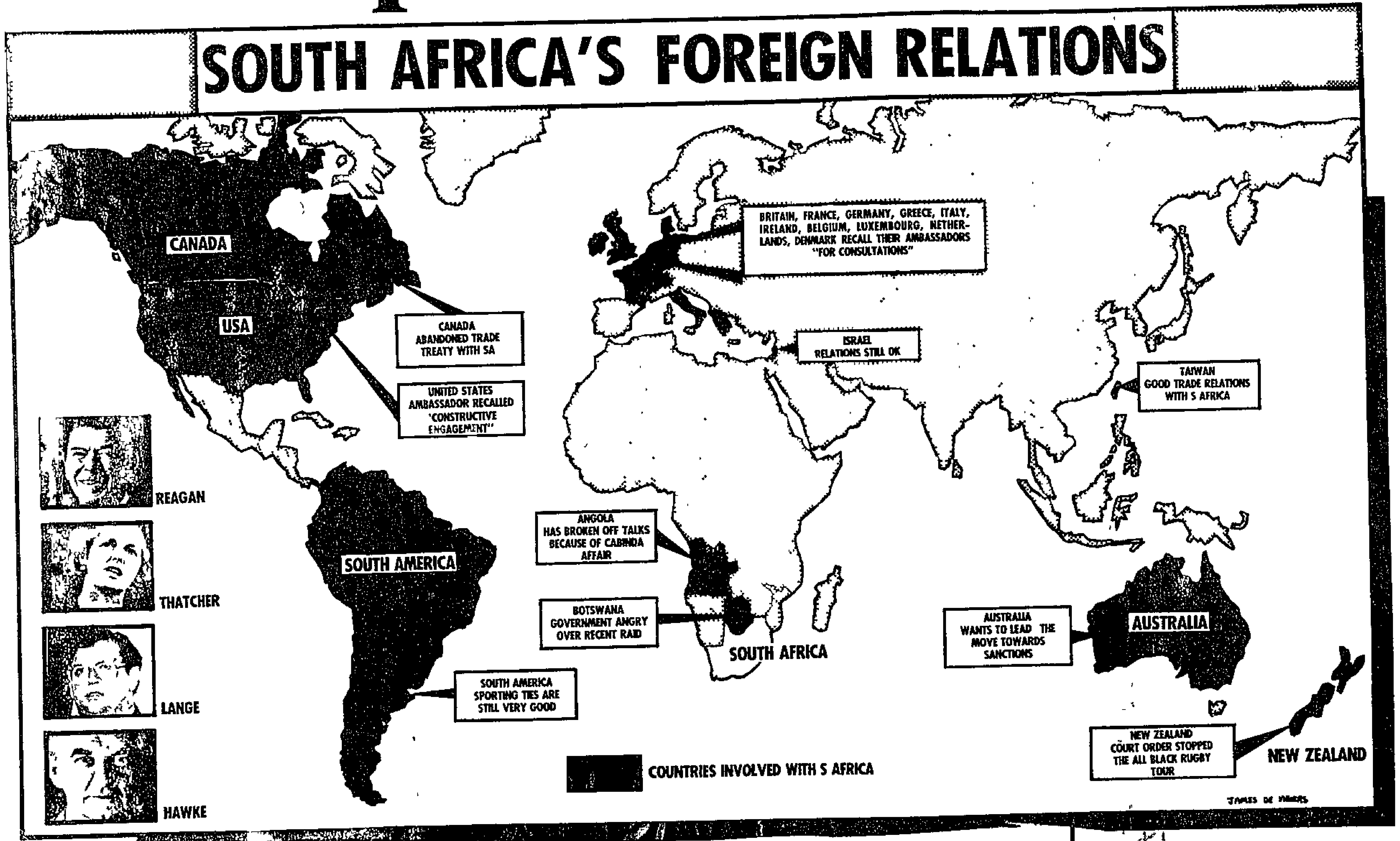

South Africa's diplomatic relations with the rest of the world have hit an all-time low. The 10 nations of the EEC have recalled their ambassadors for consultations, Australia and New Zealand are taking tough anti-apartheid stands; America's ambassador was recalled over the Cabinda affair; Botswana is angry about the recent raid; Canada has broken trade links. Taiwan, Israel and some South American countries remain on good terms.

The Star Bureau

LONDON — The European Economic Community is split over the decision to "recall" ambassadors from South Africa.

Some EEC countries, such as Britain, will send their ambassadors back as soon as possible, others maybe not at all

The meeting of EEC Foreign Ministers in Helsinki yesterday went on deep into the night and broke up in disagreement

The BBC reported that the debate started after the South African Ambassador to Finland gave the EEC details of all the strategic minerals they imported from South Africa

Britain and West Germany were ranged on one side — opposing sanctions and the recall of the ambassadors — while France and Belgium argued for sanctions as well

And British Prime Minister Mrs Margaret Thatcher and her French opposite number, Mr Laurent Fabius, were unable to reach any agreement on strategy at a meeting at 10 Downing Street yesterday

In a brief Press conference after the meeting, Mrs Thatcher said Britain and France shared an abhorrence of apartheid and had the same objective, but differed on strategy

Fierce pressure

Britain gave in to fierce EEC pressure before deciding to summon its ambassador from South Africa

Only last week the Foreign Office was insisting that the Ambassador, Mr Patrick Moberly, would not be recalled

Yesterday, in a face-saving gesture, Foreign Secretary Sir Geoffrey Howe insisted "He is not being recalled in that sense of the word"

Instead, the Foreign Office said, they are "bringing him back" to attend a meeting of political directors of the EEC.

UK and France fail to agree on strategy against SA

Sir Geoffrey added that the word "recalling" did not appear in the EEC conclusions

Nobody at the Foreign Office could say when or where the special meeting of EEC political directors would be held The next meeting is scheduled for early September, but they thought it might take place earlier

Even Mrs Thatcher seemed confused After meeting Mr Fabius, she said the meeting would be held in Brussels, but Foreign Office officials thought she meant Luxembourg

They were all waiting for Sir Geoffrey to return from Helsinki — an indication of how the move was sprung upon Britain.

Sir Geoffrey, interviewed after the meeting and before he returned to Britain, was at pains to put down the view that the EEC was trying to snub South Africa, or was making a diplomatic political gesture, or even giving Pretoria a rap over the knuckles

But he wanted Pretoria to be aware "that we believe apartheid is an intolerable system of Government"

Mr Leo "Rusty" Evans, the Minister at the South African Embassy, told a radio interviewer that South Africa wanted to get on with reform as soon as law and order was restored

He said it was ironic that the state of emergency had to be declared when South Africa was involved in a process of "fundamental change"

It was "sad" that the people who suffered most were the blacks and it was to protect them that the emergency was in force

South Africa wanted to sit round a table with blacks and discuss how they should participate, but "at this stage" blacks had not taken up the South African Government offer

In Paris, delighted officials said they had broken a logjam They said there were indications that some of the withdrawn ambassadors would not return

But Mr Fabius failed in his bid to persuade Mrs Thatcher to drop her out-and-out support for South Africa

Capital outflow

Mr Fabius put himself at the front of the worldwide anti-apartheid campaign last week when he announced a halt to all new French investment in South Africa, recalled his ambassador, and asked the UN Security Council to order sanctions against the country

But he did not inform other EEC countries in advance, and offended Britain and West Germany

French financial and business circles have become agitated over the dramatic fall of the rand, and over reports from South Africa that investors are switching large amounts of capital out of the country

Banking sources said it was almost certain that Pretoria would be forced to introduce currency restrictions over the weekend to prevent a further outflow of capital

Diplomats say that at no time since 1948 has South Africa been so isolated, nor have its relations with France been at such a low point

Fatality rate falls on mines

August 1985

JOHANNESBURG— The fatality rate on South Africa's gold mines fell to an annual 1.00 per thousand people in service in the first half of this year from 1.18 in the whole of 1984 and 1.48 in 1978, the Chamber of Mines announced.

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Colin Fenton, chairman of the chamber's mine safety division, said the continuing improvement came despite the increasing scale and depth of operations.

Mercury

Better safety records could be ascribed mainly to research and to more effective management of safety through widespread use of loss control techniques. The chamber did not release figures for the actual number of casualties — (Reuter) managing director of LTA

Krugers have achieved industry's aim — Birrell

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Star 2/8/85

The Krugerrand has fulfilled the original objective of the South African gold mining industry by pioneering a retail market for gold, according to Mr Bruce Birrell, Intergold's coin division manager

He was commenting on the sanctions Bill agreed to by a joint congressional committee in Washington yesterday, which, if President Reagan signs it, will result in a ban on the sale of Krugerrands in the US

Mr Birrell said the proposed legislation would not ban the sale within the US of Krugerrands already in circulation

He confirmed that Intergold has decided to stop releasing statistics on worldwide new Krugerrand sales These statistics did not reflect the true sales position as they did not take into account the resale of existing coins in circulation — the secondary market

Indications now were that the US market for Krugerrands would be lost This would be a great pity, but the important point was that industry's original objective had been achieved, as the Krugerrand had pioneered the consumer investment market in gold, with a plethora of gold products now being offered on the market

NOT A CATASTROPHE

"The banning of the importation of Krugerrands into the United States will do nothing to prevent the now substantial flow of gold into the hands of private investors," Mr Birrell said

The loss of the US market was therefore significant but not catastrophic Due to anti-apartheid protest activity, which began to gain momentum in 1983, sales of Krugerrands in the US had already been affected and in recent months had shrunk to a fraction of their potential

"The most recent developments will therefore do no more than formalise what has already become reality

Sales to Europe and the Far East continued These were substantial markets, and while the proposed US ban may initially cause some uncertainty there, there was no evidence to suggest that most investors had lost confidence in the Krugerrand's international liquidity

The South African gold mining industry had formulated contingency plans to counteract the potential loss of the US market The industry was confident that the overall gold market would be unaffected by the US move, Mr Birrell said

There are 43 million ounces of Krugerrands in circulation worldwide Last year 2,6 million new Krugerrand ounce coins were sold, compared with 1 million Canadian Maple Leaf one ounce coins — Sapa

U S market for krugerrands seen as lost

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2/8/85 NM

JOHANNESBURG— The Krugerrand has fulfilled the original objective of the South African gold mining industry by pioneering a retail market for gold, Mr Bruce Birrell, Intergold's coin division manager, said in Johannesburg yesterday.

Commenting on the sanctions bill agreed to by a joint congressional committee in Washington yesterday, which, if President Reagan gives it his signature, will result in a ban on the sale of Krugerrands in the U S, he said the proposed legislation would not preclude the sale within the U S of Krugerrands already in circulation

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There are 43-million ounces of Krugerrands in circulation worldwide Last year 2,6-million new Krugerrand ounce coins were sold, compared with 1-million Canadian Maple Leaf ounce coins — (Sapa)

SA now depends on gold more than ever

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STAR 16/8/85

Science Reporter

Although South Africa's gold production has fallen by some 30 percent over the past 13 years the country is now more dependent on gold than at any time during the past 35 years, according to the new president of the South Africa Institute of Mining and Metallurgy, Mr Henry James

In his presidential address at Kelvin House last night, Mr James said that to reduce the country's dependence on gold — which now earned half the revenue from exports compared with 30 percent in 1950 — a much higher priority would have to be given to mining, processing and exporting the 59 other minerals produced in South Africa

Beneficiation of chrome to produce stainless steel, for instance, could earn SA another R4 000-R6 000 million a year

Mr James, senior vice-president of the Council for Mineral Technology (Mintek), said that South Africa had produced almost 40 000 tons of gold since the early 1870s

Deadline

It was estimated that South Africa could produce another 20 000 tons until gold mining would run out altogether by the year 2020, according to one estimate Only 5 000 tons of this gold would come from new mines

In recent years, he said, the non-gold sector had made an increasing contribution to mineral exports, increasing by 26 percent in 1984 to almost R4 500 million, or almost 28 percent of all mineral exports

The challenge to further process more of these minerals was formidable but the rewards "will be enormous"

South Africa clearly needed a national commitment and an overall strategy to unlock this latent potential

REPORTS in the United States claim South Africa has threatened to stop the sale of 'critical materials', including gold, to any country imposing economic sanctions on the republic.

This week Dr Brian Clark, chief director of the National Institute for Materials Research at the CSIR, discussed the implications of the dominance of gold when he delivered a paper at the Senate Special Lectures at the University of the Witwatersrand. He believes South Africa's days of playing the role of 'a contented minerals supplier to the world' are over.

Here are excerpts from the lecture.

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Whither, now, South Africa?

AN ANALYSIS of South Africa's minerals industry shows one product is dominant — gold. During 1984 gold export sales accounted for 72 percent of all mineral export sales. However, herein lies one of South Africa's greatest dilemmas.

Mercury 24/8/85

The gold-mining industry is known to be a passing phase in South Africa's history From the time mining started in the early 1870s to the end of 1984 some 39 544 tons of gold have been produced In 1970 annual production peaked at 1 000 tons and the present production is only two-thirds of that volume.

Current predictions are that the number of producing mines will steadily decline, and terminate somewhere round 2020 Against this trend of falling production volumes the gold share of South Africa's total export revenues has increased In 1950 it was less than 30 percent and in 1984 about 50 percent.

Thus, in spite of everything said and done in the past and all the investments made to broaden the base of our economy, in 1985 we are more dependent than ever on one commodity — gold

Gloomy

On the surface, this trend presents a gloomy picture and it is important to ask the questions Has the minerals industry been stagnant and why are we in this position? Closer examination shows the situation is a complex one Key issues include the following

● The mining and minerals industry has shown significant development Over a period of 100 years the industry has undergone enormous changes Initially there was a maverick, entrepreneurial situation dominated by a number of small companies headed by characters with enormous courage and drive

In a recent publication James (Mr Henry James, newly elected president of the S A Institute of Mining and Metallurgy) reviews the major projects and highlights the activities surrounding the move from solely mining operations to where we are today, which includes mineral beneficiation industries

The single most disturbing factor shown in

Special Correspondent
JOHANNESBURG

this analysis is the lack of major new ventures since 1980 After many years of rapid growth we seem to have paused or run out of steam — almost as if we have lost our way

● The dominance of gold is obviously due largely to fluctuations in the dollar price in international markets and, of late, to the very sharp decline in the value of the rand This latter trend boosts the dominance of gold even further

Concern is voiced in the Western world that, given South Africa's dominant position (and the even more serious situation that in many cases the Soviet Union is the major alternative supplier) the Western world is particularly vulnerable to potential disruptions of supply

In the case of South Africa, concern is voiced that

● From the perspective of the Western world an unstable political situation could result in the termination of supplies

● Recent reports in the United States have gone further, and claim South Africa has threatened to stop the sale of these critical materials to any country imposing economic sanctions on the republic

Short-sighted

On the other hand, we in South Africa have been quick to point out the dominance of our position and even call international attention to the fact on an ongoing basis Unfortunately our approach has been extremely short-sighted and is tantamount to severe abuse of our resource position

The effect of this public debate in the Western world has heightened awareness of South Africa's position of dominance and led to the aggressive promotion of stockpiling and research-and-development programmes aimed at replacing certain minerals or elements — for example, chromium in critical materials, thus reducing the dependence of the Western world

So far there have been no dramatic breakthroughs that are about to change our position radically, but the writing is on the wall

Just how serious is the so-called South African threat to impose embargoes of our mineral exports, reported in the United States recently without reference to source? 'Almost ridiculous' should be the response

First, embargoes of this kind would be trivially easy to break. An excellent example of this was the American decision not to buy chrome from Zimbabwe (Rhodesia) durng the 60s and 70s It is well known that Zimbabwean chrome ore continued to be sold to the United States via a number of other countries, including the Soviet Union All that happened was that it cost the U S a little more

The key

This is really the key — the market-place will adjust to the problem Secondly, South Africa has to continue selling its minerals as they constitute 67 percent of export earnings They are the major wealth-generators that provide the opportunity to develop and prosper

Where to, now, South Africa?

The mineral life-cycle is an excellent way of understanding the linkage between different industrial sectors Materials move round the life-cycle curve from the beginning as minerals, through to processed minerals or raw materials to basic materials and, finally, engineering materials that surround us daily.

The one factor that dominates the movement of a specific material through its life-cycle is technology

One crucially important point to realise is that materials and their availability are controlled by society's needs and experience There is constant competition between the various material types, e g metals, ceramics, plastics, composites etc to fill a particular need The competition is fierce and never-ending

Clearly, the bulk of our industrial muscle and investment lies in the mining and minerals-processing area

Pressure

It is important to note South Africa has a positive trade balance for only the more traditional metal-based materials In the newer and new-generation materials such as ceramics, plastics, synthetic rubber and certainly also for electronic materials and components, the situation is reversed

Basic iron and steel exports are under severe pressure in view of international oversupply Therefore greater emphasis will be needed on the development of high-alloy steels, polymers, new-generation ceramics etc, if a positive balance of trade is to be maintained in the materials sector over the longer term

The development of specific materials to meet specific international market demands (a market-niche strategy) will be the key to sustained and increasing exports of materials produced locally.

What is required now is a dedicated national strategy to use our strengths and exploit them in the international market-place through advanced/specialty materials and associated final products

CAPE TIMES 2/9/85

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Amgold lifts interim by 31,6 %

JOHANNESBURG — Anglo American Gold Investment Company (Amgold) achieved a 37 5 percent increase in earnings in the six months to August 31, compared with the same period last year

Earnings a share rose to 669 3c compared with 468 8c in the first half of last year After-tax profit was R146 9m (R106 9m)

The interim dividend is 625c a share (475c) — a 31 6 percent increase

The directors say in the interim report that the increased dividends received from the gold mining companies largely reflected the higher proceeds, in rand terms of gold sales during the first half of 1985

"During that period the average gold price was $310 dollars an ounce compared with $381 in the corresponding period in 1984 a drop of 18 6 percent The rand price, however increased by 29,9 percent from R479 to R622 an ounce"

Discussing prospects for the second half, however, they say "The volatility in the rand/dollar exchange rate and to a lesser extent, in the dollar gold price make forecasting of the results for the year to February 28 1986 difficult

In the review period investment income was R149 2m (R109 9m) and interest earned increased to R8 4m (R6 3m), bringing gross income to R157,6m (R116 2m) Pre-tax profit was R149,6m (R109,2m) — Sapa

GFSA 'admits' it could easily meet union demands

2/9/85

214

The Star Bureau

STAR

LONDON — Gold Fields of South Africa (GFSA), one of the three South African goldmining companies at the centre of the dispute with the Mineworkers' Union, has admitted privately that it could "easily" afford to meet the union's 22 percent wage demand, according to a report in the *Guardian* today

"The company's resistance is based more on the belief that conceding would raise black workers' expectations and confidence in their industrial muscle," the paper says

The report — which names GFSA as "controlled from London" because of its close association with the British mining investment group, Consolidated Gold Fields (CGF) — also claims that GFSA has the lowest gold production costs in Africa

Analysts believe that GFSA, together with Anglo Vaal and Gencor, have been chosen to take on the union because in their mines membership is weakest

The union is strongest in the Anglo American mines, with some 80 percent of its total membership of about 150 000

CGF claims that there are only 74 registered black union members at its hugely profitable Kloof mine out of a workforce of nearly 14 000

But, says the *Guardian*, "this almost certainly does not take account of the clandestine members and the power of solidarity in the present critical political situation"

The reports adds that GFSA has the reputation of paying the industry's lowest wages "This is confirmed by unpublished research material, based on interviews with GFSA workers, by the Counter Information Services group of London

"A machine operator there last year earned less than R300 a month, compared with the average for unskilled black workers of R358

White skilled workers," the report adds, "earn five times as much"

US ban won't seriously affect gold mining industry

214 STAR 18/9/85.

The Star Bureau

LONDON - Mr Robin Plumbridge, chairman of Gold Fields of South Africa said he did not think the proposed American ban on Krugerrands would affect the gold mining industry to any great extent

He felt the Krugerrand had achieved its objective of widening the market for gold by encouraging personal investors to hold gold coins The loss in sales to the US would be made up by increased sales of other gold coins like the Canadian Maple Leaf

Referring to the unrest in South Africa he said he would not apologise for the use of rubber bullets and tear gas earlier this month against striking black mineworkers

"If you have got group violence you have to use techniques involving tear gas and so on," he told Andrew Cornelius of The Guardian

"But you get to a no-go stage where you have to act, and fairly decisively"

Cornelius says Mr Plumbridge's hard line contrasts with that of the group of businessmen who met ANC leaders in Zambia last weekend

Of their initiative, Mr Plumbridge said "Clearly these people are entitled to their point of view I personally am not a political animal"

Mr Plumbridge said he agreed with Dr Gerhard de Kock who recently complained about the perceptions of the troubles in South Africa by people outside the country

"We have had our problems and I don't want to minimise those," he said "On the other hand in the country as a whole life carries on

"If you were visiting a major town like Johannesburg you wouldn't be aware of any riotous activity except what you read about or see on television"

Robin Plumbridge . no apology for action against striking mineworkers

New gold invention could net millions

26/9/85

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STAR

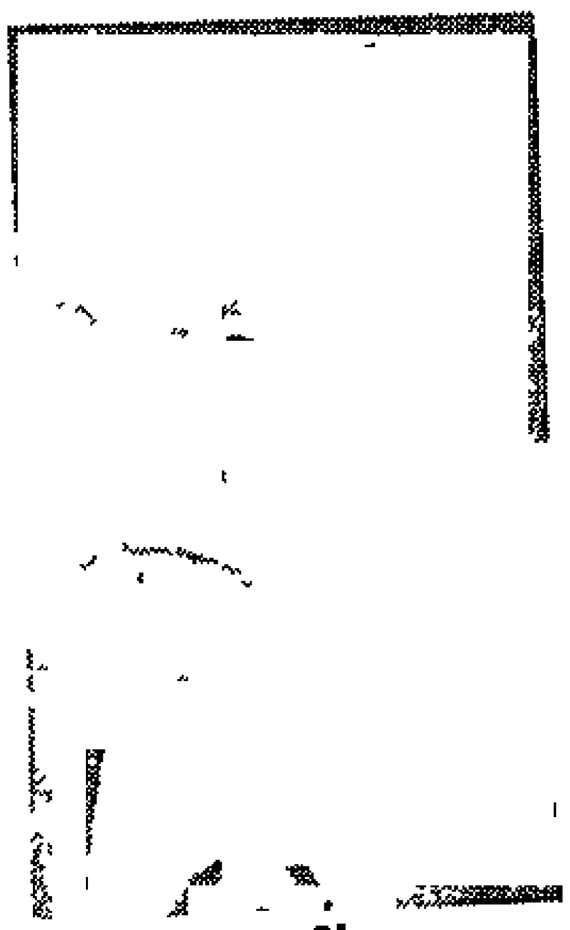
By Jaap Boekkooi, Science Reporter

A retired Benoni metallurgist claims to have invented a gold extraction process which could produce R250 million of gold a year from current discards.

Mr Ken Sharp, who spent many years on gold-extraction research, says his method, which uses contraptions resembling giant egg-beaters or milk churns, can squeeze, on average, an extra tenth of a gram from a ton of ore fractions or concentrates from new and old gold-mine workings, including dumps. One-tenth of a gram of gold is worth about R2 50

If the method were adopted by the entire industry, now milling 100 million tons a year, the extra gold could be worth R250 million, the inventor says. A company, now extracting residues from old dumps on the East Rand, could increase profits by R15 million a month

Mr Sharp has worked on the process for the past 13 years and has tested it successfully on samples at 14 mines on the East, West and Far West Rand, the Free State, and at Barberton where an extra 9 g per ton was recovered from residues at one of the country's oldest gold mines



Mr Ken Sharp

So far, the method, known as "soft attrition", has been tested only in laboratories and small-batch pilot plants A continuous pilot plant to test the process on an industrial scale would cost between R150 000 and R200 000

"The reason for the lower efficiency of other lime-cyanide extraction processes is that small gold particules are covered by hydrated iron oxide from the ore and this hinders the penetration of cyanide The soft attrition method prevents this by a physical rub-off of this oxide cover," says Mr Sharp

"Compared with other methods, my extraction results are the highest possible, really the ultimate They have been established in the laboratories of the Council for Mineral Technology"

Rand Mines increases profits by 17%

214 STAR 15/10/85

Financial Staff

More favourable exchange rates helped Rand Mines' marginal gold producers, Durban Roodepoort Deep and ERPM, reap the benefits of higher revenue and the two mines enjoyed a good September quarter

Durban Deep showed a R6,5 million turnaround from a R654 000 working loss in the June quarter to a R5,8 million working profit ERPM converted a R3,6 million working loss to a R357 000 working profit — a turnaround of just under R4 million

The group as a whole, which includes Blyvooruitzicht and Harmony, increased its pre-tax profits by 17 percent from R100,1 million to R117,4 million This was despite the fact that the quarter bore the brunt of salary and wage increases, factors which helped push up unit costs by five percent from R68,77 to R72,11

Average gold price received was R22 189 a kg — up 12 percent on the June quarter's R19 804 a kg

Mr Clive Knobbs, chairman of Rand Mines gold and uranium division, said the group would have received even higher prices if part of its production had not been sold forward Hedging profits were made in the first half of the quarter but these were eroded by hedging losses in the second half, he said

Tax at R44,8 million was 69 percent higher and bottom-line profits decreased by R1 million to R72,6 million

Increased production, coupled with a higher gold price, resulted in a 17 percent increase in ERPM's revenue to R61,3 million

Sundry revenue of R378 000 and a State assistance claim of R3,7 million took its bottom-line profits to R4,5 million This was 15 percent up on the R3,9 million in the June quarter

However, capex of R11,8 million (R8,2 million) resulted in an enormous cash outflow of R7,3 million Added to the June quarter's outflow of R4,4 million, this means the company has had a R11,7 million negative cashflow in the six months to September 30

Mr Knobbs said "Clearly, ERPM cannot continue at this rate The mine is fast depleting the money it raised in the 1980 rights issue and a decision will have to be made on its future before the end of the year "

Alternative plans for financing the mine's proposed rejuvenation programme had been examined and there had been protracted negotiations with interested parties

Blyvoor's gold price was well up from R18 838 a kg to R22 231 a kg This more than compensated for the drop in production and gold revenue increased by R10 million to R72,7 million

Working profit rose from R21,9 million to R28,1 million and together with a uranium working profit of R4,4 million and sundry revenue of R1,8 million (R2,7 million), pre-tax profits were 19 percent up at R34,4 million

Tax took R19,3 million (R14,9 million), leaving bottom-line profits at R13,9 million — up nine percent

The group's biggest profit earner, Harmony, did not have the best of quarters The higher profits, coupled with a sharp drop in capex, made it a field day for the taxman, who more than doubled his takings from R11,6 million to R25,5 million After-tax profits were thus 14 percent down from the R54,5 million to R46,6 million

STAR 214 16/10/95

Mine strikers legally dismissed, court rules

The Rand Supreme Court yesterday finalised an order that about 16 workers who participated in a legal strike at Marievale gold mine were lawfully dismissed

Mr Justice L F Weyers confirmed an interim order granted by Mr Justice E Stafford last month ordering the workers to show why Marievale Consolidated Mines should not declare it had lawfully dismissed them

Marievale, a member of the Gencor group, brought an urgent application on September 13 to evict workers from its premises

The workers were staying in a hostel on the mine as a result of a court ruling on September 4

On September 25 Mr Justice Stafford ruled that 43 workers who took part in a legal strike were lawfully dismissed

He ruled that the mining company was entitled to evict workers staying on the mine because of the earlier court order

Mr Justice Stafford found the workers had broken their contract by withholding their labour

COMMON LAW

In his written judgment at the beginning of the month, Mr Justice Stafford said it was irrelevant that the strike in which the workers took part was not prohibited in terms of the Labour Relations Act, and agreed with the contention that the Act did not amend the common law

"There was no lawful justification for their absence from work and no evidence that the dismissals were void"

An application for leave to appeal against the decision was dismissed on October 3 in the Pretoria Supreme Court

ARGUS 16/10/85

Taxman takes hefty whack of mines' profits

SOARING profits by several South African gold mines were whittled away by a leap in taxation in the September quarter

Three major mines today reported a big jump in the price they received for their gold sales — up from around R18 000 a kg three months ago to as much as R20 400 a kg

● Just over R68 million was paid out by **Hartebeestfontein**, a 44 percent jump on the R47 million paid in the June quarter

Working profit from gold, uranium and other income rose to R106 million from R90 million But after the State taking its haul, earnings dipped by 15 percent to R33 million from R38 million

● Another giant mine, **Randfontein**, saw its tax bill rocket by 88 percent to R33 million after R17,6 million in the previous quarter

Gold revenue rose to R162 million from R152 million but net profit was 17 percent lower at R64,7 million (R77,7 million)

● **Western Areas** reported a R12,6 million gold profit after a R2 million loss in the June quarter So more than R6 million went in tax, compared to a R440 000 credit previously

Net profit of R12,8 million, however, was two and a half times higher than the June profit of R4,9 million

Both Randfontein and Western Areas say they have entered into forward contracts for part of their future gold and uranium revenue

The latter says a "significant" part of its gold production is involved and it hopes to stabilise revenue and reduce the company's vulnerability to operating losses

● **Loraine** and **Hartebeestfontein** are also going for hedging deals Loraine says it has sold part of its production for as much as R24 265 a kg in September next year

● **Investec Bank** and **Metboard** have merged to form a new investment banking group with a market capitalisation of R100 million

The new Bank Controlling Company (BCC) will seek a JSE listing early next year and about 40 percent of the shares will be offered to institutions and the public

Tom Hood

SOWETAN

New accord with S Africa!

22/10/85

SOUTH Africa and Mozambique are to conclude a labour agreement, despite tensions between the two countries over alleged violations of the Nkomati Accord.

2.14 22/10/85

The Director-General of the Department of Manpower, Dr Piet van der Merwe, yesterday said the talks were continuing as normal and was "very confident" that the agreement would be signed

By JOSHUA RABOROKO

The talks involve the renegotiation of a labour agreement South Africa reached with Mozambique's former metropolitan authority, Portugal, in 1965 The talks have been going on since the accord was signed last year

Dr van der Merwe said a draft agreement had been drawn up and he expected officials from the two countries to meet again as soon as Mozambique had indicated that it had finished studying the contents.

Two technical committees have been established to look into labour supply for mining and agriculture as these sectors employ the majority of Mozambican workers in South Africa

South Africa has agreed to temporarily legalise the position of between 10 000 and 15 000 Eastern Transvaal contract workers whose identity documents have expired.

Dr van der Merwe said what was significant was that South Africa has traditional ties with Mozambique which are well established in the labour field

CMt Times
4/11/85
214

2 mines confess to tearsmoke

Own Correspondent

JOHANNESBURG — Anglo-American has admitted that one of its gold mines is fitted with a tearsmoke system that can be activated by management in the event of rioting among black employees

And a Klerksdorp mine run by the General Mining Corporation (Gencor) is fitted with a smaller tearsmoke system similar to that at Anglo's Western Deep Levels gold mine

A Gencor spokeswoman yesterday said the tearsmoke system had been installed 10 years ago, but never used "The system was installed for the protection of staff in the liquor outlets at the mine"

Gencor did not name the mine

It was revealed at the weekend that a tearsmoke system which allows management to discharge tearsmoke in liquor stores, hostel kitchens and hostel administrative offices was installed at Western Deep Levels in 1974

Conventional tearsmoke system

The Anglo-American Corporation admitted to the existence of the system after the former Australian Prime Minister, Mr Malcom Fraser, alleged that there were systems for pumping disabling gas into mineworkers quarters on South African mines

In a statement at the weekend the chairman of Western Deep Levels, Mr Peter Gush said a conventional tearsmoke system had been installed to help protect lives and property during inter-tribal rioting in 1974 and 1975 It had not been used since 1975

An Anglo spokesman said there were no tearsmoke systems at any other of the group's mines Gencor said the Klerksdorp mine was the only one in that group fitted with a tearsmoke system

Spokesmen for Rand Mines, Johannesburg Consolidated Investments (JCI) and Iscor, which owns several coal mines all said no tearsmoke systems existed on any mines owned by their companies

The story was the main item on British television 1pm news programmes yesterday

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4 Cape Times, Tuesday, November 5, 1985

Gas pipes on mine 'not dismantled'

JOHANNESBURG — The National Union of Mineworkers yesterday said its shaft stewards had reported that assurances by a senior Anglo American official that pipes carrying "disabling gas to miners' quarters at Western Deep Levels Mine had been dismantled were untrue

The NUM said in a statement released here yesterday "This morning a senior official of the AAC informed the union that they have dismantled them, but information from shaft stewards says this is not true"

The NUM had repeatedly demanded the dismantling of the "disabling gas" pipes, but management had refused

The NUM said the purpose of "disabling" gas at Western Deep was to "smash" legitimate strikes in an industry which operated more like a military camp than an industrial undertaking

Mining companies had been stockpiling ammunition and "hardware" to deal with strikes the NUM said

"This was clear during the legal strike in September, where workers were forced back to work at gunpoint

Use of Hippos 'common practice'

"The use of Hippos and other armoured vehicles is also common practice

"The use of disabling gas through the ventilation system is one of the measures used by the mining companies to break up and suppress legitimate industrial action by workers

"The comment by the former Australian Prime Minister, Malcolm Fraser, that disabling gas is pumped through the ventilation system into mineworkers' living quarters at Eastern Deep Levels Gold Mine, comes as no surprise to the National Union of Minewokers

"It has required the comments of a prominent international figure to provide substance for what is well known by mineworkers"

It said Anglo s claims of a liberal labour policy seemed extremely hard to believe

Earlier the Anglo American Corporation public relations manager, Mr Neville Huxham, said the equipment was removed last week because it had not been used for a decade and had fallen into disuse

'Tearsmoke used only once'

He emphasized that the system was a limited installation at one mine and only in certain areas of the mine — the liquor stores, hostel kitchens and hostel administration offices — which had been attacked during the 1974-5 riots

Mr Huxham said the tearsmoke was used only once in 1975 to stop rioters getting illegal access to one of the areas

At the weekend, an international furore greeted Mr Fraser's hearsay disclosure that the "disabling gas' system existed at Anglo's Carletonville mine

Western Deep Levels chairman Mr Peter Gush conceded that the tearsmoke equipment had been installed to assist in the protection of lives and property after rioting on the mine in 1974 and 1975

But he added that the system had not been used for 10 years — Sapa

NATIONAL

Anglo lifts lid on teargas system at mine

214

Argus Correspondent

JOHANNESBURG — The Anglo American Corporation has lifted the lid on its mine security arrangements — to reveal an extensive but now obsolete network of teargas installations which could have been fired on workers in an emergency.

The corporation admitted that the system existed after allegations by Mr Malcolm Fraser, the former Prime Minister of Australia, that there were systems for pumping 'disabling gas' into mineworkers' quarters.

The installations — which were centrally controlled by a master "red button" in the hostel manager's office — were strategically placed around administration buildings, liquor and food outlets and at the entrances to canteens at Western Deep Levels Mine.

On Saturday the system was dismantled. The general manager of Anglo's Western Deep Levels Mine, Mr Fred Bayley, who was not in charge when the system was installed 10 years ago, said yesterday that until last week he had not known it was there.

"Gas chambers"

"When I first heard of the allegation I thought it could not possibly be true. When I heard that it was, and here at Western Deep, I immediately instructed that it be dismantled.

"It has connotations reminding one of the gas chambers," Mr Bayley said.

He said the system had been designed specially for Western Deep Levels by the mines' security service. He had no knowledge of systems at any other Anglo mines.

"Ten years ago it might have been effective, although it was never used. During 197[illegible] and in 1974 there was a lot of unrest and the first places that were attacked were the food and liquor outlets so it must have been decided to surround those areas with teargas. However since then we have had no violence here and they are no longer necessary," said Mr Bayley.

Other members of Mr Bayley's staff said in his presence that the teargas pods had been serviced regularly.

Reporters were shown the control point in the hostel manager's office where what was described as the master 'red button' could be set off triggering all the teargas pods around the hostel and administration area. They could also be triggered individually and monitored in the manager's office on a light panel.

Mr Bayley gave the assurance that all teargas systems on the mines under his authority had been dismantled, rebutting allegations by the National Union of Mineworkers that this was not true.

Reporters who visited the mines yesterday could find no evidence to contradict him. Anglo personnel allowed free access to all hostels and workers were interviewed at random.

The General Mining Corporation (Gencor) refused to name or grant access to the mine it admits has a similar system.

CAPE TIMES 21/11/85 (214)

Mines' merger gets govt approval

JOHANNESBURG — Anglo American Corp of South Africa Ltd's proposed merger of its Free State gold mines has been given government approval

"Official approval had been granted," a spokesman from the Mineral & Energy Affairs Ministery told Reuters

"The company was informed by letter over the past weekend," he said

Trading in shares of Free State Geduld Mines Ltd, President Brand Gold Mining Co Ltd and Western Holdings Ltd, Welkom Gold Mining Co Ltd and President Steyn Gold Mining Co Ltd was suspended on Tuesday at Anglo's request

The suspension was with immediate effect until Monday, November 25, so as to allow for negotiations on the proposed merger of the mines, originally announced in December last year.

Share movement

Anglo is making no commment at this stage but may hold a press conference on Friday

A gold analyst told Reuters that he believed the local market had already discounted the proposed merger and he did not expect much share movement if the merger was finalized

He said now Anglo would need shareholder approval and could set up a meeting in the next month

The chairman of Anglo's gold and uranium division, Mr Peter Gush, said in February that the proposed merger will maximize dividend yield, optimize exploitation of the remaining ore reserves and extend the lives of the mines

Ore reserves of the merged mines would total around 350m tons containing about 2 500 tons of gold

Anglo expected around 20m tons to be milled a year with an average grade of 5,5 g/t. — Reuter

MINING ARGUS 22/11/85 (214

Open cast gold mining revived on Witwatersrand

JOHANNESBURG — For the first time in nearly a century, gold is being mined by the open cast method on the Witwatersrand

This has come about because of a strike by West Witwatersrand Gold Holdings, which has located a sizeable outcrop at very shallow depth in its tribute area

Investigation has disclosed that there are substantial tonnages of ore capable of being mined this way, with a yield similar to that proved in the underground reserves

The Westwits Group operates a gold mine on the West Rand adjoining the Randfontein Estates Gold Mining Company, Witwatersrand Limited It also owns the rights to 656 precious metal claims, and the rights to treat a number of dumps

Through its subsidiary West Witwatersrand Gold Mines, it holds a tribute area comprising a strike of 2 500m in which six reefs have to date been partially mined Geological studies have indicated that up to 14 payable reef horizons exist on the tribute area, and that certain of them outcrop and sub-outcrop at very shallow depth

Some of those shallow reefs were investigated, and open cast mining was started on November 1

Weswits has shown steady improvement in the past two years

In the quarter to June 30 1984, it milled 6 843 tons of ore to produce 8,8 kg of gold By August 30, the ore tonnage was up to 18 224 and production to 18,8 kg. At the end of 1984, quarterly figures had risen to 33 786 tons milled and 66,7 kg of gold produced

The first quarter of 1985 followed the same pattern, with ore milled increasing to 113 876 tons and gold production to 150,3 kg At the end of June, 211 538 tons had been milled, producing 227,2 kg of gold

At present 60 000 tons of surface or dump material and 17 000 tons of underground ore are being treated By the end of 1986, however, underground production is projected to reach 60 000 tons a month This means gold production should rise to 700 kg per quarter within 18 months — Sapa

Anglo's Free State gold mines giant: The details

W/C ARGUS 23/11/85

2/(C)

TOM HOOD

JOHANNESBURG — The Anglo-American Corporation has confirmed that the Government has given the green light to the merger of the corporation's operating Free State mines — making it the largest gold mining company in the world

The scheme, announced earlier this year, combines the operations of Free State Geduld (FSG), President Brand (Brand), President Steyn (Steyn) and Western Holdings (WH) into one lease area enabling the mines to maximise the use of their capital assets, optimise exploitation of ore reserves, extend the lives of the mines and provide them with a sounder financial base

Announcing details of the terms of the merger at a Press conference in here, Mr Guy Young, head of the corporation's Free State division, said a special variable lease formula had been devised whereby different lease terms would apply over different periods

The terms of the merger were of necessity complicated to ensure that there was no loss of revenue to the State and that the interests of shareholders were also taken care of, he said

The operating companies are to be consolidated into one operating company, Free State Consolidated Gold Mines (Freegold), which will be one of three listed companies to be created in place of the existing five listed companies — FSG, Brand, Steyn, WH and Welkom Gold Mining Company, whose listings were suspended on the Johannesburg and London Stock Exchanges on Tuesday pending yesterday's announcement

Thus the three listed companies — which combined will produce 17 percent of South Africa's total gold production — will be

- Freegold, which will take over Steyn's listing FSG, Brand and WH will become wholly owned, directly or indirectly, by Freegold
- Orange Free State Investments (Ofsil), a new company which will become the holding company of Freegold, owning at least 50 percent of its equity Ofsil will initially acquire 100 percent of WH, which will subsequently be acquired by Freegold
- Welkom Gold Mining Company — to be named Welkom Gold Holdings — which will exchange its 47,7 percent holding WH for shares in Ofsil and may also acquire shares in Freegold

In terms of the merger proposals

- Steyn will make a one-for-one capitalisation issue, thus doubling the number of its shares in issue and effectively halving the market price of its shares
- Ofsil will acquire 100 percent of WH on a one-for-one basis= members of WH will be entitled to one Ofsil share for every WH share held
- Existing shareholders in Brand, Steyn, WH and FSG will be abke to exchange their shares for shares in Freegold
- Steyn, Brand and FSG shareholders will be obliged to exchange 27 percent of their Freegold entitlements for Ofsil shares

They may in addition tender a further 6 percent of their Freegold entitlements for Ofsil shares and 33 percent of their Freegold entitlements for Welkom shares

Subject to approval by shareholders and the Supreme Court, the shares of FSG, WH and Brand will be delisted on February 7 next year and the new listings will become operative on February 10

Mr Young said the market capitalisation of the merged operation was estimated at R3,9 billion Annual revenue would be R2,2 billion, pre-tax profit R1,1 billion and after-tax profit R700 million

Comparing directly the present companies with the new scheme as proposed, not taking into account the significant synergistic benefits which would be achieved to the benefit of shareholders in the future, Mr Young said all shareholders would enjoy improved returns on their investments with the exception of WH shareholders whose returns would decrease in the short term but be better in the longer-term

The mines involved employ more than 100 000 people The life expectancy of the operation on the new basis is up to or beyond the year 2010

Mr Lionel Hewitt has been appointed managing director designate of Freegold, the operating company, which will have its head office in Johannesburg It will control two divisions, a northern and a southern division, based at Welkom

W'E ARGUS 30/11/80

Mining exports 'almost licence to print money'

TOM HOOD

THE export of raw material has almost become a licence to print money for South African mining companies which are revelling in windfall profits.

A strong performance from its various mining interests enabled Anglo American to lift net earnings by 30 percent to R320 million from R246 million in the six months to end-September — more than compensating from weak performances and losses by its industrial investments.

Anglo's interim dividend has been raised by more than 40 percent to 50c from last year's 35.

Gold and coal were the star performers and the mining sector's contribution to the group's income from investments — up to R304 million from R235 million — is moving closer to 75 percent from two-thirds in the last full year.

With the average rand gold price received in the six months only R622 an ounce higher profits can be expected by the year-end with that price now well established above R800.

The coal bonanza brought a 45 percent jump in trading profits to R224 million.

While the mineral/foreign exchange bonanza offers shareholders the potential for a substantial earnings boost, [illegible] attention away from some problematic industrial investment.

South African Motor Corporation (Samcor) is still showing losses which could reach R100 million in the half-year.

Paper producer Mond is also running in the red and recent outbursts in the United States over South African paper exports could affect a project which relies almost entirely on exports.

Construction giant LTA had negligible profits last time and could also post losses.

Though shares of diamond mine De Beers have been pushed up [illegible] more than 50 percent in recent months to well over R15 its stockpile and debt mountain mean it is not likely to share the high earnings of its gold and coal cousins.

● All companies in the Anglovaal group declared higher dividends.

Angiovaal Holdings raised its interim 21 percent from 9,5c to 11,5c a share.

The dividend from Anglovaal Limited amounts to 120c against the 100c last year.

The group's gold mines also declared improved interim dividends, due largely to the higher rand gold prices the mines received.

Gold producer Harties raised its interim payout from 32,5c to 45c an increase of 38 percent.

The dividend from Zandpan which derives its income from [illegible] interest in Harties climbed to [illegible] from the 5[illegible] paid at the interim stage last year.

At 100c the ET Cons interim is 3[illegible] percent ahead of the 75 paid a year ago.

Although Village Main has declared an interim dividend of [illegible] 10 the first time in four years this does not necessarily mean that interim dividends will be declared in future as a matter of policy.

Mining exploration and investment company Middle Wits increased its interim dividend to 10 from the 45 declared this time last year to 55c.

● Turnover of the Shoprite supermarket group jumped by 25 percent for the half-year to August from its existing branch network.

From a pretax level a record R1[illegible] million was up [illegible] percent after a freeze on food prices and strategic promotions of about R600 000 which management passed on to consumer.

The influence of new branches at Mitchells Plain, Oudtshoorn and De Aar which all opened after August will lead to an even higher turnover growth in the second half of the year the company forecasts.

● Industrial [illegible] Federale Volksbeleggings trimmed its losses in the half-year to September to R[illegible] million after a loss of R6 million in the previous 12 months.

A year ago Fed Volks earned a R[illegible] million profit in the first half.

● Barlow Rand Properties reports 8[illegible] percent of the R2[illegible] million loan stock and 2[illegible] percent of the ordinary shares are now held by loan stockholders and shareholders other than companies in the Barlow Rand Group.

Net profit for the year to September 30 of R[illegible] million was in line with the forecast given in the pre-listing of August 26 1980.

● The Crown Mines sand treatment operation of Rand Mines Properties offset a plunge in property earnings in the year ended September leaving after-tax profit marginally lower at R21,3 million.

● Rand London Corporation staged a big recovery in the half year to September turnover rising to R4[illegible] million from R[illegible] million.

Net profit after foreign exchange provision and minorities share of profit jumped to R3,2 million from R28 000 a year ago. Earnings a share were 3,6c against nil last time.

Gold mines may finance tax cuts

C/T ARGUS 30/11/85

2/4

DEREK TOMMEY
Financial Editor

A major question in financial and business circles where is the Government to get the extra cash it needs to be able to reduce personal income taxes in the next Budget — as it has hinted it will do

Commerce, industry and agriculture are doing badly at the moment and there seems little hope of squeezing additional revenue from them

However, there is one sector which is enjoying record profits — the gold mining industry — and it seems increasingly likely that the Government could attempt to raise extra revenue from it

Mr Rob Lee, chief economist at the Old Mutual, is one who believes that the gold mining industry could make a bigger contribution to the exchequer

He said today that in investment circles the liklihood of an increase in mining taxation had been considered a possibility for some time

"I think the Government would like to give the tax-payer a bigger tax cut than the abolition of the 7 percent surcharge," he said

"The gold mines have received a windfall from the rise in the South African gold price, which they have not fully shared with the Government It would like more of it'"

Mr Louis Fourie, investment manager at the National Mutual, said he thought the gold mining industry was being specially favoured by the current mining tax structure, and said this was not in the country's interests

"The concessions afforded the industry had distorted the economy and caused too much of the country's resources to be devoted to gold mining," he said "This had made South Africa too dependent on gold This emphasis on gold mining had also contributed to inflation

"The only beneficiaries of the higher gold price had been gold mining shareholders

"It is something that definitely must be addressed," he said "But any change in the basis of mining tax would have to be phased in gradually to avoid disruption,,"

Mr Fourie's remarks come at a time when the Government is facing growing pressure to reduce the South African income tax rates which are now among the highest in the world

But to make the reductions worthwhile it will have to go much further than merely doing away with the 7 percent surcharge which has already been announced

Income tax rates have not been adjusted for inflation since the 1970's and, with inflation still rising at 16 percent, drastic cuts in the tax rates would be necessary if the public were to receive any benefit

But to cut personal income taxes significantly the Government would have to find revenue from other sources, and the gold mining industry which has been enjoying record profits recently would seem a prime target

Although the gold mining tax rate, after taking into account the 25 percent surcharge, is around 70 percent, quarterly figures show that the average rate for the industry is actually only about 40 percent

Heavy investment and capital allowances mainly account for the difference between the 70 percent and 40 percent tax rate

It has been suggested that changes should be made in the way the mines are allowed to write off their capital expenditure A slower depreciation rate would considerably increase the mines' taxable incomes and their tax payments

If the Government could increase the tax rate actually paid from 40 percent to nearer 50 percent, it would receive an additional R1 billion a year in tax revenues

This would make it much easier for the Government to cut income taxes

It has also been argued that at the country's present state of development, it would be more beneficial to lower income taxes and stimulate personal saving and consumption than to further extend the gold mining industry

Argus 3/10/85

Mine told to reinstate dismissed workers

Argus Correspondent

JOHANNESBURG — In one of its most significant rulings the Industrial Court today ordered Gencor's Marievale Gold Mine to reinstate black miners dismissed during a legal strike at the mine last month

Court president Dr Daan Ehlers said, in an order, that the mine must reinstate the miners and the number qualifying for reinstatement had to be agreed by the employers and the National Union of Mineworkers

The union originally applied to the court for the reinstatement of about 1 000 miners The mine claimed not all the workers were union members, not all had been fired and not all were originally employed by the mine but the company agreed to negotiate over numbers

OPERATIVE

The mine indicated during the case that, if it lost, it would prefer to pay the miners involved rather than re-employ them The mine had already filled vacant jobs with new recruits

The industrial court order becomes operative on November 1 but workers have 21 days in which to report for duty

Laywers for the union said today the order would mean that at least 500 miners would be granted relief

One lawyer said "The court has not yet issued its reasons for the ruling and the full implications of the case will only become clear later The implications are potentially far-reaching as far as the protection of workers on a legal strike is concerned"

18/12/85 BUS DAY 214

1 500 on strike at mine

CLAIRE PICKARD-CAMBRIDGE

ABOUT 1 500 workers at the Randfontein Estates Gold Mining Company went on strike yesterday

The strike follows the death of one worker and the arrest of others involved in a clash with police on Sunday

General manager of human resources for Johannesburg Consolidated Investment, Jeremy Nel, said he understood employees at Cooke Shaft No 1 had refused to go underground because they were demanding the release of workers arrested by the SAP

Nel said Sunday's clash occurred when some mine employees had been met by the SAP who had been called by a shopowner to investigate an incident at a shopping complex off the company's property.

He said the workers, who were striking illegally, would receive a second ultimatum today if they did not return to work

A police statement said members of the SAP had been stoned by a crowd of blacks on Sunday The police fired at the group with teargas and shotguns One man was killed and 41 men were arrested About 20 of the arrested men were wounded A police spokesman said yesterday the arrested men would be charged with public violence

The National Union of Mineworkers is not recognised on the mine, but an NUM spokesman said management had tried to prevent workers going to the union meeting on Saturday by putting up roadblocks on routes leading to Cooke Shaft 2 and 3

Tuesday November 1985 — ... ...

BUS. DAY 11/12/85

Randfontein strikers return after talks

11/12/85

(214)

CLAIRE PICKARD-CAMBRIDGE
and PHILLIP VAN NIEKERK

ALL strikers are back at work at Randfontein Gold Mine Estates after stoppages at Cooke 1 and 3 shafts

Workers who struck at the Cooke 1 shaft on Monday, demanding the release of colleagues arrested after a clash with police on Sunday, returned to work on Monday night after negotiations with management

One miner was killed in Sunday's clash and 31 were hospitalised

The company said 1 500 workers were on strike at Cooke 1. The National Union of Mineworkers put the figure at 3 000

At Cooke Shaft 3, 4 000 workers went on strike yesterday, objecting to a warning endorsed on a shop steward's record card.

Management withdrew the warning after negotiations with the union work resumed.

Management undertook to look into other grievances raised

These included unhappiness with the system of issuing workers with a record-of-service whenever their contracts expire Workers expressed fears that security of re-employment was threatened by this system.

Other complaints were raised against the company's manpower manager Piet Rademeyer and the indunas whom, the union said, had been hampering union activity.

A Johannesburg Consolidated Investment spokesman said the company had no evidence Rademeyer had been working against the union's objectives

JCI industrial relations manager Jeremy Nel said 36 workers were arrested and appeared in the Randfontein magistrate's court on charges of public violence

They were not asked to plead and their bail application was refused.

EVENING POST, TUESDAY, DECEMBER 24, 1985

Three die during mine violence

24/12/85 E. 1087

PRETORIA — A man was stabbed to death and two others were killed by rubber bullets when crowds twice stoned security personnel at the Westonaria gold mine on the West Rand overnight police said today

A fourth man died at Shoshanguve when a shot was fired at a man allegedly trying to throw a petrol bomb at a policeman's home

Police said one man was stabbed to death, two others were injured and vehicles and offices damaged in one incident at the Westonaria mine Three men were arrested

In a later incident at the same mine, a mob again stoned security personnel and mine buildings and two men died when security officials opened fire with rubber bullets Another man was arrested

The fourth fatality occurred at Shoshanguve after a group of people stopped and threatened a policeman's wife who had allegedly bought goods in a white area

Police said the woman escaped and reached her home, where her husband warned the crowd to disperse The fatal shot was fired when one of the crowd allegedly tried to throw a petrol bomb at the house

In another incident, police used birdshot and tear smoke to disperse "illegal gatherings' in Moutse, Northern Transvaal

A member of a group of Johannesburg township consumer "boycott-enforcers" reportedly died in hospital yesterday after being shot on Saturday by a black businessman in Sebokeng who was stopped at a roadblock, assaulted and robbed

The SAP yesterday confirmed details of the incident and that a man, Mr Angel Manganjeni 19, had been shot and taken to hospital with injuries, but his death, reported by residents, could not be immediately confirmed by police

Police also said they were investigating the petrol-bombings of the Lenasia homes of civil rights attorney, Mrs Priscilla Jana, and Dr Mahomed Momoniat, president of the Nur-ul Islam Centre and director of the Muslim World League

"The Kwazakele school in Port Elizabewth was set alight by arsonists Extensive damage was caused to the school' police reported

"In the black residential area at Stutterheim a private home was set alight Three black men sustained serious burns

"At Bloedfontein in the Northern Transvaal a group of blacks extensively damaged a private vehicle by stoning it'

In the Fingo residential area near Grahamstown a small group set fire to a private vehicle which was totally destroyed in the resulting blaze — Sapa

COMPANIES

27/12/85 BUS DAY.

2/4

Winkelhaak an attractive share prospect

ADAM PAYNE

WITH two important mining developments on the cards in the Evander area, investors should consider the merits of Winkelhaak

Although not an exciting share, it is a long-life mine with low costs, so it ranks as one of the better quality gold-mining investments.

The two possible developments are:

☐ The Poplar gold project in the Leandra district, near Winkelhaak and Kinross mines, is expected to be announced next year Feasibility studies have shown that the mine would be viable provided suitable financial arrangements are made concerning tax and mining rights

The projected mine would mill 90 000 tons a month at a grade of 5,5g/t over a life of 20 years, with estimated capex of R500m. There is speculation that either Winkelhaak or Kinross could be used as a tax umbrella

☐ The Evander mines are likely to amalgamate for the same reasons as Anglo's Free State mines — rationalisation of control, with savings in costs, cohesive mining and local control, providing speedy policy decisions, and centralised services, resulting in greater efficiencies and cost advantages

The opening of the Poplar mine could benefit Bracken if its mill is used, and Winkelhaak could also benefit if it is linked with the new mine on the financial side

However, the Winkelhaak and Poplar areas are not next to each other, which could be an impediment.

In an amalgamation of mines, Winkelhaak is the largest and most profitable mine in the area, with major expansion under way

The Winkelhaak board announced in October it had decided to go ahead with a twin-shaft system to the east of the existing lease area in the so-called fold-fault area

The capital cost of the project is estimated at R259m in 1985 terms and R432m in inflated terms The project is due to be completed in 1992, which suggests that the greater part of the work will be done in the latter part of the period

The new No 6 shaft system is to be sunk with a main shaft 1 515m deep to exploit the eastern area Although this area is disturbed geologically, some of the borehole values have been good, particularly towards the north-east in the fold-fault area.

The twin-shaft system should be in production by 1992 and will increase the total mill throughput from 200 000 tons per month to 225 000 tpm.

The R259m cost will be financed from retained earnings and production revenue earned from an early start of stoping from the shallower ventilation shaft (475m)

The impact on dividends is not expected to exceed R25m over the six-year construction period

Phase 1 of the project — the immediate start of sinking the ventilation shaft to the start of production — could be completed in the year to September 1987

Mill throughput is expected to average 225 000 tpm from the beginning of the 1987/88 financial year

London stockbroker James Capel expects total mill throughput to increase above the announced 225 000 tpm when production from the main shaft starts in 1992

Capel's forecast for the next five years are.

Tons milled rising from 2,43-million in the year to September 1986 to 2,5-million tons in 1987 and 2,7-million tons in 1988 through to 1990

Grade 5,7g/t in 1986 rising to 5,8g/t in 1987 and 5,9g/t in 1988/90

Gold price in R/kg R26 000 in 1986 and R22 500 in 1987 through to 1990.

Capex: R35m in 1986 and R45m in 1987, rising to R65m in 1988/90

Available earnings a share (which have been smoothed) 450c in 1986 and 1987, dropping to 425c in 1988 and 1989.

While Capel considers there are more attractive investments on the gold board, including Randfontein, St Helena, Venterspost, President Brand, Libanon and Buffelsfontein, I consider Winkelhaak worthy of support because it is a quality, low-cost mine

Freegold expected to issue composite report

30/12/85 BUS DAY

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ROY BENNETTS

BARRING the unlikely rejection by shareholders of the proposed Anglo American Free State megamine, Anglo's Free State companies have almost certainly issued their last individual annual reports

In future, shareholders can expect a single report analysing the activities of the giant Freegold conglomerate, with holding companies Ofsil and Welkom mirroring the parent's results

The pattern has already been set by Peter Gush, chairman of Anglo's Free State mines, in the latest annual reports

Gush is also chairman of Free State Geduld (FSG), Western Holdings and President Brand, while Guy Young holds that title at Welkom and President Steyn

Apart from individual items such as operating results and capital expenditure, the chairman's review is the same in each of the annual reports

A tabulation of the four mines shows that almost R400m was spent on capex during the year to end-September, with another R435m planned for the current year

Largest drain on revenue was President Brand, with R158m being absorbed by the production expansion programme, and a further R140m to be chalked-up in the current year

The new 390 000-tons/month run-of-mine gold plant was the single largest project in the programme, absorbing R72,2m during the year

To-date this project has cost about R110m, and load commissioning is expected to commence in March next year

An amount of R40,5m was spent on the No 5 Shaft project, which reached its final depth of 2 199-metres in September

This brings the amount so far spent on this project up to R174m, with commissioning scheduled for April

During the year an amount of R11,4m was spent on black housing, the bulk of which was allocated to two new hostel blocks at the No 1 Shaft

Production for 1986 is planned to increase by 2%, at grades similar to last year

The vast Western Holdings complex spent R120m in capex last year, and plans to advance this to R165m in the current year

Of last year's total, the Erfdeel project absorbed about R73m, Holding division R39m and Saaiplaas R8m

A total of R305,6m has already been spent to date on the Erfdeel project and with the No 1 Shaft reaching a final depth of 2 253 metres during the year

An additional R100m is to be spent on this project during the current year, with production scheduled to begin in the first quarter of 1987

At the Holding division, the largest single project is the No 1B sub vertical on which R19,7m was spent during the year

The No 3 Shaft system at Saaiplaas has cost R169m to date

Gold production at Western Holdings is planned to decrease slightly in the current year, despite a budgeted increase in tons milled

Free State Geduld went R6m over budget last year, by spending R63m on its capex programme

The mine accelerated work on the new No 10 Shaft, spending nearly R20m on this project during the year

The No 5 Shaft system is now virtually complete, after a total outlay of R300m Full production of 280 000-tons/month is expected to be reached at this shaft towards the end on 1986

Capex for the current year at this mine is planned at about R59m The bulk of this amount, R37m or 62%, is to be spent on the No 10 Shaft project

FSG will continue with surface prospecting in 1986 to establish the viability of a potential new shaft system to the east of the No 2 Shaft

In all, exploratory drilling, including prospect drives, is expected to absorb R2,3m during 1986

President Steyn's capex bill for 1985 reached R57m but is likely to increase to R71m for the current year

The No 4 sub-vertical shaft system remained the most important project during the year, absorbing R11m to bring the total spent to date on this development to R101m

Production of ore at Steyn is expected to be increased by around 5,5% for 1986, mainly as a result of improved stoping operations and waste-washing tonnage

Recovery gold grades are predicted to remain close to current levels

MINING - GOLD

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Gencor gets Union Carbide interests

By Brendan Ryan

GENCOR has finally bought out Union Carbide's South African chrome and vanadium interests as speculated within the mining industry (Business Times August 4).

The group, which is South Africa's second-largest mining house, has confirmed the purchase but has declined to give the cost, saying it had been agreed with Union Carbide to leave this undisclosed.

The move follows a decision by Union Carbide to dispose of its international mining interests, which contribute a tiny portion of the chemical giant's annual turnover of $9-billion

The assets bought for cash by Gencor include 49% of the Tubatse ferro-chrome plant at Steelpoort in the Eastern Transvaal Gencor already owned the other 51% and had the management contract

The balance of Union Carbide's interests in South Africa comprise chrome and vanadium mineral rights and mining operations.

The new assets seem certain to wind up in Gencor's base-metal and ferro-alloy subsidiary Samancor.

It seems likely that Samancor would be required to pay cash for the assets in turn instead of issuing new shares to Gencor.

COMPANIES Bus Day 7/1/86 (214)

Free State mine to be 'world's largest producer of gold'

ADAM PAYNE

THE Free State megamine being created by Anglo American will probably be the world's largest single gold mine, producing about 113 tons a year, according to indications in the document outlining the merger of the three mines.

The output, which is projected for its early years, should amount to roughly 17% of SA's present annual production

The 125-page document, profusely illustrated with coloured maps and graphs, says

☐ The added flexibility afforded by consolidation should lead to an increase in the amount of gold recovered from underground,

☐ The combined treatment capacity of the enlarged complex will be more than 20-million tons a year, which in terms of milled throughput will make the merged group the largest gold mining company in SA,

☐ A graph shows the historical grades of the individual mines From high, but widely differing, grades in the early days, all these mines today are mining at between 4,5g/t and 6,5g/t from the higher-grade Basal and lower-grade Leader and Kimberley Reefs. It is expected that the grades will continue at this level for the rest of their lives

Angus Robertson, Johannesburg representative of the *Quarterly Review of South African Gold Mining Shares* commenting on dividend potentials says "At the current gold prices of R750 to R850 an ounce, I predict dividends for 1986 totalling 600c to 750c before the split in the President Steyn shares of two for one when the name will be changed to Freegold

"After the split the dividend expectations would therefore be 300c to 375c with the share price also down to half

"The merged mine will compare favourably with similar mines such as Harmony, and be considerably better than mines such as Doorns and Libanon where costs an ounce in each case are more than R400, which is similar to that of the merged mines

"However, the costs of the merged mines should be reduced because of economies of scale and of the efficencies and economies of operations under the merger"

Discussing technical factors and synergies, the MD of the amalgamated mine Leslie Hewitt and consulting engineers list peripheral areas of interest to the merged mine They add that negotiations with outside companies relating to the possible exploitation of these areas by companies have not in all cases been concluded The areas are

☐ East of FSG, the farm Leeuwbosch, De Hoek, Elsinore, and New Kameeldoorns,

☐ West of FSG, the farms Eurika, Nooitgedacht,

☐ East of Holdings division of Western Holdings, the farms Wonderkop. Vooruitgang,

☐ West of Holdings division of Western Holdings the farms Biesiekuil and Jacobasrust,

☐ South of Brand the farms Jonkersrust and Du Preez Leger.

The current rate of production appears to be at about the optimum level and, apart from increasing the plant capacity of President Brand by 90 000 tons to 410 000 tons a month from mid-1986, no further expansion of capacity is planned for the forseeable future

Listing capital expenditure projects, the document says FSG's No 10 Shaft, started in 1985, should be commissioned in 1991 with full production in 1997 The cost from 1985 onwards will be R462m and the total cost R499m.

Brand's No 5 Shaft expansion started in 1981 will be commissioned in 1987 and in full production by 1992. Up to 1985 R336m was spent and a further R255m will be spent to total R591m

Steyn's No 4 Sub-vertical Shaft started in 1972 was comissioned in 1983 and thye date of full production is 1987 Up to 1985 R96m was spent and after 1985 R20m will be spent to total R116m

Western Holdings Erf Deel No 1 Shaft started in 1981 will be comissioned in 1987 and in full production in 1993 It cost R257m up to 1985 and from 1985 onwards will spend R274m totaling R531m

Western Holdings No 1B Sub-vertical Shaft started in 1983 and to be comissioned in 1987 with full production in 1993 spent R27m up to 1985 A further R39m will be spent from 1985 onwards to total R66m

Western Holdings Erfdeel No 2 Shaft started in 1982 and the comissioning date is 1992 The date of full production is 1998 Up to 1985 R49m had been spent and from 1985 onwards R384m will be spent to total 432 tons

The life of the mining operation will of course be extended with the successful exploitation of lower grade areas which the individual mines operating separately could not have turned to advantage

Salient points from the AAC report are

Capital expenditure At Free State Geduld it is forecast to drop to R59,5m in the year to September 1986 from R63m in 1985

Brand's capex will fall to R140,6m from R158m.

Steyn's will rise to R70,9m (R57,1m)

Western Holdings will rise to R164,6m (R120,2m).

The report indicates the potential milling tons and expected grades over the life of each mine. It notes that these figures are very sensitive to gold price and the estimates are based on a gold price of R28 000/kg FSG — 87m tons at 6,8g/t. Brand — 65m tons at a grade of 4,4g/t Steyn — 54m tons at a grade of 6,2g/t Western Holds — 197m tons at a grade of 4,4g/t.

Hewitt and the consulting engineers say the merger will bring both productivity and synergistic benefits which will lower costs and thus enable the mining of lower grade ore to take place Unless this happens the combined tonnage treated by the four mines could drop significantly before the turn of the century.

If lower grade ore does become profitable even a drop in tonnage will be both delayed and less dramatic and extend the life of the operations.

The large capital expenditure projects which each mine is obliged to carry out to ensure continued replacement production and longer lives will have a greater chance of being undertaken at the right time as the result of the larger and strong financial base created by the merger.

Also, it will be possible to integrate the planning of major projects across the merged entity This should reduce the possibility of having to suspend work on major projects, which is expensive and disruptive, even if the gold price is as volatile as it has been over the past few years

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GFSA mines profits spurt to R273m

Cape Times 10/1/86

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JOHANNESBURG — The taxed profit of the Gold Fields gold mines rose to R273,38m in the quarter ended December 31 from R208,83m in the quarter to end-September

The mines are Driefontein, Doornfontein, Vlakfontein, Deelkraal, Venterspost, Kloof and Libanon

Tonnage milled was unchanged at 3,74m with gold output 30 824 kg from 30 924 on grade of 8,2 g/t (8,3 g/t)

Working profit rose to R545,24m from R402,70m and net sundry revenue to R51,34m from R50,55m

Tax and State's share rose to R325,44m from R246,66m

Average gold price rose to a record R27 170 a kg from R22 201, while gold revenue increased to R839,25m from R687,92

Working costs rose to R294m from R285,22m and working cost a ton of ore milled rose to R78,59 from R76,24

The general manager of the gold division, Mr Alan Munro, told a press conference he would not be surprised if the rand gold price eased slightly, but this could be countered by a surge in the dollar price of bullion

. He said costs at Gold Fields' Doornfontein Gold Mining Co Ltd of R34,97m against R31,76m in the previous quarter were "unacceptable"

The higher figure was mainly because of basic black labour costs as well as an increase in power costs

Mr Munro said costs at Libanon Gold Mining Co Ltd at R29,61m against R28,87m were "well controlled" — Reuter

WDL's shaft-sinking operations complete

214 Bus DAY 14/1/86

LAWRENCE BEDFORD

SHAFT-SINKING operations have been completed at Western Deep Levels' (WDL) No 1 shaft and the official opening is planned for May 1

The R800m shaft-sinking programme is expected to produce greater quantities of gold and earn the company more than ever before (average grades at WDL are about 8,67g/t).

The last blast was carried out recently to sink the service shaft to its depth of 2 328m

The main shaft has already been completed to a depth of 2 374m Both shafts are now being equipped.

Operations are under way to fit the shafts with brattice walls to allow them to be used for service and ventilation.

Latex injections are being used to seal off the shaft from the bottom up

Tunnel development has been completed from the working areas on the northern boundary of the South Lease Area

These access ways were driven in from No 2 and 3 shafts to the new shaft.

They have been equipped and are ready to swing into full operation.

Limited mining operations are under way in the No 1 shaft area using No 2 and 3 hoisting capacity to bring the ore to the surface

The development of the working faces will allow No 1 shaft to go into immediate production by shifting ore transport to the huge hoisting capabilities of the new complex

Work is continuing on the transfer levels, ore passes and underground silos

These are on schedule and should be fully operational by April 1.

Managment is looking to achieve production of 60 000 tons a month milled by the end of 1986

This tonnage should increase rapidly as the shaft moves towards full production of 160 000 tons a month milled by the end of 1988

Surface construction work is well on schedule

The gold plant is to be completed by April 1, along with the refrigeration and ventilation plants.

Costs have been put at R1bn by the time the development comes into full operation, some time about 1990, although indications are it could be earlier

Rand Mines lift gold profits 26%

Cape Times 14/1/86

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JOHANNESBURG — Net profits of Rand Mines' four gold mining companies were 26 percent up in the December quarter, compared with the previous quarter

Total net profits for the period were R91,5m against R72,6m in the September quarter

Of the four, ERPM was the only mine to turn out lower profits in the quarter, while the others — Blyvoor, Harmony and Durban Roodepoort Deep — were all well up

Gold output

Although the gold output of the mines was lower than in the previous quarter, the rand gold price was substantially higher, thus pushing up working profits

The quarterly report for Witbank Colliery shows a lower net profit compared with the previous quarter

After-tax profit for the December quarter was R30,7m against R57,5m in the September quarter

Tons sold were slighly above those of the previous quarter and working profit a ton was 881,9c (705c)

Capital expenditure was R24,7m (R62,9m)

Rand Mines Group quarterlies — gold mines

Name	Tons Milled 000s	Yield G/t	Costs R/t	Rev R/t	Rev R/kg	Net Profit R000s	Capex R000s
Durban Roodepoort Deep·							
Dec	601	3,12	66,44	80,14	25 729	9 367	3 611
Sept	638	3,12	62,32	71,42	22 911	6 471	2 961
Blyvooruitzicht Gold Mining Company							
Dec	508	6,36	87,28	161,20	25 337	18 229	5 435
Sept	530	6,17	84,18	137,25	22 231	15 077	5 259
East Rand Proprietary Mines							
Dec	698	3,56	86,06	91,81	25 800	3 937	16 078
Sept	750	3,61	81,29	81,77	22 627	4 457	11 780
Harmony Gold Mining Company.							
Dec	2 063	3,63	60,71	99,17	26 287	59 949	41 291
Sept	2 130	3,91	60,66	91,56	21 858	46 608	25 982

— Sapa

Huge boost in the profits of gold mines

ARUS 8/1/86

By TOM HOOD, Financial Staff

THE low rand-dollar exchange rate has given a huge boost to the profits of South African gold mines

One of the biggest, Randfontein, reported today a record R115-million for the December quarter

This was based on an average price of R20 814 a kilogram for its gold and the mine's profit would have been even higher had it not been locked into forward contracts

Other mines received as much as R25 830 a kilogram and many are now negotiating forward contracts at up to R26 365 a kilogram.

The taxman also increased his haul and another giant mine, Hartebeestfontein, paid R90-million to the State for the quarter

This followed a 33 percent rise in profit to R141-million, up by R35-million However, net profit was still about 40 percent higher than in the September quarter

Several mines avoided paying more tax by stepping up their capital expenditure

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Gencor gold mines boosted by flagging rand

ROY BENNETTS

GENCOR's gold producers reaped the benefits of the weak rand in the quarter to December

Its 12 gold mines had excellent results, with their total taxed income up 33% from R177,4m to R236,8m.

Milling at 5,54-million tons, at a constant average yield of 5,3g/t, rose slightly from the previous quarter

WR Cons and Stilfontein continued to show forward contracts, from R21 762kg in January to R30 649kg in October

Total capital expenditure rose by R3,3m to R38,8m in the quarter

BUFFELSFONTEIN retained its place as Gencor's leading light, with taxed profits soaring to R106,5m (R68,8m in the previous quarter)

Capex increased by R2,1m to R8,5m, providing for an improvement in earnings a share to 358c (235c).

It had a slightly lower gold recovery of 6 880kg (7 011)

The gold price received, at R27 515/kg (R23 463), more than compensated for the fall, giving a revenue of R189,6m (R164,7m)

Uranium income jumped to a surprising R16,9m (R2,8m) which, together with sundry income and a 16% share of the distributable income from the Beatrix division, meant a pre-tax profit of R120,6m (R81,7m)

Tax rose by R1,3m to R14 1m, with capex at R8,5m (R6,3)

STILFONTEIN had the lowest increase in the local price a kg

At R24 932/kg, this was an improvement of only R1 800/kg, but still provided for an increase in revenue of R5m at R60,8m

Working costs were well-contained at R41,4m (R41,1m) After sundry income and royalty payments, this gave the mine a pre-tax profit of R17,9m (R13,8m)

With the discontinuation of the State aid formula, and its replacement by the mining tax formula, Stilfontein had a steep increase in tax to R14m (R6,1m)

This left it with taxed income of R10m (R7,7m) after the injection of R6,4m in dividends

Capex was lower at R1,7m (R1 9) and earnings a share 64c (44c)

WEST RAND CONS was hit by a comparatively low gold price of R24 723/kg (R21 588) because of forward contracts It produced 1 020kg (1 011) of gold

This provided for a working revenue of R25,3m (R21,9m), diluted by working costs of R21,2m (R20,1m), for a working income of R4,1m (R1,8m)

After sundry income and a tax rebate, Stilfontein had taxed income of R4,6m (R0,9m)

Capex was R2,7m (R0,4m) and earnings a share 44c (13c)

GROOTVLEI produced 1 691kg at a vastly improved selling price of R27 250/kg (R22 032) Working revenue jumped to R46,5m (R36,1m), with working costs well-contained at R26,9m (R25,5m)

This gave the mine a working income of R19,6m (R10,6m) which, after sundry income, increased to R20m (R11,7) only to be depleted by an increase in tax at R10,4m (R4,8m) for a taxed income of R9,6m (R6,9m)

Capex rose to R3,3m (R2,5m), but earnings a share improved to 55c (39c)

MARIEVALE increased production by 15% to 282kg, which was sold at the improved price of R26 624/kg

After the deduction of working costs, the mine was left with a working income of R1,9m (R0,4m)

Tax rose R1m to R1,2m, leaving Marievale with a taxed income of R0,9m (R0,6m)

Earnings a share increased to 16c (12c) Capex was R182 000 (R49 000)

BRACKEN'S production was down at 889kg (961kg), but profits were saved by an increase in the selling price to R26 614/kg (R21 847)

This gave the mine a working revenue of R23,9m (R21,5m), diluted by working costs of R12,4m (R11,5m) to provide a working income of R11,6m (R10m)

Slightly lower sundry income and a tax increase of R1,2m to R8,4m left it with a taxed income of R4m (R4,3m).

Capex fell to R73 000 (R353 000) to improve earnings a share at 29c (28c).

GENCOR	Tons milled R'000	Yield g/t	Cost R/ton	Cost $/oz	Rev $/oz	Rev R/kg	Cost R/kg	Net profits R'000	Net profits after capex R'000	EPS after capex cents
Buffels	834	8,2	95,08	136	326	27 515	11 525	106 457	39 373	358
Sept	857	8,2	92,49	159	330	23 463	11 306	68 844	25 836	235
Stilfontein	439	5,6	94,23	214	314	24 932	16 954	10 127	8 414	64
Sept	442	5,5	93,07	272	369	23 132	17 063	7 702	5 799	44
W R Cons	498	2,1	42,53	279	333	24 723	20 766	4 618	1 871	44
Sept	498	2,0	40,43	343	374	21 588	19 916	944	554	13
Grootvlei	487	3,5	55,21	188	325	27 250	15 900	9 627	6 327	55
Sept	480	3,4	53,20	226	322	22 032	15 638	6 940	4 483	39
Marievale	91	3,1	56,80	235	324	26 624	18 333	906	724	16
Sept	78	3,2	62,18	289	316	20 918	19 715	587	538	12
Braken	247	3,6	50,04	161	312	26 614	13 902	4 096	4 023	29
Sept	246	3,9	46,70	171	320	21 847	11 955	4 270	3 917	28
Kinross	560	6,5	55,72	101	325	27 628	8 596	25 093	20 746	115
Sept	562	6,6	53,36	118	322	21 941	8 078	21 067	17 540	97
Leslie	355	2,7	45,59	200	309	26 262	17 161	3 509	3 335	21
Sept	360	2,7	43,82	231	320	22 109	16 466	4 075	3 845	24
Winkelhaak	601	5,5	52,61	112	325	27 603	9 566	20 159	17 694	145
Sept	606	5,8	49,91	121	322	22 510	8 607	18 490	14 821	122
Beatrix	510	5,3	69,15	156	324	27 337	13 160	9 680	8 478	—
Sept	460	5,6	71,74	178	325	23 266	12 756	6 727	4 765	—
St Helena	576	5,3	63,34	140	323	27 615	11 950	25 668	12 986	135
Sept	600	5,2	57,19	158	322	22 340	10 998	23 768	11 168	115
Unisel	345	6,9	53,38	90	324	27 841	7 735	16 820	15 341	55
Sept	345	6,7	51,72	107	318	22 193	7 721	13 950	11 775	42

• Standard Bank average exchange rates Oct Dec 85 $0,38
July-Sept 85 $0,45

KINROSS enjoyed an excellent rise in selling price from R22 510/kg to R27 603/kg.

Working revenue was well up at R100,3m (R81,9m) and costs well-contained at R31,2m (R30m), giving a working income of R69,1m (R51,9m)

Sundry income of R3,4m (R4,7m) raised this to R72,5m (R56,7m) before tax claimed R47,4m (R35,5m) for income of R25,1m (R21,1m).

Capex was R4,3m (R3,5m) and earnings a share 115c (97c)

LESLIE was the only mine to produce a lower taxed income, being hit by a change in tax formula

Working revenue was up at R24,9m (R21,8m) Working costs lowered this figure to R8,8m (R6m)

Tax was R6m (R3,2m), leaving a profit of R3,5m (R4m) Earnings a share fell to 21c (24c)

WINKELHAAK had lower production at 3 305kg (3 514) which was sold at R27 603/kg (R22 510) to provide working revenue of R91,6m (R80,6m)

Tax rose to R42,6m (R34,5m), giving a profit of R20,2m (R18,5m) Earnings a share rose to 145c (122c)

BEATRIX production rose to 2 680kg (2 587) at a selling price of R27 337/kg (R23 266) to give working revenue of R72,3m (R60,2m) and working income, after costs, of nearly R38m (R27,2m)

Sundry expenditure of R17,3m (R11,4m) and royalty outgoings of R10,9m (R9m) reduced this to a profit of R9,7m (R8,7m)

ST HELENA produced less gold at 3 053kg (3 120), but sold it for R27 616/kg (R22 340) for a working revenue of R84 302m (R69 946)

Working costs were contained at R36,5m (R34,3m) to leave working income of R47,8m (R35,8m)

Earnings a share rose to 135c (115c)

UNISEL produced 2 381kg (2 311) at a selling price of R27 841/kg (R20 918) for working revenue of R66,7m (R52,9m)

Pre-tax income was reduced by tax of R31,9m (R22,4m) to leave profit of R16,8m (R13,9m).

Earnings a share rose to 55c (42c).

Small investors dominate scramble

● To Page 2

BUS DAY

'50 hurt in mine clash'

214

CLAIRE PICKARD-CAMBRIDGE

ABOUT 1 200 workers remained on strike at Foscor in Phalaborwa for the second day yesterday amid unconfirmed reports that more than 50 mineworkers had been injured in clashes with police in nearby Namakgale township

National Union of Mineworkers' Press officer Marcel Golding said more than 50 Foscor and Palabora Mining Company workers had been injured in clashes Three workers and a policeman had been hospitalised, he said

Golding said Lebowa police and mine security had attacked PMC and Foscor workers on Wednesday when they held a joint meeting to discuss the Foscor strike

Namakgale had been heavily barricaded as workers and residents tried to defend themselves against dogs, rubber bullets, baton charges and teargas fired by Lebowa police and mine security police, he said

Lebowa police refused to comment and managements of both companies denied their mine security teams had been involved

PMC general manager Colin Crossen said one PMC worker died and 18 were injured after working hours on Wednesday

Crossen said there had been a stoppage at PMC which related to "some conflict at Foscor"

"But we have no dispute at PMC and production is back to normal," he said.

Boks to rout

Mine now has labour surplus

STAR 17/1/86

By Sheryl Raine

Gencor's Marievale gold mine near Nigel is considering various options to solve its thorny problem of about 400 surplus workers on the mine

In November last year the Industrial Court ordered that between 350 and 400 black miners who were dismissed in September last year while on a legal strike, be reinstated

The industrial court gave the workers who qualified for reinstatement 21 days to report to Marievale and claim their jobs Between 350 and 400 miners reported and were temporarily reinstated

Gencor then took the case on review to the Supreme Court This week Mr Justice R Goldstone upheld the industrial court's decision

According to Mr Bruce Evans, chief executive of Gencor's gold and uranium division, between 300 and 400 mineworkers were employed in September last year to replace the fired strikers

Gold mines raise divs from windfall profits

w/t Argus 18/1/86 214

By TOM HOOD
Weekend Argus
Financial Staff

HIGHER dividends were paid by several gold mines which received windfall profits from the low rand-dollar exchange rate in the December quarter

Southvaal almost doubled its final to 420c (220c) to give a total payout of 660c, up from 420c, for 1985 The year's profit was R320 million before tax, 58 percent up on 1984's R202 million After tax it was R168 million (R110 million)

Final payout from the giant **Vaal Reefs** amounts to 1100 a share, up from the 800c interm paid in July

Quarterly profit of Vaal Reefs rose to R371 million for the quarter from R254 million previously, falling to R188 million (R111-million) after tax

Western Deep Levels is paying a 420 final after an 220c interim Pretax profit of R186 million was up from R136 million and was cut to R145 million (R95 milln) afater tax

Elandsrand is paying 70c (40c interim) from net profits of R53 million R42 million)

SA Land's final of 27,5c (20c interim) follows taxed earnings of R1,1 million (R1 million)

● The country's largest coal producer, Witbank Colliery, paid R17 million tax in the December quarter after receiving a tax credit of R19 million in the previous quarter This cut earnings by 47 percent to R30 million from R57 million

● Earnings by Rand Mines biggest gold producer, **Harmony**, rose by 28 percent or more than R13 million to R60 million in the December quarter

The mine received R26 287 a kg for its gold, sharply more than the R21 585 in the previous quarter

● Higher profits meant the loss of nearly R4 million of state assistance to **ERPM** Working profit soared to R3,9 million from R357 000 and earnings dropped to R3,9 million from R4,4 million

● Most of **Blyvooruitzicht's** profits went to the tax man, who took almost R24 million, leaving R18 million net earnings But these were still 21 percent ahead of the September quarter's

● **Durban Deep**, which paid no tax, received a 45 percent hike in net profit to R9,3 million (R6,5 million)

● More than R115 million in pretax profit was achieved in the December quarter by the giant **Randfontein** gold mine, up R17 million from the September quarter Taxed profit jumped by 31 percent to R85 million

● Another JCI mine, **Western Areas**, almost doubled its taxed profit to R24 million from R12,8 million Forward contracts curtailed the price it received for gold, but this jumped to R24 479 a kg from R20 415

● **Hartebeestfontein**, the biggest mine in the Anglovaal group, recorded gold revenue of R190 million in the quarter after R156 million in the September quarter After tax, Harties was left with R46 million net profit, up R12 million or 39 percent

● **Loraine**, a favourite with share speculators, became liable for tax for the first time in many years, paying over R7 million in the December quarter Profit before tax jumped to R19 million from R13 million and earnings of R12 million were slightly lower than the September quarter's because of the tax bill

● **ET Cons**, a high-cost Anglovaal mine, achieved gold revenue of R24 million after R20 million Its costs were little changed at R99 a ton and it achieved a working profit of R14,8 million (R11 million). Taxed profit rose 63 percent to R8 million.

● Antimony producer **Consolidated Murchison** boosted its earnings to R4 million from R1 million for the December quarter Sales amounted to R12 million, a 50 percent on the R8 million for the September quarter

● **East Rand Cons** says it is considering proposals which, if implemented, could affect the market price of its shares

● **Buffelsfontein** raised its quarterly profit to R106 million from R69 million after tax

● **Stilfontein's** earnings were R10 million, up by R3 million

● **West Rand Cons** achieved quarterly earnings of R4,6 milln against R944 000 in September

● **Grootvlei's** net profit jumped to R10 million from R7 million

● **Marievale** reported earnings of R906 000 (R587 000)

● **Bracken's** net profit dropped to R4 million (R4,2 million)

● **Kinross's** earnings rose by R4 million to R25 million.

● **Leslie's** net profit dropped by R500 000 to R3,5 million

● **Winkelhaak** improved its earnings by R2 million to R20 million

● **St Helena's** profit rose R2 million to R25 million after tax

● **Unisel** reported a R3 million improvement in earnings to R17 million

● **Beatrix** had a net profit of R9,6 million, up R3 million

Golds shed gains as bullion slips

JOHANNESBURG — Gold shares closed mostly easier in moderate trading, shedding part of Thursday's sharp gains as the bullion price slipped from Thursday's 18-month-high fix of $363

Bullion was fixed at $352,65 in London at 3 pm, down from the $357,35 of the morning fix and $361,50 close on Thursday

President Brand lost R2 at R55, while among cheaper issues, Loraine and Simmers lost 20c each at R15,40 and R6,90 respectively But Harmony firmed 75c at R39,75

At the close some 41 gold shares were down, six up and five unchanged while the Kruger rand had dropped R10 at R855 The financial rand was untraded

Mining financials and most other minings also drifted lower, Gencor slipping R1 at R36,75, diamond share De Beers 35c at R18,25, and Samancor 10c at R7,95 but platinums were steady

Industrials were mixed with a firmer bias with about 50 shares higher, 25 easier and 70 unchanged, reflecting a decline in key interest rates announced yesterday

RAND STEADY

The rand closed steady at $0,4355, unchanged from its opening level yesterday and slightly above its $0,4345 close on Thursday

The financial rand finished at $0,3460 against Thursday's $0,3425 close

Money market rates closed lower in Johannesburg, extending recent declines amid the continued bullish sentiment that followed the long-awaited cuts in bank rate and prime rate.

The 90-day bankers acceptance rate closed at 12,50 percent, down slightly on Thursday's 12,55 percent

But rates on shorter and longer-term paper showed steeper falls, with one-month BAs bid down to 12,55 from Thursday's 13 pecent.

The market shortage widened yesterday to R963 million after falling sharply to R673 million on Thursday — Sapa

Rand

BARCLAYS Bank rand

US dollar
Sterling
Canadian dollar
Belg franc C
Belg franc
Swiss franc
French franc
Italian lira
Dutch gilder
Deutschemark
Swedish krone
Norweg krone
Danish krone
Austrian schill
Port escudo
Japanese yen
Spanish psta
Aus dollar
NZ dollar
Zam kwacha
Mal kwacha
Zim dollar
HK dollar
Indian rupee
Kenya shill
Pak rupee
Botswana pula
Maur rupee
Seych rupee

UNIT T

	Buy
Mutual	837 80 (839,81)
NGF	not avail (437 16)
Sage	853 93 (857,55)
UAL	839,69 (842,73)
UAL Man	205,59 (206,59)
SATS	not avail (314,40)
Sanlam	not avail (641,17)
Trustgro	not avail (182,64)
Sandv	not avail (200,51)
Gdbnk	784,85 (786,35)
Standard	417,02 (418,55)
Std Inc	75,50 (74,43)
Std Gld	163,45 (165,79)
Hillsam	102,22 (102,04)

Share prices compiled by the Johannesburg Stock Exchange Data Bank

Seven killed as faction fight flares ~~on~~ mine

STAR 20/1/86

By Sheryl Raine

214

Seven miners were killed and 73 injured, two critically, when a faction fight flared at Gold Fields' Kloof gold mine in Westonaria yesterday

A Gold Fields spokesman said today that about 45 people were admitted to hospital after the fight in which sticks and iron rods were used as weapons

"The fight, which started in the early hours, involved about 2 000 Zulu and Pondo workers out of the mine's 14 048 workforce The police were called at about 1 30 am to restore order"

The regular unrest report from police headquarters in Pretoria said police had used tearsmoke and shotguns to bring the situation under control Four people were wounded and arrested

"Management held talks with Zulu and Pondo delegations yesterday It was established that a Zulu gang called the Soul Brothers had been harassing Pondo workers, who retaliated," the Gold Fields spokesman said

"All shifts went down normally last night and production was not affected by the fighting"

Sapa reports that a source at Libanon Hospital, where 45 of the injured were admitted, said 19 miners had been released and 26 were still in hospital, two of them in the intensive care unit

CAPE TIMES 22/1/86

Johnnies profits up 21%

214 208

JOHANNESBURG — Johannesburg Consolidated Investment Company (Johnnies) had a 21 percent increase in attributable profits in the six months to December 31, compared with the same period in 1984

Attributable profits totalled R75,3m, against R62,2m in the comparable period This was equivalent to an earnings a share of 1 022c (845c)

The company has declared an interim dividend of 325c a share (200c)

Investments

The directors state that income from investments rose by R6,4m, other net revenue increased by R3,8m as a result of an improvement in the levels of fees received and much better conditions in the money market.

Profits earned by operating subsidiaries, primarily Tavistock Collieries, increased by R2,5m

Pre-tax profits for the six months were R99,9m compared with R75,3m in the previous period — Sapa

No mercy for SAP attackers — Le Grange

Death toll in miners' riot rises to six

STAR 22/1/86

214

Crime Reporter

The death toll in the violent clashes between miners and police at Westonaria yesterday has risen to six. Another 31 people have been injured.

The dead are two policemen killed by rioters and four unidentified men shot by police

Police in Pretoria said today that it was possible that more bodies would be found and more injuries reported

"The situation at the mine is still tense," said a police spokesman

He named the dead policemen as Sergeant D Pretorius (25), of Edwards Avenue, Westonaria, and Constable F Koekemoer (28), of Main Reef Road, Luipaardsvlei Both were in the Krugersdorp Riot Unit

Minister of Law and Order Mr Louis le Grange warned today that no mercy would be shown to people who attacked, killed or prevented policemen from doing their duty

"The present trend of vicious attacks on policemen cannot be tolerated We will do everything within the law to protect ourselves and do our duty"

Mr le Grange said he was shocked by the death of the two policemen and expressed his condolences to their families

Constable Koekemoer leaves an eight-months' pregnant wife, Ria Sergeant Pretorius was unmarried

They were killed when about 500 miners clashed with police at Westonaria yesterday afternoon Twenty-one men were arrested

The police spokesmen said they were attacked by a mob wielding knives, knobkerries, and other sharp objects when they went to investigate a report of an illegal gathering at the Number 2 Cooke Shaft at Randfontein Estates Gold Mine

An attempt was made to set Constable Koekemoer alight.

When police reinforcements arrived, they were fired on by the mob using shotguns and pistols taken from the dead policemen, the spokesman said.

Police opened fire, killing four men and wounding 31 One policeman was slightly injured.

The crowd dispersed in the direction of Bekkersdal

Police were not sure whether township residents were involved, or only miners

A spokesman for Western Areas Gold Mining Company, Mr J Nel, said the clash took place off mine property on an open piece of ground adjacent to Bekkersdal, and was therefore not a mine problem

"The mine is operating normally This morning's shifts went on duty with no delays,' he added

'Magic muti' made miners fearless

214 STAR 23/1/86

By Don Holliday and Karen Bowes

The two policemen murdered in a clash with miners in Westonaria on Tuesday "never had a chance to escape" as they were surrounded by hundreds of miners rendered apparently fearless by a witchdoctor's muti

"Hurry guys (manne), we are being murdered" was the message received by police from Sergeant Daniel Pretorius and Constable Frederick Koekemoer as a mob of hundreds of miners closed in on them on Tuesday night

The policemen dashed into their car, and opened fire on the mob

Help did not arrive in time

The two policemen and seven unidentified black men died in the clash Forty people were wounded

A police spokesman said today that the policemen "never had a chance" to escape

So far 250 people have been arrested in connection with the clash Eleven appeared in court yesterday charged with murder and public violence

Mine investigators have uncovered a bizarre reason for the mobsters' apparent fearlessness in the face of gunfire from the besieged policemen — the attackers believed they had been made invulnerable by "magic muti"

A spokesman for the Western Areas Gold Mining Company, Mr Jeremy Nel, said last night that a gathering of about 200 people, all Xhosas, had been "vaccinated" against the effect of rubber bullets by witchdoctors

Numerous small cuts, similar to vaccination marks, had been made on the workers foreheads and various parts of the body These had been smeared with the "magic potion"

An investigation team from the mine was told that witchdoctors informed the miners before the gathering that if they were anointed with the muti, they would be immune to rubber bullets fired by police and mine security officials

The mine investigation found that the "illegal" gathering of miners leading to the clash was called to discuss various issues relating to the hostel system at the mine Among the topics discussed was the abolition of the induna system in hostel management and the mine security system

It is believed that the gathering had also planned to demand exclusive hostels for Xhosa people at Cooke 2 Hostel

Mr Nel said the mine was investigating possible changes to the hostel management system which would be done by the mining group, Johannesburg Consolidated Investments, on an industry-wide basis

According to a police reconstruction of the tragedy, Sergeant Pretorius and Constable Koekemoer responded to a report of an illegal gathering of between 200 and 500 people — mostly miners from the Number Two Cooke of Randfontein Estates gold mine — at an open stretch of ground adjacent to Bekkersdal

The meeting was not on mine property

They addressed the gathering and ordered them to disperse When it became evident that the crowd was not going to move, they radioed for reinforcements

Police deaths: hundreds fired

STAR 25/1/86 (214)

By Sheryl Raine
and Mike Siluma

Hundreds of black miners from Randfontein Estates Gold Mine in Westonaria have been dismissed — and scores more could face the same fate this weekend.

The dismissals follow a bloody clash between police and about 500 miners just outside mine property on Tuesday Nine people, including two white policemen, were killed

A spokesman for Randfontein said "a significant number" of workers had been dismissed from the mine and bused home — but he would not give an exact number

He said "This action was taken where management had clear evidence that those dismissed were involved either in the incident which resulted in the death of two policemen on Tuesday evening or intended to create further unrest close to or at the mine.'

Mine officials are continuing investigation of the tragedy More dismissals are possible

The dismissals have raised a protest from the National Union of Mineworkers (NUM), which claims that hundreds of miners were forced from their hostels, assaulted and bused home

It now seems that the violence on Tuesday came after a month of tension which included a beerhall boycott, industrial unrest damage to property, the murder of a mine assistant personnel manager at Westonaria Gold Mine, and the banning of all unauthorised mass meetings in the Randfontein mine hostels

The two policemen died when they went to open veld outside the Randfontein Cooke No 2 Shaft hostels, near the Bekkersdal township, where miners had gathered for a union meeting

Union business

Police said the meeting was illegal The NUM said the meeting was held to discuss legitimate union business and had been held off mine premises because workers had been harassed by mine security

A company spokesman claimed that meetings in the hostels had been used to 'incite and intimidate workers' and had been banned about a month ago

The NUM has charged that the ban was part of a management strategy to harass the workers into abandoning a month long boycott of a mine beer hall

NUM Press officer Mr Marcel Golding said the dismissal of hundreds of mineworkers had been accompanied by the brutal assault of workers by mine security, assisted by the SAP

Mine officials denied that their security personnel were involved in assaults, and said the police were not involved in the dismissals

Mr Golding said Workers were paid off and forced on to waiting buses on Thursday and were escorted from the mine by armed guards'

Opposition to Lesotho regime 'will be crushed'

STAR 25/1/86

The Star's Africa News Service

MASERU — In his first broadcast to the Basotho nation last night, the chairman of Lesotho's new Military Council, Major-General Metsing Lekhanya, attacked the country's politicians, warning that any opposition to the Military Council's rule would be crushed ruthlessly

The general said the Military Council had decided that all politics in Lesotho should cease because politics had led to the problems in which the country found itself today

In a nationwide broadcast on Radio Lesotho the general also said Lesotho's new military rulers would work towards improved relations between Lesotho and South Africa

The general made the broadcast only three hours after he was sworn in with the five other council members before King Moshoeshoe 2 He reviewed the political situation in Lesotho over the years and said it had been placed in a 'quagmire' by politicians whose activities were not related to the people's wishes

Relations with her neighbours had deteriorated to an alarming degree and the economy of the country had collapsed The army found it necessary to intervene in order to build peace and tranquillity among the people of Lesotho

Major-General Lekhanya said the council was determined to build peace and reconciliation in Lesotho and any act of subversion or criminal activity planned to defeat its aims would not be tolerated

He said to show the Military Council's sincerity in its attempts to establish peace in Lesotho it would soon announce a general amnesty for all Basotho in and outside the country This amnesty would enable them to become free and to enjoy rights in their own country

The council had the right to review the treaties or agreements negotiated by the "previous government" he said

Kennedy Award for Winnie

A beaming Mrs Winnie Mandela ... bert F Kennedy Human Rights Aw... day The handing over of the bus... was made by former Republican ... Buchanan at a Press conference ...
● Ph...

Out of her element, you might say — but yes it is Springbok runner Sonja Laxton and, no she isn't running on land Sonja pulled a hamstring in August last year and she has found the best way to keep in training without aggravating the injury is to don a life-jacket, get in the pool and "run" in the water

BUS DAY. 27/1/86 (214)

Randfontein dismissals

CLAIRE PICKARD-CAMBRIDGE

MANAGEMENT at the Randfontein Estates Gold Mine in Westonaria has dismissed a significant number of workers, and said yesterday inquiries were continuing regarding others

The dismissals followed a violent clash between police and 500 miners just outside mine property last Tuesday Nine people, including two policemen, died

Human Resources division GM of Johannesburg Consolidated Investments (JCI) Jeremy Nel said management would disclose the number dismissed today, when individual inquiries had been completed

Nel alleged the dismissed workers had been involved in the murders

He said they were dismissed "where there was evidence that they had been involved in the murder of two policemen or planned to create further unrest around the mine"

Police arrested several workers immediately after the murders

The National Union of Mineworkers' (NUM), which has an access agreement at the mine, said the union would consider taking action after the dismissal of "hundreds of workers" on Thursday

The NUM said dismissed workers had been brutally assaulted by mine security and the SA Police

It charged that the firings were a clear strategy to undermine the NUM's representivity, when it was on the verge of recognition talks with management

Nel said mine security was not involved in any alleged assaults and that the mine had not received union application's to represent workers.

The situation at the mine was reported to be quiet yesterday.

Taxation knocks FS gold mines

CAPE TIMES 30/1/86

215

JOHANNESBURG — The beneficial effects of the higher average rand gold price of R27 119 a kg achieved by the Free State mines, administered by Anglo American Corporation, were reduced by substantially higher taxation and State's share of profit of R391,7m (R304,6m)

This rise was partially attributable to lower capital expenditure of R114,4m (R162,9m)

Production

The shorter quarter also resulted in lower production figures for the quarter

Area mined dropped to 972 000 m² (994 000 m²) and tonnage milled declined by 146 000 tons to 516 6000 tons

Consequently gold production fell by 1 297 kg to 27 157 kg

Total costs rose by R6,1m to R388 1m and unit costs were generally higher

The average cost in rand per ton milled rose 6,4c to R77 71 a ton milled

The higher rand gold price has resulted in **Free State Geduld** recording a 20,4 percent increase in pre taxed profit to R83,6m

Lower capital expenditure, down to R10 6m (R32,7m), led to an increase in the provision for taxation and State's share of profit to R45 1m (R21,4m), a 110 percent increase

This resulted in a decline in profit after tax of R9,4m to R38,5m

Gold production declined by 9,5 percent to 6 525 kg

This was a result of a slight decrease in grade to 5,55 g/t (5,91 g/t) and a 9,7 percent decline in area mined to 249 000 m²

Tons milled at 1 176 000 were down by 3,6 percent while unit costs rose to R86,8 a ton milled, a 4,9 percent increase

President Brand's profit before tax at R89,2m rose by 16,2 percent. This was largely attributable to the higher rand gold price

However, the rise in provision for taxation and State s share of profit to R21,2m (R1 8m) saw a 9,1 percent decrease in profit after taxation to R67,9m

The previous quarter included a R8m tax-free dividend from Welkom

Capex

Capital expenditure dropped by R6 7m

Production results were generally lower this quarter with tons milled decreasing by 27 000 to 852 000 tons

However, this was offset somewhat by an increase in grade to 6,32 g/t (6,21 g/t)

Area mined declined by 4 000 m²

Gold production at 5 386 kg showed a decline of 1,3 percent due largely to the shorter production quarter

Unit costs rose by seven percent to R78,65 a ton milled

The high rand price of gold produced a 37,1 per cent increase in **President Steyn's** pre tax profits to R88,4m

However, a higher provision for taxation and State s share of profits of R48 4m contained the after tax profit to a 17 percent increase on the previous quarter to R40m

Capital expenditure decreased to R12,1m (R18,1m)

Production results showed a slight decline with tons milled down by 3,7 percent to 973 000 tons

There was a slight rise in grade to 5,85 g/t (5,6 g/t) and this helped maintain gold production at 5 690 kg an eight percent decline on the previous quarter

Costs

Unit costs rose by R4,95 to R80,29 a ton milled

Western Holdings profit before taxation rose a massive 38,8 percent but a higher provision for taxation and State's share of profit of R52,1m (R12 1m) resulted in a 41 percent decline in after tax profit to R78,2m (R81,6m)

There was a decline in production largely due to the shorter production quarter and this saw a 1,6 percent drop in tons milled to 2 165 000 tons

Grade declined to 4,41 g/t (4,56 g/t) and these factors contributed to the 4,8 percent drop in gold production to 9 556 kg.

Unit costs were contained at R65,09 a ton milled (R63 70 a ton milled), a two percent increase

Capital expenditure dropped to R41,2m (R54,9m)

Slimes

Joint Metallurgical Schemes' profit decreased slightly This was partially caused by the shorter production quarter

Profit at R20,9m was down by two percent on the previous quarter

Slimes treated were down 6,4 percent to 1 153 000 tons resulting in a lower gold production of 785 kg (835 kg)

Uranium oxide production was reduced by 10,7 percent to 140 710 kg However, acid production rose to 88 726 tons (88 227 tons) — Sapa

Mrs Niki Basson has returned as public relations office to the Heerengracht Hotel in Cape Town after a 12-month stay in the United States

Unless otherwise stated all financial news in this issue was compiled by Paul Dold and sub edited by Godfrey Heynes.

Rand steady at $0,4365

JOHANNESBURG — The rand closed steady at $0,4360/70 after a quiet and uneventful trading day slightly up from a sharply lower $0 4343/53 close here on Tuesday, mainly due to a weaker dollar and a steady gold price dealers said

It opened trading at $0,4350/60 in fairly nervous conditions in reaction to its steep decline on Tuesday amid strong dollar demand but failed to recover further in steady two-way trading.

The financial rand closed slightly lower at $0,3275/3325 against $0,3300/50 close on Tuesday

Against other major currencies, the rand closed at

US 04360/70
UK. 3,2060/0400
Germany 1,0400/20
Switzerland 0,8790/8810
Netherlands 1,1750/80
France 3 1905/55
Japan 84,40/60
— Reuter

CAPE TIMES 30/1/86

Iscor's steel exports up 50%

Own Correspondent

PRETORIA. — Domestic sales of steel slumped last year but there was some hope of a recovery in the second half of 1986 Iscors' senior general manager, marketing, Mr Nols Olivier, said yesterday

However, export steel sales increased by more than 50 percent and the corporations allround perfromance last year was "excellent'

Domestic sales dropped by 414 871 tons to 2 929 729 tons compared with 1984

This was the obvious consequence of an economy still caught up in recession and the resulting slack demand

However, the gentle stimulatory policies now being followed ,gave some hope of a recovery in domestic demand

If there was one Mr Olivier stressed, it would not be before the second half of 1986

Export steel sale rose sharply by 936 229 tons to 2 426 722 tons

There were indications that the dollar price was hardening, and for certain products, prices had already increased by from five to ten dollars a ton

"Production volumes are being maintained and we believe the outlook for the whole of 1986 is promising.

"Mr Olivier said all three plants were working to capacity with full employemnt.

No lay offs had been necessary in 1985

Frasers boosts turnover

JOHANNESBURG — Fraser turnover reached a record level in the first three months of its financial year, being some 27 percent up on the same period the previous year

The Smart Centre Credit Clothing division performed particularly well in the first three months ,with a turnover increase of 166 percent, with the aid of the newly acquired Top Centre clothing chain

The chairman, Mr Donald Campbell, predicts that turnover for this year is likely to top 1985

Frasers furniture division has made a remarkable recovery since hire-purchase restrictions were lifted last year — Sapa

Four mines considering a merger

(214) STAR 5/2/86

The results of meetings of shareholders of four mines, held to consider a proposed merger, will be reported to the Rand Supreme Court on February 18

On December 31 a Rand Supreme Court judge ordered that meetings of shareholders of the four mines be held on January 28 to consider a scheme of arrangement

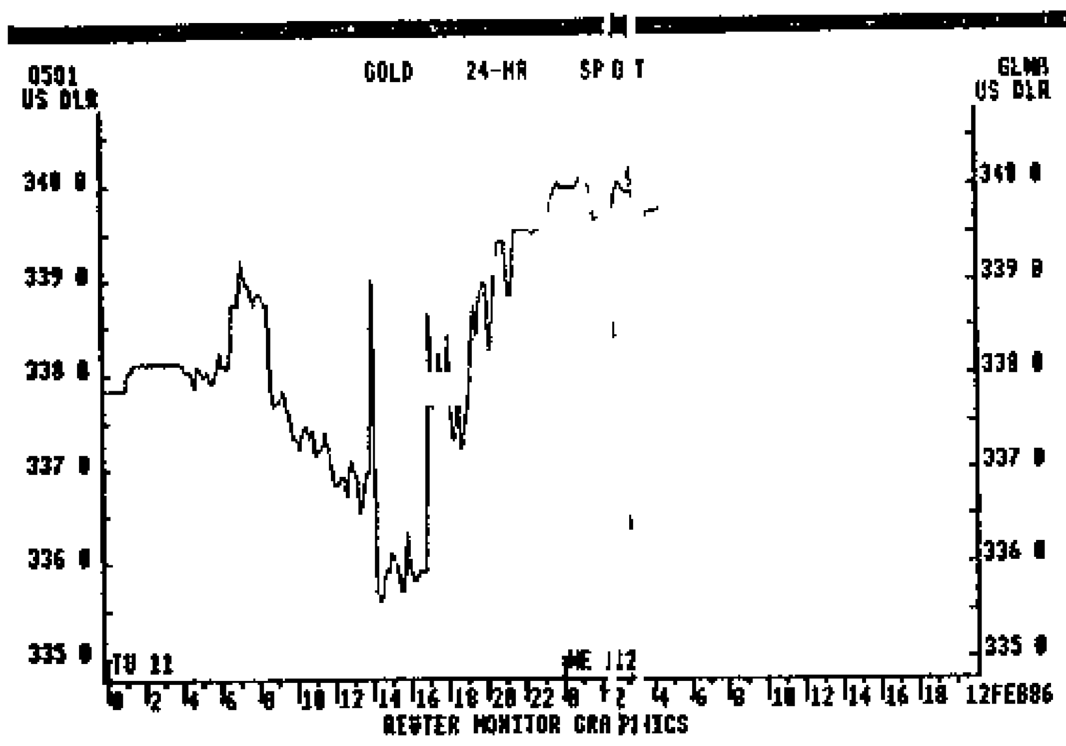
The scheme of arrangement related to a proposed merger of mining operations.

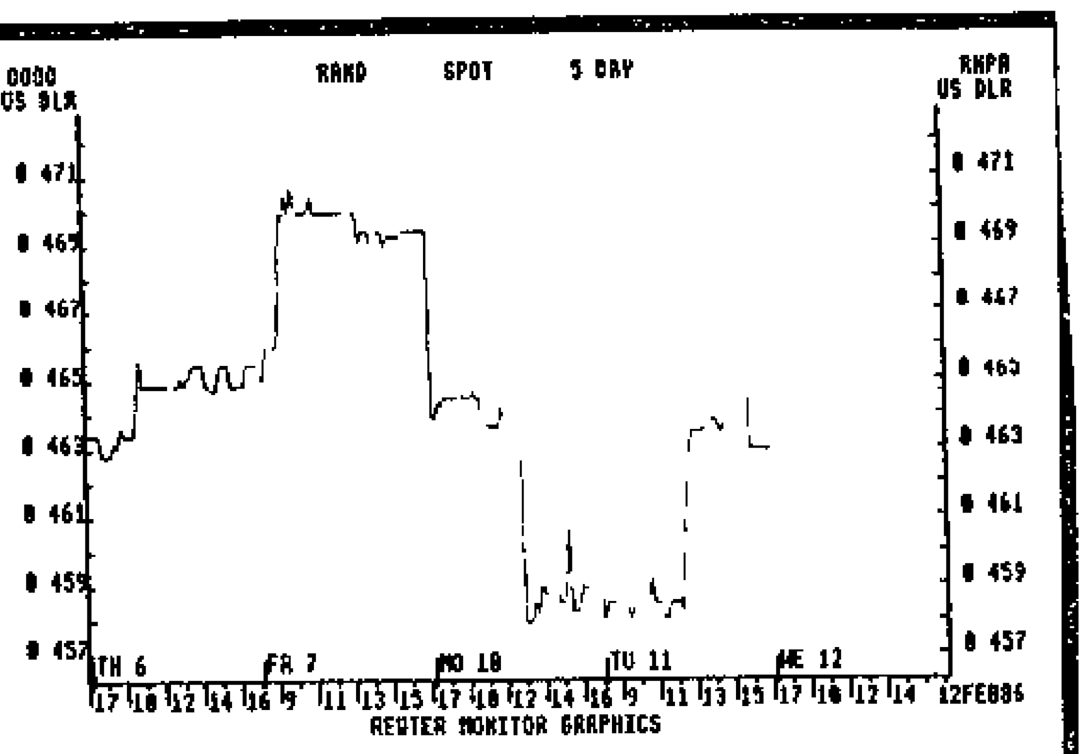
According to papers before the court yesterday the majority of voters of Western Holdings, President Steyn Gold Mining Company and President Brand Gold Mining Company who were present and represented at the meetings voted in favour of the scheme

The meeting of members of Free State Geduld Mines was adjourned to February 11

●Apex Mines Ltd yesterday applied for the convening of meetings of shareholders

A Rand Supreme Court judge ordered the meeting to be held on March 5 to consider a scheme of arrangement





Gold overcame the $340 barrier in early trading this morning after dropping below $336 at noon yesterday. A rumour, later denied, that Mexico would freeze its debt repayments spurred a flurry of gold investments pushing up the metal's price.

In Hong Kong gold reopened after seven days at $337,42. On the European markets it closed between $335 and $338.

The rand closed firmer at 46,40 US cents after closing at 45,80 US cents on Monday and retaining that position yesterday morning. The financial rand also closed firmer at 34 US cents.

Analysts think the rand will recover recent gains. On Monday it fell after Friday's unnerving political developments led some importers to cover their positions.

World gold production expected to increase

STAR 12/2/86. 214

By Carl Hartman

WASHINGTON — World gold production is expected to rise from 1,478 metric tons in 1985 to an estimated 1,643 tons by 1988, the Gold Institute has announced.

The institute, an association of gold suppliers, predicts that South Africa will mine 690 tons annually by that year followed by 289,2 tons for the Soviet Union and 124 tons for the United States.

US gold production of 73,7 metric tons in 1985 appears to have passed that of China and will exceed Canada's in 1987, putting the United States in third place behind South Africa and the Soviet Union.

China's 1985 production is estimated at 67,8 tons, the institute said. Trailing the top five, both Brazil and Australia produce more than a million troy ounces, or 32 tons, a year, it said.

"The new process of extracting gold by heat leaching instead of chemical flotation is coming into line in all the new US installations," the institute's managing director, John Lutley, said in a telephone interview.

"It's a lot cheaper and it's making it possible to work some tailings from old mines that weren't profitable before."

Another reason for the expected increase in US production is a new law authorising the production of gold coins for the first time in 53 years.

American coins are due to go on sale in October, competing with coins minted in South Africa, Canada and even the Soviet Union.

The $50 coin will contain one troy ounce of gold. At current gold prices it would be worth almost seven times as much, and probably considerably more than that. Coins are generally quoted on world prices at higher prices than the value of the gold they contain.

Though the Soviet Union does not publish its production figures, Lutley says his organisation gets good estimates from knowledgeable people who visit there.

It compiles reports and estimates for 56 areas down to and including El Salvador and Surinam, both of which produce about 1,000 troy ounces of gold a year. A metric ton is 32,150 troy ounces. — AP

Deelkraal may have struck rich gold reef

(.214) 13/2/86 BUSDAY

ROY BENNETTS

DEELKRAAL mine is said to have struck a rich gold-bearing reef in the eastern section of its lease area.

The reef, analysts believe, is separate from established reefs being mined by the company, and could be an offshoot of the Ventersdorp Contact Reef (VCR), with its roots in neighbouring Elandsrand gold mine.

Values found in the original boreholes on the Deelkraal lease show high grades in the areas drilled as DK 2 and DK 3 on the VCR, situated in the Oberholzer Water Compartment.

Mining in this section will require depths 3 300m below surface, due to the north-to-south dip of the VCR and Deelkraal Reef.

The No 1 sub-vertical Shaft has reached its final depth just short of 3 000m, and is being equipped prior to developments on levels 25, 29 and 33.

Chairman Colin Fenton says that planning is well underway for the sinking of another sub-vertical shaft to the south of the present shaft system, from level 9 to a depth that will allow access to all the reefs in the lease area

Deepest workings are expected to be 3 500m below surface.

Drives from this sub-vertical will be used to develop the eastern high grade reef. But if viable reserves are found, the sinking of a new main shaft could be considered

Mines traditionally sink their main shafts in areas of the lowest grades, which accounts for both Deelkraal and Elandsrand having their shaft systems in the northern sections of their respective properties.

Directly south-east of the shaft system on Deelkraal there are reports of *in situ* gold grades of 37,7 grams a ton at the DK 2 borehole, and 28,5 g/t at DK 3

South-west of Elandsrand's main shaft, and 1 300m east of the Deelkraal boreholes, there are *in situ* values of 151,7 g/t found at borehole UD 19 but in a channel width of only 60cm, compared with 102cm at Deelkraal

Mining can be carried out at minimum stoping widths of 100cm, dependent on the channel width, to reduce the amount of dilution from country rock

However, in certain of the West Wits gold mines, stoping widths of nearly 200cm are used because of extra-wide gold-bearing channels.

Originally Deelkraal's section of the VCR was estimated to provide the mine with 45-million tons of ore at a mean yield of 10,4 g/t.

In the three months to end-December the mine milled 375 000 tons at a grade of 5,1 g/t, improving on the 4,7 g/t in the previous three months, with an average for the six-month period of 4,9 g/t.

Management at Deelkraal say the grade will improve as mining goes to greater depths. And as yields improve, milling is expected to increase to 150 000 tons a month.

Analysts believe that an average of 7 g/t is likely in the near future, which, at the increased milling rate, would produce 1 000 kg of gold a month, compared with the present 633 kg

At a gold price of R25 000/kg, compared with 27 211/kg in the December quarter, revenue a ton milled would increase to R167 (R138) against working costs of R81 (R72) a ton milled.

This would leave a working profit of R86 (R66) a ton, and a total gold profit of R12,9m (R8,3m) a month.

Deelkraal had an assessed loss of R219m (end-June 1985), which means that tax will not be a consideration for several years

In recent years mine security control, particularly in riot and strike situations, has received much publicity. SHERYL RAINE spoke to the manager of one of the country's largest mining security concerns about the image of his business

10/2/86 STAR

Ensuring security on the mines in SA

24

As the new manager of Gold Fields Security, Mr Ian Pullar (45) has many tasks, one of which is keeping the public image of the mines' security systems in perspective

Although the main focus of the company's attention is on theft and fraud and their prevention, it also has the infrequent task of riot control which gets the most publicity

Since the birth of the National Union of Mineworkers and the advent of wage strikes on the mines, riot control has received considerable media attention — most of it negative

Gold Fields Security is a wholly-owned subsidiary of Gold Fields South Africa Limited, which employs about 5 000 people responsible for all facets of security on mines as far apart as Zululand and Okiep

The company secures everything from asbestos to zinc but does not secure diamonds nor does it handle security for JCI or Anglo American

STAFF OFFICER

Mr Pullar has a police and military background and was until recently an operational staff officer of the SA Defence Force in Natal.

"Our principal aim is cost-effective protection of the assets of the mines at all times against unrest, theft, fraud or any activity that causes loss of production.

"Our biggest problem is controlling theft and fraud. We have a big investigation branch employing retired police officers whose considerable experience is put to good use"

These shrewd investigators who've seen virtually every trick in the book are drawn mainly from the Commercial Branch and the Gold Squad

On any particular mine the metallurgical department knows what the ore should yield If the mine finds it is producing less than expected, it means that someone is stealing

That's when Gold Fields comes in to investigate, make recommendations, advise on security and to circulate valuable findings to other mines

At the company's headquarters at the old Luipaardsvlei mine, near Krugersdorp, security personnel are trained and briefed.

Every conceivable local and international security publication is filed in an impressive library to ensure that Gold Fields remains plugged in to the very latest in security methods — including crime prevention and detection as well as riot control.

There are some changes on the cards for riot control on the mines

"The emphasis has always been on effective riot control with minimum injury to people and damage to property," says Mr Pullar

GENERALLY HARMLESS

Teargas and water cannon are the methods he prefers because they are generally harmless but effective Investigations are under way to manufacture a proper water cannon instead of the improvised versions used to date

"We don't use ball ammunition under any circumstances to restore order during riot situations.

"At the moment the company is looking at new improved types of multi-purpose armour-plated vehicles which can be used for general security purposes as well as the transporting of payrolls and other valuable materials. They can also be used to protect security personnel during unrest and riots.

"We have been using converted commercial vehicles with limited armour-plating and bulletproof windows We don't like the Casspir for our purposes We have one or two on the mines which were purchased by the mines themselves, I feel they are too military They are expensive and can be used for only one purpose on a few days of the year

RIOT VEHICLES

"They were bought because unrest bursts into riots very quickly and the police are not always able to provide immediate support.

"We prefer to deal with situations domestically, but when life and property are threatened the mine manager may decide that the police are necessary

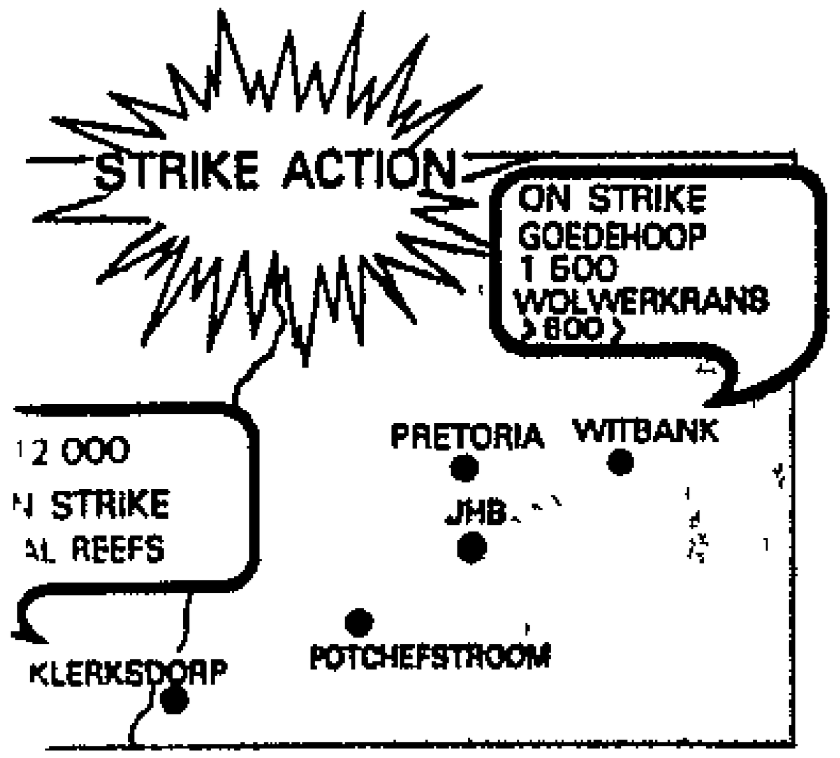
"We are looking at some sophisticated locally produced riot vehicles which can be used for transporting people and which would have a psychological effect on troublemakers. People know that if there are anti-riot personnel inside the vehicle there will be action taken against rioters"

26/2/86 BUS DAY

"THE VITAL VIEWPOINT"

DM&M J7208/e

Thousands of workers on strike at gold and coal mines



PETER HONEY

THOUSANDS of miners at Anglo American's Vaal Reefs gold mine near Klerksdorp started a wildcat strike yesterday.

The action resulted after police detained eight workers in connection with the slaying of four team leaders at one of the mine hostels recently.

In separate developments near Witbank yesterday, about 1 500 workers at Anglo's Goedehoop colliery and more than 600 at Rand Mines' Wolwekrans colliery also went on strike.

All three strikes were illegal because the disputes had not been brought before a conciliation board, mines spokesmen said yesterday.

The situation at Vaal Reefs was tense after more than 12 000 workers at three of the nine shafts, a gold plant and engineering workshops refused to work yesterday, a spokesman for the National Union of Mineworkers (NUM) said.

Negotiations were under way between Vaal Reefs management and NUM representatives yesterday, but the possibility of the rest of the mine's 40 000 labour force joining the strike could not be ruled out, the NUM said.

An Anglo spokesman confirmed that detention of the eight workers was the apparent cause of the strike. He said they were being held for questioning in connection with the murder of four team leaders and serious injury of four others.

"Management is talking to the workers and the NUM to bring about a return to work," he said.

The NUM said more than 1 500 workers at Anglo's Goedehoop Colliery near Witbank were involved in a work stoppage over management's dismissal of four shaft stewards.

It said an undisclosed number of workers at Wolwekrans Colliery, owned by Rand Mines, had also refused to work yesterday. The reasons were not known.

A Rand Mines spokesman said the total Wolwekrans workforce — 400 in the morning shift and 200 in the afternoon shift — had refused to work. The company was waiting yesterday to see if the night shift, of between 100 and 200 workers, would follow suit

2-day mine strike cost Anglo R5-m

140A 213 214

Thousands of striking miners at the Vaal Reefs gold mine near Klerksdorp returned to work last night and this morning, ending a two-day work stoppage which cost the Anglo American Corporation an estimated R5 million, a corporation spokesman said today

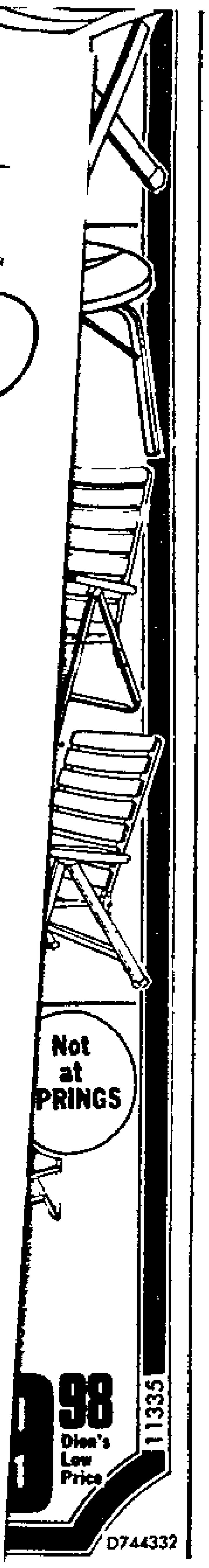
While the National Union of Mineworkers (NUM) put the number of strikers at 19 000, Anglo American said the figure was about 12 500

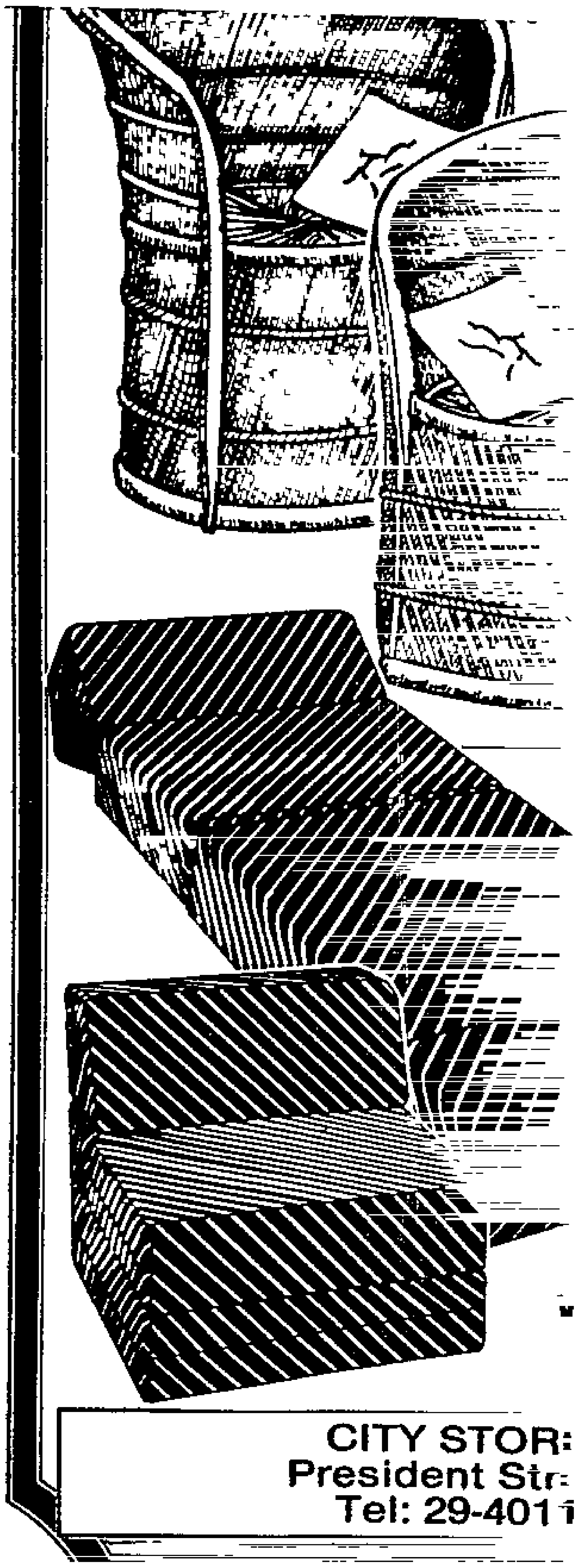
The company spokesman said the strike ended after all-day talks yesterday between management and the NUM He said that although the workers had agreed to return, there was no agreement on the demands of the workers No ultimatum had been issued to strikers to return to work

The strike was sparked by the arrest of nine people at Vaal Reefs in connection with the killing of four team leaders at their hostels on February 18. Workers demanded the unconditional release of their colleagues.

Those arrested were expected to appear in court today

Vaal Reefs management described the strike action as "an ill-judged and morally indefensible attempt to interfere with the course of justice"





19 000 miners back at work

BUS DAY 28/2/86

214

THELMA TUCH

THE 19 000 workers on strike at the Vaal Reefs Gold Mine heeded the advice of the National Union of Mineworkers (NUM) and resumed work yesterday, a NUM spokesman said

Striking workers were demanding the unconditional release of nine of their colleagues — arrested earlier this week in connection with the deaths of four Vaal Reefs team leaders

Workers from five of the mine's nine shafts refused to go underground and the strike was poised to spread to the remaining shafts to affect a workforce of 40 000

NUM had advised workers that the dispute could only be resolved once they returned to work. The return demonstrated the extent to which miners supported the union, said NUM spokesman Marcel Golding

● See Page 6

COMPANIES

CAPE TIMES 28/2/86 (214)

Gold mines pay bumper dividends

INVESTORS in gold mines are continuing to reap bumper dividends Four of the five mines in the Unicorp-General Mining group have increased their interim dividends and, in the case of three, to above last year's final payments

● **Kinross** is the group's star performer, increasing its interim dividend by 26,7 percent to 190c from 150c a year ago The mine paid a final dividend in September of 175c

● **Bracken** had the next best payout, increasing its interim by 25 percent from 40c to 50c In September it paid a final of 60c

● **Unisel**, the group's only Free State mine, has declared an interim of 90c, which is an increase of 20 percent on 75c interim and final dividends paid last year.

● **Winkelhaak** is paying an interim of 245c which is 6,5 percent more than last year's interim and final payments of 230c

● **Leslie** is the only mine to pay a lower dividend It has declared an interim of 30c which compares with a final dividend of 60c last September and an interim payment of 45c a year ago However, this dip in Leslie's dividend is not unexpected as the mine has been encountering a number of problems, ranging from falling yield to higher tax charges

● **Middle Wits**, the Anglovaal mining and prospecting company, reports a 43 percent increase in taxed profits in the six months ended December to R15,6 million, equal to 160c (112c) a share The company expects the full year's earnings will exceed last year's 210c a share

Derek Tommey

4/3/86 BUS DAY 214

Mines pay R3,4bn tax

ROY BENNETTS

MEMBERS of the Chamber of Mines produced 648-tons of gold last year, compared with an estimated national total of 680-tons, and paid out R3,4bn in tax and State's Share of Profits

According to a Chamber of Mines analysis of working results for 1985, the 33 members sold their produce for R14,1bn at an average price of R21 711kg

In the six months to June, 325-tons of gold was produced at an average price of R19 272/kg compared with an average of R24 161 for the second half of the year

Vaal Reef continued to hold the title of the largest individual producer, with 80,2 tons but must now hand over the crown to Anglo's Free State megamine

Combined results of the four recently-merged Welkom gold mines amounted to 109,3-tons

Total working costs rose an average of 13,2% in the six months to December, from R3,1bn in the first half of the year, to R3,5bn

Buffelsfontein proved to be the most expensive unit cost producer at an average of R89,47 a ton milled, followed by **Stilfontein** at R89,37 and **Kloof** at R89,06

Kloof continues to be the world's richest mine, with grades of 14,4g/t, in front of second place **West Driefontein** at 12,5 g/t.

Total working profits were a record R6,8bn for the year, with a 39% jump in the second half to R3,9bn compared with the first six months

Taxation rose from R1,5bn in the first half to R1,9bn, with overall yearly total amounting to R3,4bn or 50% of working profit

After the addition of sundry revenue and expenditure, total profits for the producers amounted to R7,8bn, with 55% of the total coming in the second half of the year.

Capital expenditure rose from R823,4m in the first half, to a total for the year of R1,9bn

Gold mining members of the Chamber declared dividends to the value of R2,3bn in the year, divided into quarterly amounts of R292m first quarter, R804m second, R328m third and a final of R898m

5/3/86

Matriculation examination

HANSARD QCOL 343

10. Mr H E J VAN RENSBURG asked the Minister of Education and Culture.

(1) How many White pupils (a) entered for and (b) passed the matriculation or an equivalent examination in 1985;

(2) how many of these pupils passed in (a) mathematics and (b) physical science in the above-mentioned year?

The MINISTER OF EDUCATION AND CULTURE·

		(a)	(b)
(1)	Education and Culture	12 591	1 930[1]
	Joint Matriculation Board	1 218	925
	Transvaal	29 583	26 631
	Orange Free State	4 153	3 948
	Natal	8 223	7 946
	Cape Province	15 974[2]	14 673[2]
	Total	71 742	56 053

		(a)	(b)
(2)	Education and Culture	507	258
	Joint Matriculation Board	1 218	746
	Transvaal	17 831	13 480
	Orange Free State	2 120	1 425
	Natal	5 584	3 804
	Cape Province	8 374[2]	6 468[2]
	Total	35 634	26 181

(1) See also the written reply to question 9.

(2) Including S W.A

Medical schools

HANSARD

14 Dr M S BARNARD asked the Minister of Education and Culture

QCOL 344 5/3/86

How many applications by students in each race group for admission to the year course were (a) received and (b) accepted in 1985 at each medical school falling under his Department?

The MINISTER OF EDUCATION AND CULTURE

(a) Applications received

University	*White*	*Coloured*	*Indian*	*Black*	*Other*	*Total*
Orange Free State	483	—	—	—	—	483
Witwatersrand	*	*	*	*	*	959
Pretoria	775	—	—	—	—	775
Stellenbosch	683	108	—	—	—	791
Cape Town	701	146	338	220	9	1 414
Natal	—	23	271	238	—	532

(b) Applications accepted

University	*White*	*Coloured*	*Indian*	*Black*	*Other*	*Total*
Orange Free State	126	—	—	—	—	126
Witwatersrand	141	11	23	32	2	209
Pretoria	230	—	—	—	—	230
Stellenbosch	147	18	—	—	—	165
Cape Town	129	13	8	—	—	150
Natal	—	2	43	34	—	79

The above information was obtained from the University by telephone *The University of the Witwatersrand could not furnish the information in (a) per race group.

THURSDAY, 6 MARCH 1986

†Indicates translated version.

For written reply

General Affairs.

QCOL 345

Durban: new prison

HANSARD 6/3/86

41 Mr R M BURROWS asked the Minister of Justice

(1) Whether the new Durban prison at Westville has been taken into use by the Prisons Service, if so, (a) when was it taken into use, (b) what was the number of (i) male and (ii) female sentenced and awaiting-trial prisoners, respectively, accommodated in this prison as at the latest specified date for which figures are available, (c) what is the maximum number of prisoners it can accommodate, (d) what is the staff complement resident at the prison and (e) from which prisons were prisoners transferred to this prison,

(2) whether any prisons will be closed as a result of the opening of the new Durban prison; if so, (a) which prisons and (b) to what use will they be put?

The MINISTER OF JUSTICE:

(1) The occupation process of this complex which contains five prisons is to take place in phases The situation as observed by the hon member for Pinetown on 23 December 1985 during a visit to the new prison complex in terms of my standing invitation to members of Parliament to visit prisons in their respective constituencies when it is convenient for them was largely unchanged on 5 February 1986 Only parts of the new complex, including the female prison, have been occupied in the meantime All the construction work on the reserve has also not yet been finalised

(Statistics given hereunder are as at 5 February 1986)

(a) 25 January 1986.

(b) (i) None.

(ii) Sentenced 169
Awaiting Trial 96

(c) The designed capacity is 5 328

(d) 310 Members

(e) Durban Female Prison and Pietermaritzburg Female Prison.

(2) Yes

(a) Durban Central Prison

(b) Will be handed over to the Department of Public Works and Land Affairs who will determine the further use of the buildings

Gold mines: Financial assistance

HANSARD QCOL 346

68 Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs.†

6/3/86 214

(a) To which gold-mines was financial assistance rendered in the latest specified period of 12 months for which figures are available, (b) what form did this assistance take in each case, (c) what was the amount of the assistance in respect of each of these gold-mines and (d) why was the assistance rendered in each case?

The MINISTER OF MINERAL AND ENERGY AFFAIRS·

(a) Assistance was rendered to two categories of gold-mines viz

(1) mines which have been classified as assisted marginal gold mines according to the *Gold Mines Assistance Act, 1968* (Act 82 of 1968), and

(2) mines which are threatened with flooding from adjacent closed mines

The following gold mines have received assistance.

East Rand Proprietory Mines Ltd
Durban Roodepoort Deep Ltd
Witwatersrand Nigel Ltd
Stanhope Gold Mining Co Ltd
Balmoral Gold Mining Co Ltd
Primrose Gold Mining Co Ltd
West Rand Consolidated Mines Ltd
Grootvlei Proprietory Mines Ltd.

(b) The abovementioned gold-mines were subsidized by means of

(1) in the case of assisted gold mines, the application of a more favourable tax formula and cash subsidies according to the formulae prescribed in the abovementioned Act, to those mines which showed a loss in respect of their financial years, including interim quarterly payments in respect of subsidies; and

(2) in the case of threatened mines, cash subsidies in respect of a part of the mine's running costs for the pumping out of such water

(c) For the financial year that ended on 31 March 1985, the following cash amounts were paid

(1) *Subsidies to assisted mines*

East Rand Proprietory Mines Ltd	R36 965 322
Durban Roodepoort Deep Ltd	8 448 872
Witwatersrand Nigel Ltd	1 541 193
Stanhope Gold Mining Co Ltd	170 457
Balmoral Gold Mining Co Ltd	114 547
Primrose Gold Mining Co Ltd	24 264
Total	R47 264 655

(2) *Pumping out of water*

Grootvlei Proprietory Mines Ltd	R 4 574 859
East Rand Proprietory Mines Ltd	2 102 751
Durban Roodepoort Deep Ltd	686 413
West Rand Consolidated Mines Ltd	275 507
Total	R 7 639 530

(d) Continued assistance under the aforementioned schemes is essential

(1) In the case of assisted mines, in order to prevent those mines from closing down with resultant—

(i) loss of appreciable gold reserves with which foreign currency is earned,

(ii) large-scale unemployment,

(iii) loss of Revenue from rents and taxes; and

(iv) adverse effects on supporting industries

It can be mentioned that R996 million was earned as a result of gold sales from assisted mines, some 76 000 people are employed there and R39,2 million was collected as rent and direct taxes

(2) In the case of threatened mines, because the companies which worked the closed mines, no longer exist and can therefore not be held responsible for the costs while the threatened mines concerned are not financially strong enough to bear the costs themselves

Only gold mines with a considerable life expectancy and potential for gold production is assisted in this manner

HoA

Lorries

70 Mr D J N MALCOMESS asked the Minister of Transport Affairs

Whether any lorries were impounded in 1985 by officials of the Department of Transport, if so, how many in each month?

The MINISTER OF TRANSPORT AFFAIRS.

Yes

January	6,
February	3;
March	0,
April	0;
May	0,
June	0,
July	0,
August	6,
September	9,
October	7,
November	5,
December	4

Bus companies: subsidies

HANSARD QCOL 349 6/3/86

73 Mr D J N MALCOMESS asked the Minister of Transport Affairs

What total amount was paid to bus companies in respect of subsidies for the transport of passengers in the (a) Vaal Triangle, (b) Cape Town-Peninsula, (c) Port Elizabeth-Uitenhage and (d) Durban-Pinetown areas in the 1985-86 financial year?

The MINISTER OF TRANSPORT AFFAIRS·

The attention of the hon member is drawn to the fact that the 1985-86 financial year ends on 31 March 1986 and that the amounts reflected below are in respect of the most recent period during which payments were made namely between 1 April 1985 to 31 January 1986

(a)	Vaal Triangle: .	R1 686 900,95,
(b)	Cape Town-Peninsula	R19 006 556,80,
(c)	Port Elizabeth-Uitenhage	R6 848 102,02,
(d)	Durban-Pinetown	R41 765 281,85

HANSARD QCOL 350 6/3/86

Group Areas Act

79 Mr G B D McINTOSH asked the Minister of Constitutional Development and Planning

Whether any open areas have been proclaimed in municipal areas in terms of section 19 of the Group Areas Act since 31 December 1984, if so, (a) how many, (b) in which municipal areas, (c) when and (d) in respect of what date is this information furnished?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

Yes

(a) 2

(b) Johannesburg and Durban

(c) 21 February 1986

(d) 21 February 1986

Molteno: revenue

HANSARD QCOL 350 6/3/86 -

82 Mr E K MOORCROFT asked the Minister of Constitutional Development and Planning

(1) (a) What was the total revenue generated through all channels for the Black township of Molteno in respect of the 1984-85 financial year, (b) in what manner was each specified

HoA

Go-slow strike by 7 000 miners 214

7/3/88 Weekly M.

By PHILLIP VAN NIEKERK

IN a fresh wave of unrest on Anglo American's giant Vaal Reefs gold mine near Klerksdorp, about 7 000 underground miners yesterday started a go-slow strike by demanding to be hoisted to the surface half-way through their eight-hour shift.

Workers at the mine said 30 000 miners from the entire west and east divisions of the world's largest gold mine were participating in the go-slow.

But a management source at the mine said a total of 7 140 workers were involved from numbers one, two and five shafts in the east division and numbers six and seven shifts in the west division.

He added that it was highly possible that the strike might spread.

By late yesterday no incidents of violence had been reported.

The three divisions of Vaal Reefs are regarded as a stronghold of the NUM and have been hit by several waves of industrial action in the past year.

Workers said the strike centred

● To PAGE 2

Go-slow at Vaal Reefs

Weekly M. 7/3/88 214

● From PAGE 1

around the continued incarceration of five Vaal Reefs workers who were last week charged with public violence following an incident in which four team leaders were killed on the mine

The arrest of the five and of another four who have since been released was the spark for strike action by 19 000 workers last week.

The five were refused bail and remanded until March 20.

Workers are also protesting about the selective rehiring of some of the 14 000 miners fired at the mine in April last year for striking.

That was the last time workers at Vaal Reefs took "four hour" strike action, which cost the mine more than R25-million in lost production and prompted the mass dismissals.

A spokesman for the National Union of Mineworkers declined to comment on the strike as he said it was not yet a "head office matter".

A management source at the mine said 1105 surface workers had downed tools. There were 1 685 participating in the go-slow at number one and two shafts, 1 950 at number five shaft, and 2 500 at numbers six and seven shafts

As good as gold

CITY P. 9/3/86 214

By HERMAN LETSIE

GOLDFIELDS Training School for male nurses has produced some of the best results in the country

The school – at West Driefontein Gold Mine's Leslie Williams Memorial Hospital near Carletonville – obtained a 100% pass in the last exams

A massive 80% passed with distinctions

Proud principal tutor JM Nojaja said 10 of the school's male students had entered for the SA Nursing Council's examination

"All the students passed, and eight obtained distinctions," he told *City Press*

The eight were J Gaya, N Silongo, P Phetoe, E Khoza, L Rubela, Colin Mgoduka, J Hoshe and B Dabula

Mgoduka obtained 87% – making him the fifth best South African student to write the exam last year

Black miners want assurance on guns

STAR 12/3/86

(213) (1404) (214)

By Sheryl Raine

The National Union of Mineworkers (NUM) has passed a resolution calling on mining houses to clarify their position on the issue of white miners in the Witbank area who have threatened to arm themselves for protection.

Referring to the miners' threats, the NUM said in a statement released yesterday that a resolution was adopted at a weekend meeting of 600 delegates in Witbank, calling on the mining houses to clarify their position within seven days.

Rand Mines is already on record as saying that it recently re-issued a long-standing instruction that no unauthorised firearms might be carried at the workplace.

According to a NUM spokesman, the Witbank region of the NUM has also delivered an ultimatum to mining houses to put pressure on the white Mine Workers Union general secretary, Mr Arrie Paulus, to withdraw certain statements he has made concerning the carrying of firearms.

The NUM said that, should mine managements permit the carrying of firearms, labour relations on the mines were likely to deteriorate.

"Workers are adamant that white racism and 'kragdadigheid' will not be tolerated and demand that managements state their position," the NUM statement said.

The Star reported last week that white miners at Witbank collieries were threatening to carry firearms to protect themselves after weeks of black unrest and labour troubles. Rand Mines Wolwekrans colliery and Anglo American's Goedehoop collieries have both experienced strikes by black workers in recent weeks.

White mine unions met managements of both mines to discuss members' considerable fears for their safety. Interviews conducted by *The Star* with white miners in the region revealed that some had been caught in what they believed were life-threatening situations during labour unrest and they wished to carry firearms to protect themselves.

Mr Paulus said at the time that, in the circumstances, he could not blame white miners for wanting to protect themselves. The MWU has also expressed concern about what it considers to be management's "soft attitude" to handling black labour issues.

1 200 strikers go without food for 36 hours

Miners in underground sit-in

214 STAR 13/3/86

By Sheryl Raine

About 1 200 black mineworkers staging an underground sit-in strike at Blyvooruitzicht Gold Mine have been without food for more than 36 hours.

The miners, who have an unlimited supply of water, have defied all efforts by the management to get them to return to the surface.

Blyvooruitzicht is one of the Rand Mines group.

Strikes and shut-downs in the mining industry recently have cost at least R15 million in lost gold revenue. By yesterday, loss of production at Blyvooruitzicht alone was 20 000 tons — R2,8 million in revenue.

The mine has been shut temporarily. It is the second major gold mine on the West Rand to close in a week because of wildcat strike action.

Anglo American's Vaal Reefs mine, the scene of a two-day strike two weeks ago, was forced to shut four of its nine shafts and other works last week because of walkouts by miners half way through shifts.

Mr Paul Forbes, deputy chairman of Rand Mines' gold division, attributes the labour unrest in the region to deep-seated black frustration related to general political upheavals in the country.

He said tension over the scrapping of statutory job reservation on mines was another contributory factor.

He has noted a deterioration in the relationship between black and white employees at Blyvooruitzicht since the advent of the National Union of Mineworkers (NUM).

Frustrations

He believed mine managements were bearing the brunt of black workers' frustrations in the form of industrial action which was not entirely related strictly to work issues.

Problems began at Blyvooruitzicht, near Carletonville, on Sunday night. Sporadic sit-ins followed.

Yesterday 9 000 black miners were involved in industrial action.

According to the NUM, the strike centres on an experimental production bonus system at two shafts. Workers are demanding the system be introduced at all sections.

Mr Forbes said management had been going underground every half-hour to try to persuade the strikers to return to the surface.

Deadlock

"We are concerned that they have had nothing to eat since Tuesday night.

"Meals have been laid on for them in the hostels for the moment they return to surface."

A meeting yesterday with the NUM ended in deadlock. Though the NUM does not condone the strike action, it has been counselling strikers on how to resolve the situation to the satisfaction of all.

The NUM has accused Rand Mines of intransigence by refusing to address the workers en masse at the No 1 hostel. Management agreed to meet 25 elected worker representatives at the mine's training centre.

Mr Forbes said a Pretoria Supreme Court interdict had been served on the strikers, but had so far not been enforced. It restrains workers from interfering with production.

"The strikers are now in breach of the law and could face legal and disciplinary action. But management is striving to talk to worker representatives to persuade strikers to follow normal grievance procedures and provide an undertaking that they will go back to work."

He said the alleged dissatisfaction with the experimental production bonus system had surprised management because the bonus system was introduced at the request of the workers. It was introduced in January and is still on trial.

Strikers sit tight at Blyvoor

3-DAY

14/3/86

(213) (152) 214

CLAIRE PICKARD-CAMBRIDGE

RAND MINES gold division's deputy chairman Paul Forbes says management has left "no stone unturned" in attempting to persuade the 7 000 Blyvooruitzicht employees striking over production bonuses to return to work and use the correct channels.

Further, Mozambique and Lesotho labour representatives have informed the strikers that their actions are illegal and they are in breach of a court interdict

Management does not want to fire workers even though it has the right to do so because the strike is illegal and workers are contravening a court order which prevents intimidation and the obstruction of operations, he says.

The shift of 1 200 workers who stayed underground for 36 hours without food returned to the surface yesterday.

Discussing the background to the strike, Forbes says workers in certain occupations on the mine received production bonuses for many years. But employees asked for an extension of production bonuses to all workers.

Management discussed this with representatives from both the consultative committees and the National Union of Mineworkers' (NUM) and agreed to use it on two shafts on a trial basis to see if it proved an effective incentive.

The trial system was introduced at the beginning of the year.

"Workers then said they wanted the system extended throughout the mine. We agreed that if the system proved successful we would do so in May and the workers had not objected. NUM leaders told management on Wednesday they disapproved of the strike"

But Forbes says the NUM are not prepared to urge workers to return to work before management agrees to extend the bonus system throughout the mine. "This is unacceptable to management, who wish to follow proper channels."

The strike was largely spontaneous and demonstrated worker dissatisfaction with unilateral managerial practices, according to NUM press officer Marcel Golding.

He says the strike is the result of management's "unilateral implementation" of a system without properly consulting the union.

"The widespread support for the strike is adequate proof that intimidation is not taking place and also indicates the determination of workers and the depth of their grievances on the matter."

Golding believes it is one of the longest underground sit-ins in SA worker history.

He says management's "intransigence" in refusing to meet workers at the venue of their choice has exacerbated the situation and the NUM is commited to resolving the dispute in a mutually acceptable manner.

"When it comes to spontaneous strikes, the union always counsels its members on the best way to resolve the situation," added Golding

"Sit-ins are part and parcel of a new phase in the resistance of mine workers Strike activity will also continue to increase if management remains insensitive to worker demands and fails to address grievances rapidly"

Mineworkers show signs of ending costly lock-out strike

STAR 14/3/8-

The strike by 9 000 black mineworkers at Rand Mines' Blyvooruitzicht gold mine near Carletonville entered its fifth day today but there are indications workers want to return to work

Production losses since the strike started on Sunday now amount to 28 000 tons which translates into more than R3 million in lost gold revenue

National Union of Mineworkers (NUM) press officer Mr Marcel Golding said talks were held yesterday between management and an NUM delegation including general secretary Mr Cyril Ramaphosa Afterwards the NUM delegation addressed workers at the mine hostel last night

According to a Rand Mines spokesman, official labour representatives of the Lesotho and Mozambique governments also addressed striking miners from those countries, informing them the strike was illegal and they were in breach of a court interdict obtained by Rand Mines on Monday which restrains workers from interfering with production

"The mine remains shut until workers officially undertake to go back to work However, there are indications that workers now want to go back to work The situation at the mine is calm," the spokesman said

Following sit-ins underground, the mine has effectively locked out workers until they undertake to return to work and channel all grievances through agreed procedures

Workers have demanded an undertaking from management that an experimental production bonus scheme introduced in January at two shafts be extended to other parts of the mine

● See Page 11.

Political turbulence helps fuel growing labour unrest

Many reasons for West Rand trouble

STAR 214 14/3/86

Two gold mines on the West Rand have recently been hit by costly wild-cat strike action. This week 1 200 miners staged an extraordinary sit-in underground for more than 36 hours without food. SHERYL RAINE spoke to Rand Mines and Anglo American about labour problems in the region.

Behind the specific domestic issues raised as the causes of labour unrest on the West Rand, lie a host of reasons which have contributed to strikes by black mineworkers in the area.

Included in the list of contributory factors are

- Delays in the scrapping of statutory job reservation
- Years of frustration on the part of migrant black workers
- Significant consciousness raising of black mineworkers since the advent of the National Union of Mineworkers (NUM), as well as growing tensions between white and black employees.
- Reports from Witbank that white miners on coal mines were threatening to arm themselves for protection against militant black workers
- Spill-overs of political turbulence from nearby black townships into the workplace
- The unnatural concentration of thousands of men in hostels

All avenues

Rand Mines gold division deputy chairman Mr Paul Forbes explained why his company had decided to exhaust every avenue of negotiation available before thinking about dismissals or arrests of illegal strikers

This week, the company obtained an interdict restraining individuals from interfering with production at Rand Mines Blyvooruitzicht gold mine but has so far declined to enforce it.

Rand Mines would, however, not pay strikers for days not worked and would take strong action against intimidators where they could be identified

Although the NUM has been involved as an honest-broker between management and striking workers, there have been allegations that the union is not representative of those on strike, does not approve of the strike and cannot exercise authority over strikers taking action which the union does not condone

The NUM has denied that it has limited control The key issue in the strike is the introduction of a production bonus system at Blyvooruitzicht As a domestic issue, the NUM believed it should be settled directly with the workers involved

However, efforts to resolve the strike have been aggravated by difficulties in setting up meetings with worker representatives So far meetings with NUM officials have not broken the deadlock

Mr Forbes said there was militancy on the West Rand, which was working itself out in labour unrest and which, he believed, concerned largely non-work issues

He said "We believe this strike is a demonstration of solidarity involving many issues, including the scheduled persons issue Employers are bearing the brunt of widespread worker frustration."

Anglo American's group industrial relations department chief Mr Bobby Godsell said industry had a central role in demonstrating that real progress could be made in resolving conflict in an orderly manner

Hopefully, in the course of time, such methods of resolving conflict would be applied to redress political grievances

Asked to comment on allegations by some mine managements that the NUM's control was not what it could be, that there were internal tensions between the union's old-guard and young radicals, and that the union was not representative, he said it would be presumptuous to do so However, it was naive to expect NUM's dramatic growth during the past four years to proceed without a certain degree of turbulence.

Creates turbulence

Mr Godsell said "People must not be surprised by periods of turbulence in South Africa now Even if this country had no problems other than labour problems, mass unionisation creates turbulence and has in every country that has experienced it

"The turbulence in the work place here is without doubt, being affected by the turbulence being experienced in the black townships On most of our mines there is a high level of natural interaction between the black townships and the hostels What we started to see at the end of 1985 is a spilling over of turbulence from the townships into the workplace "

However, Mr Godsell did not believe turbulence in the workplace was in management or union interests.

What role could management play in defusing complex situations with strong political undercurrents?

Mr Godsell said "There are certain issues management can do nothing about When criminal offences occur, when people are assaulted or murdered or property damaged or vehicles stolen the due process of law must occur There is nothing we can or want to do to interfere with that process in any way That's the process of an ordered and civilised society

"The central issue is Is industry going to find ways to sort out conflict? Can we maintain our fragile pattern of orderly relations? Can we demonstrate to workers that there are effective, orderly and reasonable ways of resolving conflict?

"To help us carry on doing this, there is an urgent need for South African society, the State and black organisations to find an analogous process of negotiation to deal with township problems and to deal with problems of political change

"If they looked closely at labour relations during the past 13 years, they would find some important lessons to learn "

Walk-outs, sit-ins, strikes: 3 weeks on the gold mines

The chronology of recent mine strikes on the West Rand:

● Feb 24: Strike starts at Anglo American's Vaal Reefs gold mine near Klerksdorp. Between 12 500 and 19 000 refused to work, following the arrest of nine black miners for questioning in connection with the killing of four team leaders on Feb 18.

Miners demanded the release of those arrested Workers return to work Feb 26 after talks with the National Union of Mineworkers (NUM).

● March 5: Black miners at four Vaal Reefs shafts walk out halfway through their eight-hour shifts. Action escalates to include 15 500 mineworkers and the mine closes four of its nine shafts, metallurgical works and engineering workshops.

The NUM says problems related to mine hostels and demands for the release of those arrested. Company gains an interdict restraining workers from working short shifts. Workers return to work on March 11.

● March 9: Sit-in strike launched at Rand Mines Blyvooruitzicht gold mine near Carletonville. Workers say the strike centres on a bonus system being run on a trial basis at some sections and not others.

Underground sit-ins include one involving 1 200, who sit-in underground for more than 36 hours without food.

● March 11/12: Anglo American reports two miners killed and 25 injured in fighting at Vaal Reefs No 1 shaft. Only 180 of 4 000 on the morning shift report for work on March 12 but situation returns to normal by March 13

● March 12: Rand Mines temporarily close Blyvooruitzicht and refuse to allow workers to go underground until an undertaking is given that they will work and channel grievances through agreed grievance procedures

Picture by Rebecca Hearfield.

Treurnicht hits at US policy on SA

STAR 14/3/86

By Melody McDougall, Vereeniging Bureau

If the United States wants to make itself hated by white South Africa then it must try to force its own abortive recipe for human relations on us, says Conservative Party leader Dr Andries Treurnicht

Speaking at a meeting in the Vereeniging town hall last night, Dr Treurnicht lashed out at yesterday's reports of Presidents Ronald Reagan's proposal of greater US involvement in bringing about change in South Africa

Dr Treurnicht said it was time to tell both President Reagan and Dr Chester Crocker their designs for white South Africa simply meant the white man is expendable

"We will not allow ourselves to be sold out We have a right to be here, we are here to stay and we will fight to live in freedom," he said

Dr Treurnicht asked when the Government would stop using harsh words against Britain and America and yet proceed to carry out their instructions step by step He suggested it was no longer a question of "adapt or die", but rather "adapting and dying".

Dr Treurnicht stressed that in spite of the policies of the National Party there was hope for the future and that his party was on the winning road.

Bid to ban SA coal

STAR 14/3/86

STRASBOURG — The European Parliament yesterday called for an embargo on coal imports to the European Community from South Africa.

By a margin of one vote, members backed a statement saying "the European Parliament insists that all (EC) member states decide to end all imports of coal from South Africa".

Parliament also gave near-unanimous backing to a report calling for stronger support for the EC coal industry

Aid from EC governments for coal mining was due to end in June this year. — Sapa-Reuter.

Pretoria boycott renewed

STAR 14/3/86

Pretoria Correspondent

The business community in the capital is in for another tough time after the Pretoria Consumer Boycott Committee's decision this week to call for an indefinite boycott of consumer goods sold by white shops from March 24

The Pretoria Consumer Boycott Committee said today the boycott would involve residents of Atteridgeville, Mamelodi and Soshanguve, "because their demands had not been met"

Early this year, the committee lifted a month-long boycott of white shops imposed in December, last year.

PAGE 14

Mine officials plotted to launch trade union

4/3/86.

WEEKLY M.

By PHILLIP VAN NIEKERK

214

OFFICIALS of Rand Mines — the mining house which this week locked out 11 000 workers for participating in sit-in strikes underground — wanted to set up their own trade union for black miners in 1980, according to correspondence in the Weekly Mail's possession.

The company, which has been hard-hit by militant worker action at other mines, wanted to avoid a vacuum in the mines which "could be filled by political agitators", the correspondence says.

It says they were prepared to channel funds through international union organisations to set up the union but were turned down by the International Metalworkers Federation in Geneva.

The Weekly Mail obtained the correspondence as Rand Mines closed its Blyvooruitzicht gold mine near Carletonville, locking out 11 000 workers, and some 1 200 miners launched a sit-in strike for 36 hours underground.

● To PAGE 2

P.T.O.

Two officials plot for centrist union

14/3/86

WEEKLY M.

● From PAGE 1

213 214

Representatives of the NUM and Rand Mines were locked in discussions yesterday aimed at breaking the deadlock at the mine.

Early yesterday about 1 200 hungry miners ended their 36 hour sit-in at the sixth level of shaft four and returned to the surface, where they went straight to the hostel canteen.

Rand Mines was the second mining house in a week to lock out its staff. Last week Friday Anglo American closed four of its nine shafts at Vaal Reefs, ending a go-slow strike by more than 4 000 miners.

Meanwhile, the personnel director of Rand Mines, Don King, confirmed yesterday that two officials of Rand Mines had toured Europe and the States in September, 1980, on a "trade union fact-finding" tour.

He said, however, the implication that the company would covertly channel money to set up a union was "devoid of truth.

"The officials concerned were relatively junior personnel people and were not at the level where they could suggest that this company could put its money into anything," King said.

The visit took place two years before the emergence of a black union on the mines, the National Union of Mineworkers, and at a time of growing worker militancy in other industries.

According to the documents, the officials made contact with representatives of the International Metalworkers Federation (IMF) and the United Steelworkers of America through a Canadian employer delegate to the International Labour Organisation.

The offer was turned down by the IMF, which is based in Geneva.

The correspondence, which is between union officials and not with Rand Mines, says:

"We (the unionists) made it clear that the employer would have to be prepared to spend a great deal of the profits from their mining activity, which the officials then said were fantastic lately, on worker education and the financing of unionisation.

"The official said that money was in fact no problem but we made it clear that the money could not come directly from the corporation to workers' representatives identified by the company."

A letter to Herman Rebhan, general secretary of the IMF, says: "The officials concerned professed great conviction in the desirability of unionisation and spent much of their time here telling us that they were for progress, it was just the Nationalist government which was standing in the way.

"They emphasised that they want to see unions emerge in the mines but they don't want to leave a vacuum which could be filled by political agitators, nor do they want to create sham unions led by stooges."

King said the officials were merely trying to get a "feel" for the development of trade unionism and the visit was a "fact-finding, learning experience.

"To implicate the company in something like this is a very serious allegation and devoid of truth," King said. "It is also very unfair and a serious allegation to say the officials criticised the Nationalist government in that way."

Unrest at RM Props, Blyvoor

BDAY 17/3/86

13 killed as violence hits gold mines

214

THIRTEEN miners have been killed on two gold mines over the past three days.

In a new outbreak of violence, seven were killed at Anglo American's Vaal Reefs mine near Orkney on Saturday, and six others died on Friday night during a riot at Rand Mines' Blyvooruitzicht gold mine, near Carletonville.

An Anglo American spokesman said seven workers died and 67 were injured in a faction fight between Sotho and Xhosa workers on Saturday night.

The cause of the fighting was unknown, but was thought to be unrelated to the recent mass strike and go-slow at Vaal Reefs over the arrest of workers in connection with the deaths of four shaft stewards.

Rand Mines reported that six workers died and more than 100 were admitted to hospital at strike-bound Blyvooruitzicht after a riot on Friday night.

Management denied police reports that a seventh employee — a security guard — was also killed.

Management yesterday dismissed 157 workers who refused to sign an undertaking to return to work and abide by service conditions.

The mine issued an ultimatum to workers to return to work today.

Rand Mines gold division deputy chairman Paul Forbes said 924 workers had already signed an undertaking to return to work and abide by their conditions of service.

CLAIRE PICKARD-CAMBRIDGE

The dismissals followed a loss of five production days after underground sit-ins by workers and a strike over production bonuses.

Forbes said about 22 workers had been arrested on intimidation charges.

According to Forbes, the riot broke out on Friday night when a crowd, which had gathered after the arrest of two alleged intimidators, became unruly.

He said both police and mine security were involved, and that the riot resulted in six deaths — four from gunshot wounds and two from assaults by fellow workers.

The National Union of Mineworkers could not be contacted for comment yesterday.

Forbes said about 100 employees had been admitted to the mine hospital.

Few had been discharged because management wanted statements from those who had received birdshot wounds and those allegedly assaulted by fellow workers.

The riot resulted in damage of about R200 000 to mine property after the No. 2 hostel was burnt out and several cars were destroyed.

And 1 500 workers heading for the mine's white residential area on Friday were turned back after police fired teargas, birdshot and live ammunition, a police spokesman said.

Miners return to work as death toll reaches 15

17/3/86 STAR

214

By Sheryl Raine and Mike Siluma

About 7 000 black miners streamed back to work today at the strike-torn Blyvooruitzicht gold mine near Carletonville, where seven people were killed and at least 100 injured in weekend violence

In more violence at the Vaal Reefs gold mine near Orkney, eight people were killed in faction fights and 66 injured — bringing the weekend death toll on the two West Rand mines to 15 and the number of injured to at least 166

A spokesman for Rand Mines, owners of Blyvooruitzicht, said today that the mine had returned to normal for the first time in a week Five days of production had been lost due to wild-cat strike action

"The morning shift of about 7 000 streamed back to work between 4 am and 6 am Hundreds more are expected to return to work today," the spokesman said.

"Management issued an ultimatum to workers to return to work or face dismissal Workers were asked to sign an undertaking to return to work About 160 who declined have been dismissed and transported home."

The mine was calm today following the arrest during the weekend of more than 40 suspected intimidators

Rand Mines reported that six miners died on Friday night — four shot dead by police and two believed to have been beaten to death by intimidators. A security guard not employed by the mine was also killed

The superintendent of the Blyvooruitzicht mine hospital said 100 injured miners reported to the hospital after Friday's violence and 63 were still in hospital

Rand Mines said the SAP were called in when mine security could not control a mob which burnt down an administration office at the No 2 hostel, causing R200 000 damage

At Anglo American's Vaal Reefs mine, clashes broke out at the weekend between Sothos and Xhosas at the mine's east division, a spokesman said.

Mine security personnel were called in and by last night "the situation at the mine was peaceful".

Meanwhile the NUM reports that about 450 miners launched a boycott last Wednesday of the bars and canteens at the Teba depot in Johannesburg in protest against discriminatory practices, the quality of food and hampering of the union's activities at the bureau

A spokesman for Teba, the labour-recruiting organisation for the country's mines, was not available for comment

Mines state aid falls away

BDAY 18/3/86

(214)

ROY BENNETTS

MARGINAL gold mines are no longer to receive state assistance.

Aid will be replaced, however, by an ad hoc scheme with individual cases judged on merit.

In the year to end-December, R20,3m was paid out to members of the Chamber of Mines.

This does not include independent Wit Nigel, which would increase the total to about R24m.

Last year the mines received record gold prices because of the weak rand, but this situation could change, with profits falling back to 1983 and 1984 levels when claims amounting to R30m and R45m respectively were submitted.

Gencor director Tom de Beer said he would have preferred a clearer definition of the terms of the ad hoc scheme, but felt that at least the minister appeared to leave the door open for individual mines to state their case.

Gencor mines have moved out of the state assistance bracket but, with the rand strengthening and rand gold receipts plunging, this situation could change.

Government had shown itself willing to aid struggling mines, as could be seen by the assistance recently given to ERPM, De Beer said. Naturally, the closure of a mine would be seen to have a serious effect on SA's employment situation, he said.

De Beer found it disappointing that the 25% gold and diamond mining surcharge was not lowered.

Last year, the minister had a good case, with gold realising a high R28 000kg, he said

This figure, however, had dropped by about R5 000kg, while the cost of mining had increased.

The continuation of the surcharge could have detrimental effect on mining, both medium- and long-term, particularly with the level of inflation being experienced by the industry.

LETTERS

NUM replies

214

Dear Sir,

REGARDING editorial ("Gencor's Impala Stew," *Business Day*, January 9, 1986).

Editorials directed at South Africa's decision makers should at the very least uphold elementary accepted principles of journalism, namely, factual accuracy and informed comment. To have permitted such trite to pass as an editorial is an utter disgrace to the noble intentions you have as a newspaper and the audience you wish to serve. Two issues are most disturbing and deserve clarifying.

You allege the union has been "growing like Topsy (and some might say has been lead by Topsy)". You provide no substantial evidence for your claim except spurious anecdotes and vague generalisations. In fact your remarks are contrary to the general opinion forwarded by respectable and authoratative analysts on labour. Among these views are the following:

1. That the union has been growing steadily in the mining industry and is certainly the most representative voice for black mineworkers.
2. The union leadership is responsible, democratic and renown for pursuing, to the letter of the law, the channels of collective bargaining.

If anything, the judgement in the Marievale case (if you have read it) is adequate testimony of the union's reasonableness, and can certainly not be accused of being "Topsy".

To allege that the NUM has suffered two bloody noses is nonsense. If anything, it is Gencor who has suffered a bloody nose in the Marievale case.

On the Impala strike, it is said the "reasons are vague, to say the least, long working hours, wages, etc ... many of them minor ... nothing is easily verifiable."

To suggest the reasons are vague is to ignor historical and long standing grievances of black mineworkers which the mineowners have yet to addressed. If the grievances were so minor why were they not remeded when workers brought them forward. And lastly, if you suggest that "nothing is easily verifiable", it is absurd to comment with such authority without ascertaining the facts.

One can only deduce that on the subject of labour and industrial relations you are out of your depth and have no inkling of what is at stake. Consequently it can only be presumed that your editorial is based on ignorance. If that is the case, it is wise to refrain, lest the reputation of your newspaper declines even further than it has as a "sensitive" commentator for the nation's decision makers.

MARCEL GOLDING
National Union of Mineworkers' Press Officer

☐ **AT THE NUM's request, this letter is unedited. — Editor.**

Bitter rivalry in by-election

19/3/86 STAR

Bitter political rivalry has marked the run-up to tomorrow's municipal by-election to fill a Phalaborwa Town Council vacancy

Mr Jan Grobbelaar is fighting the election on a Conservative Party ticket The CP has a declared policy of trying to gain control of town councils and school committees in the region

Mr Grobbelaar said "By adopting a particular political stance, you indicate which way you want to go"

And he is against all forms of integration

His National Party opponent, Mr Faan Venter, says a town councillor can only serve his community "if he stands impartially as a person in his own right" — Northern Transvaal Bureau

For Easter eggheads

Spend your Easter holidays away from your family with your head buried in our giant Easter crossword puzzle The crossword grid will fill two pages of Weekend magazine in this week's *Saturday Star*

Management behind faction fighting: NUM

By Chris More

Miners at Vaal Reefs Gold Mine yesterday alleged that mine management was behind the tribal faction fighting that left at least eight dead and about 70 injured at the weekend

And yesterday about 120 miners from Transkei left for home, claiming their lives were no longer safe on the mine

Another miner apparently died outside mine property and the miners included him in the number of those killed in the fighting, claiming a death toll of nine

Several shaft stewards alleged that management had used Basotho team leaders to start what would be perceived by outsiders as a tribal conflict when, in fact, the aim was to break the unity of miners belonging to the National Union of Mineworkers (NUM)

'ALLOWED TO ENTER HOSTELS'

The shaft stewards said the so-called Basothos who started the fight were not employed at Vaal Reefs but arrived in three buses at about 11 pm on Saturday and management allowed them to enter the hostels

A spokesman for Anglo American Corporation, Mr Errol Symons, denied the allegations that management was in any way involved in the faction fighting

He said Vaal Reefs management promoted constructive engagement with the union as a matter of policy.

Mr Symons said that, throughout the incidents of unrest at the mine in recent weeks, management had been in communication with the NUM and had invited union representatives to have discussions with the managers concerned

"At each affected hostel, mine management has attempted to get the factions together in an effort to resolve their differences," Mr Symons said

Production of gold declines

STAR 18/3/86 (214)

Total South African gold production in the first two months of 1986 declined to 106 448 kg from 114 199 kg in the same period of 1985, Chamber of Mines' figures show

In January production was 53 788 kg against 52 660 kg in January and 56 943 kg in February last year

The mining industry has been bedevilled by labour unrest and strikes this year and while the full decline cannot be blamed totally on labour troubles, certainly a large proportion can, industry sources say purchaser furnishes the seller with a declaration on the prescribed form (Form VB52). This measure was aimed at tightening up control in regard to the application of the exemption relating to the sale of goods which are exported from the Republic In addition, the matter of motor vehicles sold in the Republic to purchasers who allege that they are ordinarily resident in Bophuthatswana formed the subject of discussions on an inter-governmental level and certain measures have been proposed in order to put a stop to malpractices in that regard

HANSARD 18/3/86 Gold

*4 Mr L F STOFBERG asked the Minister of Finance.† QCSL 567 214

Whether his Department exercised any control over the actual gold production of gold mines in the period before exchange and export control in respect of gold, if not, (a) why not and (b) what agency exercised such control, if so, (i) what was the nature of the control and (ii) how did he determine (aa) when and (bb) at what price gold was sold?

The MINISTER OF FINANCE

The function of buying bullion from the gold mines in South Africa was delegated by the Minister of Finance to the South African Reserve Bank as early as 1925

This gold becomes the property of the South African Reserve Bank, and is sold on overseas markets in an orderly manner to the best advantage of South Africa in terms of the policy which has been in force for a number of years

Any profits or losses incurred during such transactions are for account of the Treasury as provided for in section 17A of the South African Reserve Bank Act, 1944 (Act 29 of 1944) as amended

A detailed statement of the "gold price adjustments account" is furnished to Treasury monthly in which are also set out the prices at which the gold transactions have taken place

The South African Reserve Bank itself exercises a strict control on purchases and sales of gold, and a computer printout containing full particulars regarding each individual transaction is furnished daily both to the Governor and to the Deputy Governor in charge of gold and foreign exchange transactions The dialy price of gold is determined by supply and demand on the different markets and there can thus be no meaningful average price for the thousands of transactions taking place over the years

HANSARD 18/3/86 QCSL 568

Consumer price index

*5 Mr L F STOFBERG asked the Minister for Administration and Economic Advisory Services †

Whether he will furnish the items making up the so-called basket used in the calculation of the consumer price index, if so, (a) what items make up the basket, (b) how was the basket adjusted over the latest specified period of 10 years for which information is available and (c) how is the course of inflation calculated on the basis of these data?

The MINISTER OF ADMINISTRATION AND ECONOMIC ADVISORY SERVICES (Reply laid upon the Table with leave of House)

Yes The so-called basket of items (i e the different goods and services together with their relative importance or weights) which is used in the calculation of the consumer price index was published as a special article in the September 1978 issue of the Bulletin of Statistics and copies of this article are freely available on request A summarised form of the basket is in fact published in each Statistical News Release on the consumer price index These news releases are issued free of charge on a monthly basis

(a) The basket contains those consumer goods and services purchased by an average urban household As the consumer price index is separately calculated for the lower, the middle and higher income groups as well as

for all income groups, virtually four baskets exist

In a summarised form, the basket for all income groups compromises

Food	24,98%
Cold drinks and alcoholic drinks	2,60%
Cigarettes, cigars and tobacco	1,69%
Clothing and footwear	8,77%
Housing and household fuel and power	19,67%
Furniture and equipment	5,98%
Household operation	4,96%
Medical care	2,08%
Transport	14,94%
Communication	0,99%
Recreation, entertainment and reading matter	4,16%
Education	0,82%
Personal care	2,95%
Other consumer goods and services	5,41%
	100,00%

I have a copy of the detailed four baskets for the disposal of the hon member

(b) The consumer price index is calculated on basis of the Laspeyres method of index calculation, which means that the relative importance of the goods and services or the weights is kept constant for a number of years Up to now the weights of the consumer price index have been revised approximately every ten years without interim adjustment The weights currently in use are based on the 1975 survey of household expenditure which will be revised on basis of the 1985 survey I have already approved the revision of the basket (i e including the weights) on a five yearly basis in future

(c) The consumer price index measures the change in prices of consumer goods and services over time The rate of change of an annual basis of this index is usually defined as the annual rate of inflation It is calculated by expressing the increase in the consumer price index of a particular month since the same month of the previous years as a percentage of the value of the index for the month concerned in the previous year In calculating the average inflation rate for a year the arithmetic mean of the indices of the twelve months is compared to that of the previous year

Johannesburg, Wolmarans Street: building purchased

*6 Mr D J N MALCOMESS asked the Minister of Transport Affairs

(1) Whether the South African Transport Services purchased a building in Wolmarans Street, Johannesburg; if so, (a) from whom, (b) at what price and (c) when,

(2) whether the South African Transport Services did a valuation of the building at the time of purchase, if so, what was the valuation, if not,

(3) whether a valuation of this building was done by a body other than the South African Transport Services, if so, (a) on what date, (b) by what body and (c) what was this valuation?

The MINISTER OF NATIONAL EDUCATION (for the Minister of Transport Affairs):

(1) Yes

(a) Netherlands Properties (Pty) Limited

(b) R11,75 million

(c) 31 January 1986

(2) Yes R13 million

Haggie fires 1 900 strikers

18/3/93 BDAY

CLAIRE PICKARD-CAMBRIDGE

HAGGIE RAND yesterday dismissed nearly 2 000 workers who had staged a sit-in strike for nearly two weeks in a demand for company-level bargaining at its Germiston and Jupiter plants.

Metal and Allied Workers' Union (Mawu) organiser Bernie Fanaroff said the firings were a "bad omen for the future of the metal industry".

Haggie's group personnel manager Dave Thompson said 60 workers returned to work yesterday, but that a further 1 900 were fired after ignoring a midday ultimatum. About 250 workers were still sitting-in, he said.

Thompson said Haggie Rand was still considering whether to apply for a court interdict to evict workers from the premises.

□ The National Union of Mineworkers (NUM) yesterday "strongly condemned" the actions of management at the Blyvooruitzicht gold mine near Carletonville, where seven men were killed in clashes with police and mine security guards on Friday night, reports Sapa.

NUM Press officer Marcel Golding said the 1 000 workers, who had been on strike since last Sunday, were "intending to go to work on Friday night".

Management, union discuss stricken mine

STAR 22/3/86

Management at the troubled Vaal Reefs gold mine yesterday held seven hours of talks with the National Union of Mineworkers (NUM) in efforts to ensure peace at the mine

In the past week 17 people have died and 99 have been injured in fighting at the mine, some of which has been referred to as faction fighting between Xhosa and Sotho employees

A request from *The Star* to visit the mine has been turned down

● Five Vaal Reefs employees are scheduled to appear in the Silfontein Magistrate's Court again later today to face charges of public violence

The charges relate to an incident on the mine on February 18 when four team leaders died

209 ~~[illegible]~~ 214 ~~[illegible]~~

Thesis slams 'faction fight' claims

THE migrant labour system is at the root of faction fighting on South Africa's gold mines, a leading research official from the Chamber of Mines, Dr Kent McNamara told the Weekly Mail in an interview this week

He said other factors included congestion in the mine hostels, competition for women and liquor supplies, and struggles over wages and jobs in the context of widespread unemployment and drought in the rural areas

McNamara, who has recently finished an exhaustive doctoral thesis on conflict on the mines, rubbished the conventional white view that faction fights showed blacks were inherently savage, inferior and incapable of settling their differences

Faction fighting has claimed the lives of more than 200 miners since 1973 Fourteen workers have died in fighting at Anglo American's Vaal Reefs in the past week.

In an historic move, Anglo American and the National Union of

By PHILLIP VAN NIEKERK

Mineworkers (NUM) have set up a commission of enquiry to examine the causes of faction fighting on Anglo's mines

McNamara, whose thesis took eight years to complete and is already being viewed as the authoritative work on the subject, said migrant labour was the social context for faction fighting

"There are certain social divisions on the mines which can be traced back to migrant labour' he said 'Men are recruited from different regions and maintain these relationships when they come to the mines All that a migrant labourer has are his friendship relations — the people from his home region who live in his compound — which he is unlikely to repudiate"

McNamara said the result of the constant turnover of men resulting from the migrant labour system was that the compounds were "whirlpools of shifting communities" as opposed to settled working class communities

'The point is that interests remain regionally based — as opposed to ethnically based Communal and political tensions become expressed in terms of this social structure and hence one has faction fights"

McNamara said a lot of the conflict on the mines was a reflection of the problems of hostel life the tensions generated in 16 man rooms, fighting over food rations and noise in the rooms

He quoted a miner who had explained the conflicts in the hostels by saying "If you put a whole lot of cattle in a kraal and overcrowd them, then they will stamp and horn each other'

Hostel conditions became a particular sticking point during the massive shift to recruitment of workers from South Africa, to replace workers from the neighbouring states, in the mid-seventies

"The huge intake of novices arriving at the hostels for the first time found it very hard to adjust to hostel life"

He said that 17 percent of the conflicts between 1973 and 1982 related to the shebeens in the farms and townships surrounding the mines

There were conflicts over the control of liquor supplies to the shebeens, and over access to the relatively few women available for the hundreds of thousands of single men on the mines

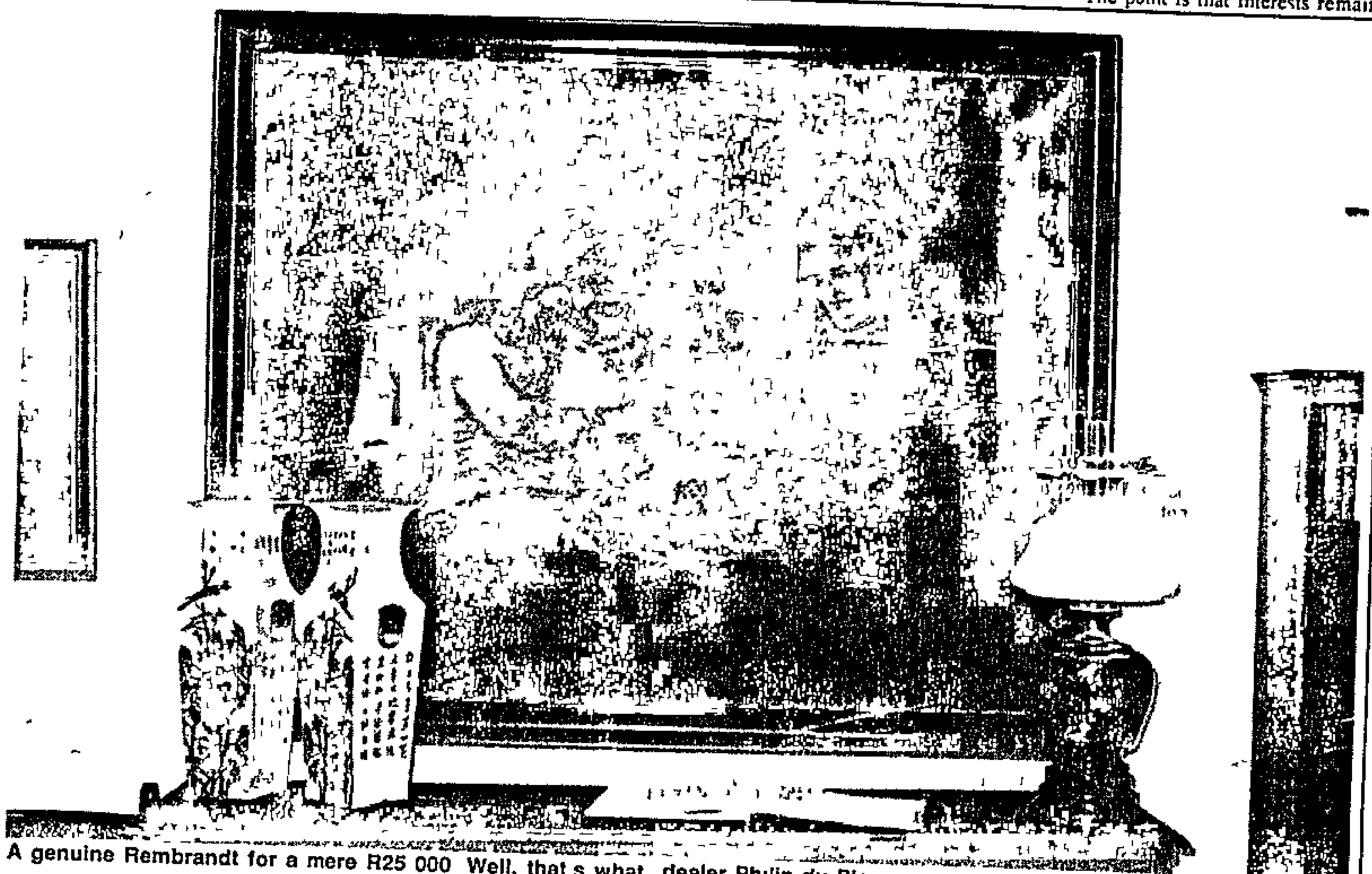
In addition, a large number of faction fights have been over what McNamara termed "political" issues

"There has been a struggle in this industry for scarce resources such as jobs and wages This has taken three phases — struggles over the domination of Lesotho nationals in the Free State goldfields, resentment by South African workers towards foreign nationals, and the stranglehold on jobs after the industry attempted to stabilise jobs after the mid-seventies

"In all of these there was a political struggle in the compounds which, because of the migrant labour system, took the form of groups from different regions vying for power"

McNamara said the final phase in the political struggles on the mines was the onset of unionisation, with fights between strikers and non-strikers, the refusal of some workers to join compound boycotts, and cleavages between supervisors and labourers

● MacNamara will be awarded his Ph D degree at the University of the Witwatersrand next month



A genuine Rembrandt for a mere R25 000 Well, that s what dealer Philip du Plooy says

Picture STEVE HILTON BARBER, AFRAPIX

Randburg Rembrandt: yours for just R25 000

By HAZEL FRIEDMAN

WANT to buy a Rembrandt, going for R25 000? Or a Van Dyck for R4 250? Just pop along to "Oak Interiors", Westgate's version of Sandton City's "Village Gallery"

The seller is Philip du Plooy, whose shop boasts, besides the chainstore-type furniture, an array of "original masterpieces" — which he staunchly denies are fakes

Weekly Mail visited "Oak Interiors" collection in which it presently belongs

heard of Bernardi Auctioneer in Italy

Du Plooy claimed Sotheby's had confirmed that the painting was an original But Stephen Welz head of

questioners he changed his mind about the source of the painting and claimed it had been bought by a "Mrs Sercu in Belgium" He could not supply her first name, nor her address He also said that he was no longer sure of the existence "at the factory" of a certificate of authenticity and admitted that Sotheby's had not evaluated the work When asked why

Chamber of Mines economist tells of sharp capex increase this year

21/3/86 STAR 214

Mines cautious on gold price

By Sven Lunsche

The fluctuating gold price makes capital expenditure and employment projections on gold and urananium mines over the next five years difficult to predict, says Mr Henry Kenney, senior economist of the Chamber of Mines

He told the Capex in Mining conference in Johannesburg yesterday "The figures are telling us that capex is very sensitive to the anticipated gold price and that as yet there is still much caution in the industry about the prospects for a sharp rise in the price of gold"

Capital expenditure on all Chamber mines is projected to rise steeply by 22 percent to R2,3 billion this year In the next two years it is expected to rise hardly at all, and is projected to fall quite significantly in 1989 to R2,1 billion, a decline of 14,4 percent over the 1988 figure

This slump should continue to 1991, when a capital expenditure of R1,8 billion is expected

At the same time the number of additional jobs on the gold mines is not expected to go up by very much The total of unskilled workers is expected to start declining from 1988 on)wards, a trend which will be repeated for skilled workers in the following years

Mr Kenney sees these developments as inevitable as the gold price is determined by a number of factors Lowering interest rates, a quickening rate of inflation and the massive Third World default on its debts have all been cited as stimuli for increased gold prices Mr Kenney questions this

TAX BASE

"The future of gold should not be tied to the ills of the world economy The most balanced view would perhaps be that because physical demand for gold has remained strong in recent years only a relatively small surge in speculative interest in gold would be enough to put strong pressure on the price, which is unlikely to happen in 1986," he said

Capital expenditure spending has been encouraged by the government in the form of genereous tax allowances, which is aimed at stimulating spending on capex so as to reduce the tax paid "But this is to have it both ways, for capital spending does prolong the lives of mines and therefore sustains the tax base of the authorities," Mr Kenney said

A rise in the expected gold price could result in a slight upward trend over the next five years but also mean "that such spending in the gold mines will play a somewhat reduced role in the economic growth of South Africa"

214 FIN 21/3

MINING COSTS

Under pressure

Current labour unrest and a looming mineworkers' pay dispute focus attention on the thorny question of mining costs. Mining revenue has strongly outpaced costs in the last two years (see table), and there appears to be scope to absorb higher wage increases, report stronger earnings and pay more dividends to shareholders.

The catch to this scenario is the continuing cost spiral. Steadily mounting expenses threaten to erode SA's position in the competitive world metals and minerals markets, and impose a longer-term squeeze on the industry. At the cutting edge are wages, with labour accounting for 50% of total mining costs (black labour takes some 65% of the total wage bill). Harsher taxation of the mines, high general inflation and wage pressure from the National Union of Mineworkers (NUM) harden the task of slowing mining costs.

The problem cannot be ignored. Gold mine dividends are currently at historically high levels but the concern is that with the industry's cost structure rising rapidly, within say 18-24 months the ratio of costs to revenue will be back where it was before the rand gold price took off. In many cases this will again exert severe pressure on dividends

Wage talks this year will prove testing, as management has to build reserves and conserve funds for the higher cost of expansion. So at what level would it be more harmful to grant a wage rise in preference to a strike? One study examining these points was recently prepared by Cyril Heever & Associates.

The study argues that black labour i creases have a relatively less severe impa on the high profit margin mines such : Driefontein and Kinross. These mines eith have high grades or low working costs or combination of both, such as Unisel and Cons Modder. By the same token, low margin mines would be "almost overwhelmed by any decrease in profit margin, be it of a working cost or gold price nature " The conclusion is that low-cost producers would be worse affected by a 10-day production strike which resulted in a total loss of revenue than by a 25% wage increase. In contrast, "the reverse is true for a marginal mine such as Venterspost."

On balance, the Heever study suggests the mines would be worse hit by such a strike than a wage increase, with dividends falling on the projected 1986 levels by roughly 2% more The strike figures are somewhat flawed, as the forecast loss of revenue is based on a high and outdated R27 000 kg gold price Drie Cons, Unisel, Kinross, Vaal Reefs and Randfontein would be worst affected by strike action, says the report Cons Modder would be the least hit by either a strike or a 25% increase

These assumptions are of course open to question After labour unrest last week at Blyvooruitzicht, it was feared that the mine's forgone income on lost production would be larger than normal, owing to its covering forward expected dollar receipts when the rand was weaker. (But Blyvoor is not locked into physical sales contracts, says Rand Mines chairman Dammy Watt). The Heever analysis has also not taken account of stockpiling or gold-in-hand, while a partial strike could enable a redeployment of personnel. Neither does the model make clear whether it allows for government help in subsidising higher wages in the form of the mines paying less tax

Whatever the outcome of the current wage round, cost pressures will worsen Since 1981, the rand's progressive weakening has cushioned the mines from the nastiest effects. But the rand is now strengthening, while wages in recent years have accelerated off an ever-higher base, largely to keep pace with inflation. The marginals are the most exposed, and some are again slipping back into loss, despite the rand gold price being at a historically high R22 000 kg (after falling from around R27 000 kg)

The industry's highest cost producer, Rand Mines' ERPM, reported costs of R24 000 kg last quarter. This means that the mine on current figures is again operating at a loss. But Watt has noted that if ERPM's revenue averages out at above R20 000 kg in calendar 1986, the mine should weather a lower rand gold price in future years, as the agreed State aid could help cover future losses. However, the Budget announcement that State aid will be replaced by a system of ad hoc support will add to the marginals' uncertainty.

Among other marginals, Venterspost, Durban Deep and W R Cons are operating not far off break-even point. A sustained cost rise will worsen their pay limits, as it will for the industry as a whole This would lead to a concentration on higher grade deposits (causing more gold to be left in the ground), and to a loss of employment Of course, the rand could again weaken or the dollar gold price could rally. But cost pressures look set to shape more decisively the gold industry's future.

Christopher Marchand

Rand Mines' Watt . . . help from the State needed

ON THE MARCH

Dec 1985 quarterly results compared with Dec 1983

Mine	Cost R/kg	% change	Revenue R/kg	% change	Working income ± Rm	% change
Blyvooruitzicht	13 719	65	25 337	73	37,6	43
Buffelsfontein	11 525	39	27 515	86	110,3	121
Cons Modder	9 612	4	27 675	90	14,4	162
Drie Cons	7 542	67	27 310	87	303,7	59
Durban Deep	21 330	41	25 729	74	8,2	*
ERPM	24 183	50	25 800	75	4,0	*
ET Cons	10 516	35	27 963	81	14,8	160
Elandsrand	10 539	12	27 556	87	48,8	270
Hartbes	9 729	34	26 493	80	120,8	113
Kinross	8 596	12	27 628	90	69,1	224
Kloof	6 940	52	26 854	82	149,6	85
Randfontein	9 656	74	24 162	61	111,7	42
Vaal Reefs	9 403	46	27 378	87	378,0	135
Venterspost	21 676	51	27 588	90	8,2	*
WR Cons	20 766	16	24 723	64	4,1	*
Western Areas	19 741	58	24 479	46	21,7	14
Western Deep	9 249	48	27 587	87	177,6	102

± Working income = working profit less working costs
* Turnaround from loss to profit
Note Gold price was about R22 500 on March 18

COMPANIES

214

Gold mines fight over water costs

ROY BENNETTS

GOLD mines in the Springs-Brakpan area are fighting over the costs of controlling the water seeping into their working areas.

The State has now withdrawn assistance.

Until this situation is resolved, the long-awaited merger between SA Lands (Sallies) and Van Dyk Brakpan is being held in abeyance.

The cost of de-watering the area has been handed to Gencor's Grootvlei mine, which is thinking of either spreading the amount among neighbouring mines or convincing the Government Mining Engineer (GME) that his office should resume footing the bill.

A round table of interested parties has been formed, but the talks do not appear to be running too smoothly.

Involved in the discussions is stablemate Marievale, Anglo American's Sallies, Egoli's Brakpan and Golden Dumps-managed Cons Modder and Spring Dagga.

GFSA's Vlakfontein mine is believed to be represented at the talks, but as it has closed off its underground workings, the Fox Street mining house is probably only taking a back-seat role.

In the past, Grootvlei paid the bill for operating the pumping station at neighbouring Sallies No 1 Shaft, and then reclaimed the account in State assistance from the Government Mining Engineer (GME) — but this has now been stopped.

The usual cost of the water pumping operation is estimated at R5m a year, but capital expenditure on the pump station has totalled a conservative R600 000 since 1983.

Operating costs at Grootvlei are increased by R2,10 (R2,80) a ton milled by the pumping operation, while the de-watering of the Sallies lease could contribute nearly R4 a ton milled to the working expenditure if the mine is re-opened.

The water level at Glootvlei is just being contained at present with the lower levels completely under water at the No 3 Shaft to a depth of 1 325m.

However, the greater mining depths required to re-open Sallies will heavily increase the present rate of 48 megalitres of water a day, not counting the 16 megalitres a day removed at Grootvlei, and may require installation of an additional pumping facility.

MINE CAPEX (214) FIN MAIL 28/3/86

What's in store

Seen from the air, capital expenditure by SA's gold and uranium mines is expected to increase at a blistering pace in 1986, according to the latest estimates from the Chamber of Mines. But the ground-level view tempers the confidence with uncertainty about the long-term gold price.

As matters stand, the chamber forecasts that capital expenditure will jump by 22% to R2,33 billion this year, against last year's total of R1,92 billion.

It is unlikely to remain on this high plateau for the next three years, with estimates of R2,36 billion in 1987 and a peak of R2,38 billion in 1988

The current outlook is that capex will then fall steeply in 1989 to R2,08 billion and continue to fall more slowly until 1991 as the mines adjust to the heady rate of expansion in the Seventies and early Eighties.

The industry outlook came under the microscope at the Techno-Economic Society of Southern Africa's Capex in Mining conference last week, where the chamber's spending line was charted by senior economist Henry Kenney.

Broadly, the level of capital spending has declined some 6% in the four years to 1985 — "a normal reaction to the marked rise of previous years," as Kenney sees it.

But the predicted high level of spending for the next few years augurs well for a boost to the depression-hit building and construction sector. An analysis of 1984 spending shows that 40,1% of capex went to building and construction contractors. Another 21,1% was spent on plant and machinery, while electrical machinery and spares took 9,5% of the total.

A major factor in the high level of capital

expenditure has been the relatively weak rand, which has given SA mines fat profits

The variable to which the level of capex spending is most sensitive is the expected rand value of gold which, Kenney argues, is closely linked to the other unpredictables, the rate of inflation and the strength of the dollar.

In short, he adds "The figures show there is still a lot of caution in the industry about the prospects for a sharp rise in the gold price" ■

Miners delay support

CITY P. 24

By HERMAN LETSIE

30/3/86.

MINEWORKERS have delayed their plan to join the Greyhound bus boycott.

The Libanon Gold Mine employees decided this week to wait until they can arrange alternative transport.

National Union of Mineworkers spokesman Aubrey Montwana told *City Press*: "There aren't enough taxis for us to support the boycott fully."

The Greyhound boycott – started in January this year – has been taken up by commuters in Kagiso, Munsieville, Mohlakeng and Bekkersdal.

Local transport inspectors, traffic cops and soldiers have done their best to break the boycott by blitzing taxis and "pirate taxis" – the only alternative transport for residents.

● Greyhound general manager R Nesbitt this week appealed to the boycott organisers to "talk to us".

"We're not sure of the reasons for the boycott," he said. "We'd really like to talk to the boycott organisers."

Gencor mines benefit from rand

214

STAR 1/4/86

By Duncan Collings
Deputy Finance Editor

Messrs E Pavitt, W B Evans and C R Netscher, chairmen of the various gold mines in the Gencor group, all point to the benefits enjoyed by the gold mining industry caused by the slump in the rand

However, they also say that the cost of imported and domestic goods have risen sharply and that this has had an adverse effect on the cost structure of the industry

They feel that the full impact of the weak rand has still to be felt and that a sustained high level of inflation can be expected in the year ahead

All the chairmen highlight the fact that the mining industry is the last in South Africa to retain job reservation in the guise of the term "scheduled person" and express the hope that this will be removed during the current parliamentary session

Writing in the annual report of St Helena, Mr Pavitt says that depletion of the higher grade areas at No 2 shaft coupled with a marginal increase in Leader Reef mined has resulted in a decrease in average yield from 5,4 grams a ton in 1984 to 5,2 grams in 1985

This trend, he says, was offset by an increase in tonnage milled to maintain gold production at 1984 levels It is planned to maintain grade and tonnage milled at present levels for 1986

As far as Beatrix is concerned, Mr Pavitt says that the mine and therefore the company's future prospects are largely dependent on the performance of the gold price in rand terms and the rate at which working costs escalate over the life of the mine

VULNERABLE TO INFLATION

He says in the Beatrix annual report that despite the volatility of the gold price and the effects of currency fluctuations over the past few years it is believed that the market price in the long-term will escalate sufficiently to compensate for inflation to maintain income in present terms

Mr Evans says in the annual report of Stilfontein that with working costs now close to R17 000 a kilogram the mine is vulnerable to inflation and low gold prices

It has limited higher grade areas available to provide a buffer against such circumstances Therefore the policy of hedging the majority of gold production on the futures market at times of higher rand prices will be continued, as permitted by exchange control regulations

Mr Evans makes the same comments in the West Rand Cons annual report where working costs now exceed R20 500 a kilogram

Writing in the Marievale annual report Mr Netscher says that the future of the mine continues to be determined mainly by the exposure of payable reserves from limited development in the No 3 shaft area, as well as the availability of payable remnants within reasonable accessibility of working haulages

"It is therefore essential," he says "that working costs are kept within reasonable limits for those reserves to remain payable "

As far as Grootvlei is concerned, Mr Netscher says in the annual report that the future of the mine depends significantly on the rate at which it continues to find payable ore reserves

All three chairmen mention that from December 9 last year the Reserve Bank commenced paying the mines for all gold bullion in rands instead of the previous 50 percent in dollars and 50 percent in rands

They all feel that this change in policy will have no material effect on the eanings of the companies of which they are chairman

The effects of the fall in the value of the rand are dramatically illustrated by this table.

St Helena
Gold price received $316 ($360) down 12,2%
Gold price received R22 570 (R16 772) up 34,6%
Earnings a share 472c (321c) up 46,9%

Stilfontein
Gold price received $347 ($364) down 4,7%
Gold price received R22 280 (R16 891) up 31 9%
Earnings a share 276c (338c) down 18,3%

Marieval
Gold price received $315 ($360) down 12,5%
Gold price received R22 081 (R17 023) up 29,7%
Eranings a share 68c (57c) up 21,0%

Grootvlei
Gold price received $315 ($362) down 13,0%
Gold price received R22 340 (R16 919) up 32,0%
Earnings a share 185c (167c) up 10,9%

3/4/86 Bus Day. (214)

Vaal Reefs to spend R1bn on new shafts

ROY BENNETTS

VAAL REEFS will spend nearly R1bn on a shaft system in the Goedgenoeg area, directly west of its lease area, and an unspecified total amount for development in the Moab area to the south of the mine's property.

Ore from these sources is intended to boost falling recovery from three of the older shafts

This would explain chairman Peter Gush's concept that these projects will be a replacement and not an expansionary move

Whatever the interpretation Vaal Reefs will cover an increased lease area after permission has been granted by the Mining Leases Board

Exploitation of the Goedgenoeg area will be by a twin shaft system reaching to a depth of 1 890m with total escalated capital cost estimated at R940m.

This will be developed as the No 10 Shaft system, with R59m earmarked for expenditure in the current year

Another R10m has been set aside for the Moab area project, which falls within the proposed No 11 Shaft area in the south lease sector, but is now shown as expenditure in the north lease sector.

Total capital expenditure for 1986 is forecast at R181m, with R44m included for development and associated underground equipment to ensure adequate reserves for the next few years.

An amount of R15m will be spent on refrigeration and R9,5m on the new No 9 Shaft system.

Last year the mine spent R169,4m in capital expenditure, of which almost R32m was billed on the No 9 Shaft.

During the year, equipping the No 9 Shaft was completed, bringing the total expenditure on this project to R225m.

Gush expects Vaal Reef's current production to be slightly higher than last year as tons milled from underground should increase due to the build-up at No 9 Shaft.

This system is calculated to contribute 96 000 tons of reef a month by the year's end, with full capacity of 240 000 tons a month expected in 1991.

Last year the mine milled just more than 11-million tons of ore, producing 81,4 tons of gold at a grade of 7,37 g/t.

Vaal Reefs paid stablemate Afrikander Lease R1,8m in royalties in the year to December, 30% more than in the previous year.

After sundry income and administration expenses, Aflease was left with pretax profits of R1,7m, up 41% compared with 1984

As a result of phase one of the project, to increase mill throughput to 55 000 tons a month, milling was more than doubled from 264 000 tons in 1984 to 617 000 last year.

This more than offset a substantial drop in grade from 2,41g/t to 1,64g/t, with gold production increased by 59% to just over one ton.

Chairman Theo Pretorius says he expects current-year production to be maintained at levels achieved last year, and that a start has been made to the second phase of the project to exploit the mine's lower levels via a sub-vertical shaft.

However, the grades at these levels have not matched expectations and a reassessment of the viability of this project is being studied.

9/4/86 BUS DAY

(214)

Mines go for deeper gold

CHERILYN IRETON

GOLD MINES — under pressure to maintain and improve output while the exchange rates are in their favour — are the lifeblood of an increasing number of mining equipment manufacturers.

With gold reserves and ore grades declining, and lower grade ore now more economic to mine, gold mines are trying to maintain output by reaching deeper ore.

As they do so, the underground heat level increases and mining conditions deteriorate, creating new challenges for underground equipment makers and refrigeration specialists

Industry observers estimate that, in the future, up to 25% of a mine's costs could be linked to making underground environments tolerable.

This is good news for equipment manufacturers, who are already being kept busy with mine dump reclamation programmes, the development of new mines and shafts and the growing trackless mechanisation programmes.

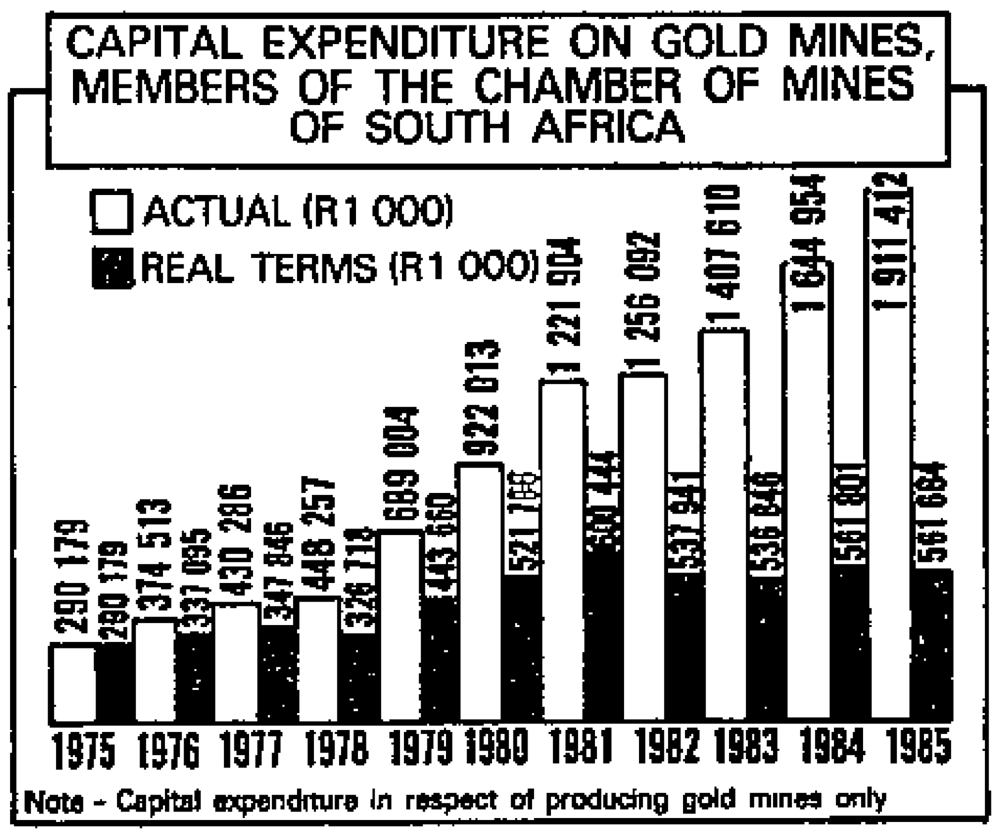
A considerable percentage of their business is with the gold mines, who have lagged behind other mines in mechanisation programmes.

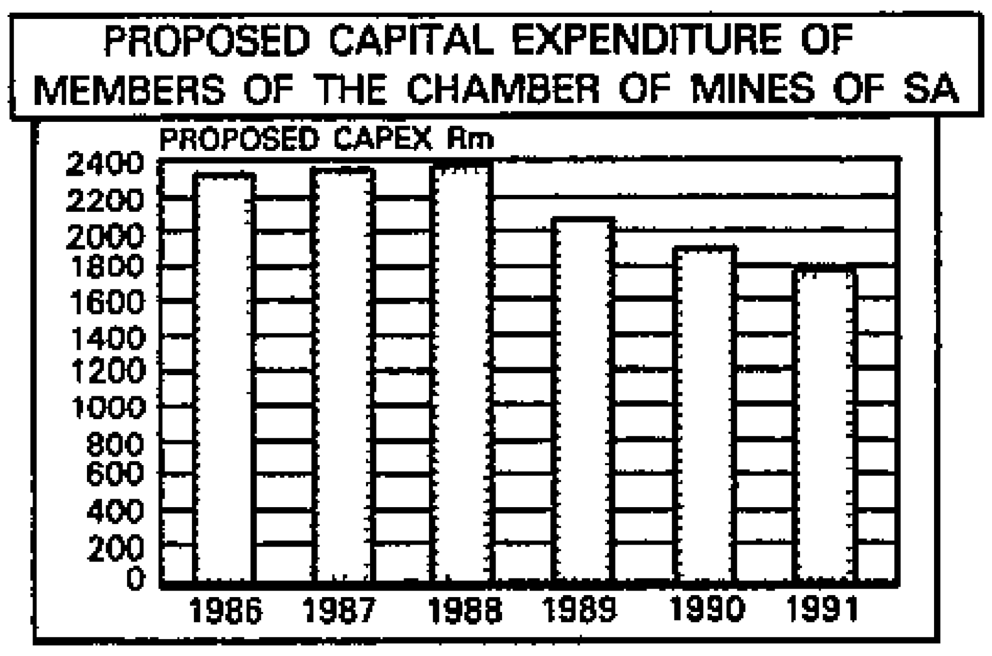
At present, almost 35% of the working costs of gold mines are spent on material and equipment. In contrast, the coal mines spend around 60% of working costs on capital goods.

In 1984, the gold mines spent R1,068bn on stores on capital account. Of this, 21% — or almost R224m — was spent on plant and machinery

Coal mines are not a growing market for the manufacturers. This stems from the slump in international oil prices and the current slow growth rate of the domestic market, including Escom's requirements

The oil price is also expected to influence exports already bruised by a growing reluctance by overseas countries to buy SA coal.





Likewise, the equipment market linked to base metal mines is not very exciting. This is a result of deflated world commodity prices. Also, these mines, particularly the open cast projects, have already undergone the mechanisation revolution.

Almost 98% of all gold mine expenditure is paid for in rand, according to the mining houses. Despite this, a lot of the equipment is still imported.

Suppliers with overseas links say there is growing pressure to become more self-sufficient by reducing the amount of imported mining equipment and design engineering

The advantage of this is that the mines will be spending money on equipment in local currency rather than foreign exchange, says Industrial Machinery Supplies (IMS) mining equipment GM David Miller.

"This will optimise local manufacture and improve servicing and the availability of spare parts, thus lengthening the life of the equipment."

He adds that mining equipment design is being geared toward coping with bigger tonnages of ore to achieve economy of scale.

However, the highest cost factor in future is going to be the cooling of air underground and backfilling workings to control heat entering the working areas.

The deeper the mine, the more difficult it becomes to keep the working area cool enough for men to work in.

NUT-SHELL COMPANY NEWS

PRELIMS	Turnover (Rm)	% change	Pretax profit (Rm)	% change	Earnings (c)	% change	Div (c)	% change
Altech	493,330	+20,13	89,047	+14,29	482,2	+20,01	150,0	+20,0
INTERIMS								
Putco	n/p	—	(19,411)	n/c	74,4	n/c	—	—
Malbak	476,702	+14,5	23 807	+62,0	16,8	+47,4	5,0	+25,0
Malcor	476,702	+14,5	23 709	+44,5	46,9	+35,2	14,0	+27,3

n/p — not applicable   n/c — not comparable

Strong rand takes shine off GFSA

13/4/86. S.Times 214

By Kerry Clarke

THE stronger rand hit gold-mine profits in the first quarter of 1986, and the State's pockets will be considerably lighter as well.

Gold Fields of South Africa quarterly results set the trend for other mining-house reports in the next few days GFSA reported lower profits across the board as the rand price a kilogram of gold received declined by between 4,8% in the case of Kloof and 13,6% at Venterspost.

Tax free

The price received a kilogram ranged from R24 295 at Venterspost to R25 621 at Kloof, compared with a spread in the December quarter of R26 854 at Kloof and R27 588 at Venterspost

Total gold produced was 21 652kg compared with 21 992kg in the previous quarter

As a result, tax and the State's share of profit fell by about 26% Driefontein Consolidated, the largest GFS producer with 14 835kg, paid R161,7-million to the State, and in tax. In the December quarter it contributed R202,9-million

Deelkraal did not pay tax in the March quarter and will not do so for some time as it has an assessed tax loss of nearly R230-million

GFSA gold mines' net profits were R240,8-million for the March quarter, 14%, or R32,6-million, lower than the previous quarter's record R273,4-million

Venterspost experienced the biggest taxed profit decline — 51,6% to R2,6-million Vlakfontein's taxed profits fell by 23,8%, Doornfontein's by 21,7%, Deelkraal's by 12,5% and Driefontein's by 11,4%

Even keel

GFS deputy chairman Colin Fenton says the group moved ahead on an even keel in the past quarter

Yields rose at East Driefontein, Doornfontein and Libanon, remained static at Deelkraal and fell at West Driefontein, Kloof, Venterspost and Vlakfontein

The large drop in yield at West Driefontein — from 12,3 grams/ton to 11,4g/t — is attributed to seismic activity, rockbursts hampering production

The rockbursts meant that the mine temporarily lost access to the carbon leader reef which contains high-grade ore However, repair work is under way, and access is being restored

Mr Fenton says "Driefontein is going well — the hiccup in the yield is not permanent"

Steady

The considerable drop in Kloof's yield — from 13,9g/t to 13g/t — is also temporary Mr Fenton says grade is starting to increase.

Doornfontein's yield has been steady for the past nine months at about 6,2g/t, and Mr Fenton says there is a chance that it will improve

"We are mining 50% Main Reef and 50% Carbon Leader There is a possibility that the yield from the Main Reef will improve".

Mr Fenton calls Venterspost a problem child. Unless grades can be improved, the mine remains sensitive to changes in the gold price

With yields at an uncomfortable 3,4g/t and a 14% drop in the gold price received, Venterpost's working profit fell by 350% to R1,8-million Taxed profit dropped by 51,6% to R2,6-million

Mr Fenton says Vlakfontein is in a similar position Yield has been 1,2g/t for the past nine months

Working costs rose across the board at GFSA mines, with the exception of Vlakfontein which managed minimal and probably unsustainable decreases of about 1%.

The largest cost increase was 5,6% ~~at Libanon~~.

Capital expenditure was at December quarter's levels or lower

SA's gold production declines by 10 tons

STAR 11/4/86 214

South African gold production fell by 10 tons in 1985 from 681 tons in 1984 to 671 tons in 1985

This decline occurred despite an increase in milling capacity — up 3,4 percent to a record 104 million tons, according to the Chamber of Mines *Newsletter* The Chamber's members recorded a grade of 6,09 grams/ton in 1985 compared with 6,44 grams/ton in 1984

Lower average grades are largely the result of higher rand revenues which allow South African gold mines to process lower grade ores previously uneconomic at lower prices

Rand working revenues were 29 percent higher than in the previous year, up to just over R14 billion in 1985 from just under R11 billion in 1984

This increase was almost entirely due to the effects of a rand which declined almost continually during 1984-5

DOLLAR PRICE

While the average dollar price of gold received by the mines declined by 12,6 percent in 1985 compared with 1984, the rand slumped from a value of 81,40 US cents on January 2, 1984 to 49,40c a year later, and to 27,25c (financial rand) at the close of 1985

This decline in 1985 increased the averge rand price received by the mines by 33,6 percent, despite a lower average dollar price

Costs, calculated on an index basis, continued to rise and the figure of R68,76 per ton milled by the industry in 1985 was 16,4 percent higher than the previous year's, R58,94

While revenues increased by 29 percent and total profit by nearly 37 percent, estimated taxation and the state's share of profit increased by a massive 46,9 percent from R2 314 million in 1984 to R3 399 million in 1985" — Sapa

FRIDAY, APRIL 11, 1986

GFSA's State share drops 21%

CNT Times 11/4/86

By GORDON KLING, Financial Editor

THE STATE is in for a beating on tax receipts from the gold mines in the quarter ended March 31

Operating results released last night of the Gold Fields group (GFSA) show tax and the State's share has dropped 21 percent — from R325,443m to R258,621m in the first quarter of the year

A similar pattern can of course be expected from the other mines.

GFSA's after-tax profit has declined 12 percent to R240,8m from the previous quarter's all-time high of R273,4m

The lower profits are attributable to the significant improvement in the value of the rand against the dollar, which led to drop in the average price a kg from R27 170 to R25 029, a 4,8 percent rise in working costs to R305m (R294), a decline in the average yield to 8 g/t (8,2 g/t) and a decrease in production from 30 824 kg to 29 861 kg

Working profit for the comparable period dropped from R545,234m to R443,798m and gold revenue dropped from R839,246m to R748,948m

Milling was the same at 3,741m tons

Working costs a ton of ore milled increased from R78,59 to R81,57, but capital expenditure decreased from R91m to R87m

It should be noted though that Finance Minister Barend du Plessis has budgeted for a decline in gold mine tax revenues of 7,7 percent on reckoning that both the rand and costs would rise

Presumeably the replacement of State aid for marginal mines with an ad hoc scheme based on the merits of individual cases will go some way towards making up what looks like a substantial shortfall in the making

Unless, of course, the gold price picks up and the rand fails to appreciate further

Blyvoor gets court order against workers

11/4/86 (214) SPAIC

Pretoria Correspondent

Blyvooruitzicht Gold Mining Co Ltd has obtained an order interdicting its workers from intimidating other employees, destroying property or interfering with the operation of the mine

This follows a work stoppage on March 9 when several thousand miners went underground and then refused to work They spent most of the shift dancing, shouting, and waving knobkerries

Earlier this week an interdict granted on March 10 was extended to April 22

On March 10 the mining company brought an urgent application in the Pretoria Supreme Court against the National Union of Mineworkers (NUM) and several miners

In evidence before Mr Justice Weyers, mine manager Mr Herculas Ernest Fourie van Antwerpen said that, on March 9, the night shift went down the mine but then remained at the shallowest level and refused to work

When the shift returned to the surface, they prevented the next group of workers from going underground and barriers around the shaft were broken

BONUS SYSTEM WANTED

After talks with the NUM, Mr van Antwerpen learnt that workers wanted a bonus system, applied experimentally to only two sections, to be extended to all miners

No meeting could be agreed upon between management and the mineworkers, as neither side would agree to the meeting place suggested by the other

Mine employee Mr Louis Steven Hayward told Mr Justice Weyers he was sent underground at 3 30 am with five other white workers

He said he tried to prevent the black miners from removing barriers around the shaft "I was jeered and I was laughed at by the couple of thousand that were there, all trying not actually to assault me but pushing and shoving me around In 16 years I have been a firefighter underground and I was never scared Today (March 10) I was

"They never stopped dancing or screaming or walking past with all those weapons pointed at us They kept on pulling out the safety rails, standing on us, standing on our feet, giving us those sneery looks"

Management told Mr Hayward to negotiate with the miners and, eventually, he was told by a shift steward that the workers should be taken to the surface again

May Day deadline on mine demands

14/3/86.

CITY

214

By HERMAN LETSIE

BLYVOORUITZICHT Gold Mine workers have given management until May Day to meet their demands – or they will "take action".

Workers claim management have ignored two letters – one sent in January and one on February 2 – stating their demands.

Fierce unrest broke out at the mine on March 14 – because management had not responded, a National Union of Mineworkers spokesman on the mine told *City Press.*

Seven miners were shot dead and over 100 were injured.

The NUM spokesman said in January a letter was sent to management demanding

- That three-monthly increases, stopped by management, be continued
- That the existing liaison committee, consisting of tribal indunas, be abolished and true representatives elected by workers be recognised
- That NUM be recognised as the workers' only representing body
- That whites stop assaulting blacks underground.

"Management ignored the letter and another one was sent on February 2," said the NUM spokesman

"Management were given six days to reply. When they did not, all hell broke loose on the mine from March 9 to March 16

"Now the workers are losing patience and have given the bosses until May 1 to reply – or else action will be taken" he said.

He said miners regarded May Day as a workers' holiday "We won't be working on that day".

- A Rand Mines spokesman said there was no trace of the letter dated February 2 which gave management six days to respond

He said there was only one shaft steward from NUM recognised by the Blyvooruitzicht mine

107 died in work accidents

STAR 14/4/86

Medical Reporter

There were 105 deaths — 68 immediately fatal — in working accidents among black workers on Rand Mines gold mines in 1984 — a mortality rate of 1,6 per 1 000

The mortality rate among black workers through working accidents in 1984 on Rand Mines coal mines was 0,3 per 1 000 — or two dead

On the group's gold mines, 7 486 blacks were injured in accidents connected with work, an incidence of 115,5 per 1 000, and 3 980 were injured in accidents unconnected with work Of the latter, 105 died

These figures are contained in the Rand Mines annual medical report released last week

BUS DAY 15/4/86 (214)

Rand Mines taxed profits fall by R21m

ROY BENNETTS

RAND MINES' four gold producers suffered a combined R21m drop in taxed profits in the three months to March, to R70,3m, compared with the December quarter.

The decline was mainly as a result of a lower local gold price, which shed R1 879kg to R24 055kg. However, this was in part cushioned by the group's hedging operations.

Spot seller GFSA dropped R2 141kg in the March quarter at R25 029kg, compared with R27 170kg in the December quarter.

Total tonnage milled was 3% lower at 3,8-million tons which, coupled to lower grades, brought gold production down by 4% from 15 084kg to 14 481kg.

Pre-tax profits for the group were 35% lower from R140m to R90,6m, although this was offset by a 58% reduction in tax from R48,5m to R20,3m.

Group capital expenditure was also reduced by 11% at R59,2m in the quarter.

Harmony again milled just over 2-million tons, but with grades falling to 3,56 (3,63) grams a ton gold production was lower at 7 184kg (7 496kg).

This, coupled to the fall in the gold price to to R23 930kg (R26 287kg), pushed gold revenue down to R171,9m (R197,1m).

Total costs of R130,9m (R125,3m) left a working profit of R48,2m (R79,3m).

The mine was left with taxed profits of R47,9m compared with R59,9m previously.

Blyvoorruitzicht suffered a drop in tonnage milled due to a week long strike in March, which added to a fall in grades to 6,20 (6,35)g/t resulted in gold production coming off from 3 232kg to 3 088kg.

Total costs were well held at an almost unchanged R44,8m, but a fall in the gold price to R23 998kg (R25 337kg) brought about a fall in revenue to R74,1m (R81,9m)

Lower pre-tax profits of R29,1m (R42,1m) were partly offset by a fall in tax to R14,6m (R23,9m), leaving taxed profits of R14,5m (R18,2m)

Durban Deep increased its grade to 3,23g/t (3,12g/t), which marginally increased gold production to 1 884kg (1 872kg).

However, working costs jumped to R43,1m (R39,9) which barely covered gold revenue of R44,9 (R48,2m), leaving working profits of R1,9m (R8,2m)

Pushed by a gold price that dropped to R23 854kg (R25 729kg), the mine's bottom line profits fell to just over R3m

ERPM produced a surprising increase in its taxed profits at R4,9m (R3,9m) but only after an injection of nearly R11m in the form of State assistance

Against almost unchanged grades of 3,55g/t (3,56g/t), milling was 42 000 tons lower at 656 000 tons with a resultant fall in gold production to 2 326kg (2 484kg)

Hedging operations held the gold price received by the mine to R24 679kg (R25 800kg) which partly contained the fall in gold revenue to R57,4m (R64,1m).

This was, however, outstripped by total costs which climbed to R64m (R60,1m), leaving the mine with a working loss of R6,7m compared with a profit of R4m in the December quarter.

RAND MINES

	Tons milled 000	Yield	Cost R/Ton	Cost $/oz*	Rev $/oz*	Rev R/Kg	Cost R/Kg	Net profits 000	Net Profits after capex 000	EPS after capex cents
BLYVOOR										
March	498	6,20	90,04	212	351	23 998	14 522	14 471	9 276	38,6
Dec	508	6,36	87,28	162	299	25 337	13 719	18 229	12 794	53,3
HARMONY										
March	2017	3,56	64,89	266	350	23 930	18 220	47 876	12 067	44,9
Dec	2 063	3,63	60,71	197	310	26 287	16 711	59 949	18 658	69,4
DURBAN DEEP										
March	583	3,12	73,85	334	349	23 864	22 852	3 002	(−115)	(−4,9)
Dec	601	3,12	66,44	252	304	25 729	21 329	9 367	5 756	247,6
ERPM										
March	656	3,55	97,63	403	361	24 679	27 543	4 939	(-10 126)	(-9,13)
Dec	698	3,56	86,06	286	305	25 800	24 183	3 937	(12 141)	(-109,5)

* Standard Bank average exchange rates Jan-March 86 $0,47
Oct-Dec 85 $0,38

ERPM the only star in Rand Mines group

15/4/86 (214) STAR.

By Duncan Collings

Reflecting the effects of a lower rand gold price, lower ore milled and gold produced and a strike at Blyvoors, three of the four gold mines in the Rand Mines group recorded sharply lower net earnings in the March quarter.

Marginal producer, ERPM, however showed net profits of R4,9 million versus R3,9 million in the previous quarter thanks to state assistance of R10,9 million against a reversal of R451 000 previously

ERPM's tonnage milled declined only marginally to 656 000 tons from 698 000 and gold production totalled 2 325,3 kg (2 484,0 kg) Average gold price received was R24 679 a kg against R25 800

Blyvoors, which lost 44 000 tons milled as a result of strike action, processed 498 000 tons in the quarter against 508 000 and produced 3 087,6 kg of gold (3 232,0 kg) Average gold price received was R23 998 a kg (R25 337) Net profit was R14,5 million (R18,2 million)

Harmony milled 2 017 000 tons (2 063 000) and produced 7 184 kg of gold (7 496 kg) Average gold price received was R23 930 (R26 287) Net earnings declined to R47,9 million from R59,9 million

Durban Deep's net earnings declined sharply in the quarter to R3,0 million from R9,4 million Tons milled declined to 583 000 from 601 000 and gold produced was 1 884,2 kg (1 871,9 kg) Average gold price received was R23 854 a kg (R25 729)

The group's coal producer, Witbank Colliery, had a slightly worse March quarter compared with December and net profit declined to R21,5 million from R30,7 million) Tons sold fell slightly to 4 824 083 from 4 900 633 Both export and local sales declined during the quarter, but this was partially offset by an increased off-take by Duvha power station

Anglovaal increases production

STAR 16/3/86 (214)

By Gareth Costa

The Anglovaal gold mines' reduced working costs have helped to offset the drop in profits following a lower rand gold price, with only Loraine showing a significant drop from R12 million to R7 million in after-tax profit

Gold production was slightly up in general, and tax payments were slightly down which also contributed to supporting the lower profits The average gold price received was R23 900/kg, with much of the gold sold in forward currency contracts

Hartebeestfontein showed increased grades of 9,5g/t from 9,2g/t and working costs were only slightly up at R90,39/t from R89,50/t, along with revenue of R238 million from R243 million Taxed profit was up at R51 million from R45 million

Loraine's grades were unchanged at 5,4g/t and gold production marginally up at 2 105kg from 2 101kg Revenue was down from R54 million at R49 million along with working costs of R95,72/t from R96,54/t

ET Cons yields were virtually unchanged, with working costs down at R96,10/t from R99,61/t Profit after tax was easier at R6,7 million from R8 million

Gencor gold mines profits hit as costs rise sharply

STAR 17/4/80

By Gareth Costa

Gencor group gold mines continued the trend of diminished profits set by other mines, with profits down 37,9 percent in total, with the highly rated Buffelsfontein producing a profit of R51,5 million, less than half of the previous quarter's R106 million

Dollar/ounce working costs rose an average 28 percent, with working revenue only 5,3 percent up on a gold price average of $339 An average rand price of R24 159/kg was received and yields were slightly down at 5,2g/t from 5,3g/t

A drop in tonnage resulted in a drop in Buffels' production to 6 026kg, in spite of an improved yield of 8,6g/t from 8,2g/t Working costs were markedly higher at R117,67/t from R95,08/t, and working income a low R65,9 million Capital expenditure was slightly down at R7,2 million from R8,4 million

St Helena, the ex-Unicorp mine did not perform too well either, with after-tax profit 32 percent down at R17,3 million, after a drop in gold production from 3 053kg to 2 842kg on a reduced yield of 4,9g/t, down from 5,3g/t The report says production was hampered by a severe seismic event on 10 February

Beatrix production was held up for 12 days due to "a heavy intersection of water in one of the development ends", but the problem has been overcome After-tax income was R5,5 million, down from R9,6 million

Stilfontein failed to improve gold production on the increased tonnage due to a drop in yields from 5,6g/t to 5,4g/t

After-tax profit was R7 million, down from R10 million The company announced that part of this year's production has been sold forward to November to ensure profitability, with prices ranging from R22 877/kg to R28 220/kg

West Rand Cons recorded a marginal drop in tonnage along with a small drop in yield from 2,1g/t to 2g/t and marginal drop in gold production drom 1 020kg to 1 000kg Working costs also remained virtually static, but after-tax profit dropped by more than half from R4,6 million to R1,7 million mainly because of the lower rand/gold price of R23 520 which resulted in a revenue of R23,6 million

Gold, mining decline increases

18/4/86 BUS DAY (214)

MERVYN HARRIS

THE steady decline of gold and mining financial shares gathered momentum on Diagonal Street yesterday

The JSE all gold index shed just over 2% or 26,3 points to 1131,4 while the mining financial index was down 48,5 points at 1749,8.

Yesterday's decline began with overnight selling from New York which, dealers say, is part of a continuing disinvestment from SA

Reasons cited are better alternative avenues of investment on a booming Wall Street and some European stock markets and disillusion by overseas investors at the lack of progress in instituting political reform in SA

The failure of the gold price to perform has acted as a further disincentive while the stronger commercial rand has kept local institutions to the sidelines.

Heaviest falls yesterday were among better quality gold stock and several shares are now at 12-month lows

● See Page 14

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● See Page 14

BIG GOLD CONFERENCE

FIN MAIL 18/4/86 (214)

To mark the Johannesburg centenary — which probably has less adverse spin-off abroad than locally — a major international gold conference is to be held in the city in September.

It is being mounted by the Council for Mineral Technology (Mintek), which is acting as organising secretary; the Chamber of Mines; the SA Institute for Mining & Metallurgy; and the Unisa School of Business Leadership. It will open with "plenary" sessions on Monday September 15, with four parallel specialist sessions on the following three days. These will cover the economics and marketing of gold; gold mining technology; extractive metallurgy, and a symposium on the industrial uses of gold

The organisers hope to attract more than 600 delegates, at R700-plus a head. They believe this will be the most comprehensive gold conference ever

Sessions on the economics and marketing of gold may have the broadest appeal There will be some 30 speakers in these sessions, with possibly 20 coming from abroad.

Provisional names include such well-known gold bugs as Julian Baring, of London stockbroker James Capel; Guy Field, of Morgan Guaranty Trust (London); and Swiss and other bankers.

Analysis of gold shares alone will occupy half a day

Overseas investors continue to dump golds and mining financials

STAR 214 21/4/86

By Sven Lunsche

The steady decline of gold and mining financial shares gathered momentum over the last two months as overseas investors continued to reduce their substantial share holdings, estimated to be around 35 percent

This trend, which started in May 1985, has so far resulted in net sales of about R1 billion No figures are as yet available for March, but analysts expect the monthly rate of just below R 100 million to have continued

Stockbrokers have cited various reasons for this disinvestment, but disagreed on the importance of political motivations as a determinant for the recent wave of sales

The weakening price of gold appears to be one major factor behind the sales of shares, as it has plunged quite substantially to average levels of about $330 with no major improvements in sight

According to one broker there is only a marginal truth in the rumour that the current sales of gold mining shares is part and parcel of the broader economic disinvestment in South Africa "These shares simply have no attraction at the moment"

He also believes that the money is staying in the country after the deals have been completed, as the financial rand acts as a break to heavy selling

"Non-residents acquire financial rands for the sale of shares which they reinvest in local gilts, as they presently yield higher returns than gold shares Only if the sale of gold shares is accompanied by a decline in the value of the financial rand, as in 1977, can we talk of definite disinvestment," he added

POLITICAL FACTOR

Other sources, however, believe that the present political climate is a definite factor in the present wave of share sales, which began just after the internal unrest hightened, following the Uitenhague shootings

The 14 months period prior to these incidents was characterised by increased non-resident purchases in local gold shares, as perceptions about South Africa's political image were fairly positive

Mike Brown, a stockbroker with Davis, Borkum Hare, feels that the current low gold price is not the only deterrent, as gold shares are booming on the stock exchanges in Canada and Australia

"South African shares are under a bit of clout, especially in the US, where more and more companies have been pressured into selling their shares," he said

The low interest rates at overseas stock exchanges, especially Wall Street, have started a new wave of purchases of shares, including some overseas companies who are reinvesting their South African stock into these markets

This follows the dismal performance of South Africa's major gold mining houses over the last year, which has drawn loud criticism from overseas shareholders, and which some stockbrokers say has been one of the major reason for disinvestment

Concerning the future of non-resident purchases of gold mining shares, a stockbroker said this would happen only if the political situation improved

"If there are no drastic political changes in this country, only a sharp rise in the gold price to about $400 can bring investors back to the JSE," he said

Riot at mine: worker jailed

STAR 23/4/86

214

By Inga Molzen

West Rand mine compound worker Mlindi Poqwane (36), who is also a mine rugby team captain, was sentenced in the Johannesburg Magistrate's Court yesterday to three years' imprisonment for public violence.

A migrant labourer and father of five minor children, Poqwane, of Emoyeni Hostel, Westonaria Gold Mine, had pleaded not guilty

The charge related to unrest at the mine's compound, during which assistant personnel officer Mr Alan Wolmarans (25) died, on December 23 last year.

Passing sentence, magistrate Mr P F du Plessis said there was no proof that Poqwane was directly involved in the death of a mining employee nor that he was involved in stoning which damaged administration offices during the incident

CLASHED

He said Poqwane had been among the group which clashed with internal security officers

It was alleged that members of the group, armed with sticks, stones, pangas and knobkerries, gathered and advanced towards the security officers despite instructions ordering them to disperse

A mine official testified that Poqwane was identified as being in front of the group

Poqwane said he attended a mine meeting.

"In a group of about 6 000 men, I moved towards the compound which was closed off I heard the sound of singing and dancing," he said

He denied having carried a weapon

"Without asking any questions, the mine security officers shot at us," he said

FINMAIL (214) 25/4/86.

VAAL REEFS

More capex plans

If Vaal Reefs gets cracking on both its planned extensions to the west and south simultaneously, the mine is looking at an expenditure of about R3 billion in present money over the next eight to 10 years That is the current estimate on what it will cost the mine — which produces some 81 t/year of gold and was the world's largest producer until Anglo merged its four Free State mines — to fund these extensions

The extension west into the Goedgenoeg area has been announced at an estimated cost of R940m The feasibility study for developing the Moab area to the south will be considered by Vaal Reefs directors early next year And Theo Pretorius, MD of Anglo's Transvaal gold mines, says development could start "quite soon" thereafter Some R10m is to be spent on the Moab project in 1986, Pretorius estimates the total cost of Moab at between R1,5 billion and R2 billion, in current money values, depending on what form it takes

The timing of the start of work on Moab is crucial Anglo says these developments are extensions to replace production from other shafts reaching the end of their lives, and should maintain overall tonnage throughput at about 900 000 t a month However, some analysts feel an early start on Moab could lead to an increase in production, which would make sense given increasing cost pressures and the expected long-term trend in the mine's grade Pretorius says the grade will not drop below the current 7,4 g/t

The Goedgenoeg extension, which should be commissioned by 1992-1993, is aimed at replacing production now coming from shaft Nos 1, 6 and 7. After these, the next shafts to go will be the Nos 2, 3, 4 and 5; but these closures lie more than 15 years down the track, hence the interest in the timing of Moab. Pretorius says the policy is to keep operations at the shafts going flat out until the end is reached, then close them down swiftly. This is considered preferable to having an extended winding-down of operations with gradually falling production

Work is due to start on Goedgenoeg this year provided the Mining Leases Board approves the extension of Vaal Reefs' lease area. Pretorius says the twin-shaft system will have the capacity to produce 180 000 t/month of milled ore and will have a 30-year life That puts an estimate on recoverable ore reserves of about 65 Mt, although this could be increased through further extensions.

Pretorius says the recovered grade from Goedgenoeg will be between 5 g/t-6 g/t, which is on a par with the grade of ore from the shafts it will be replacing A decision has not yet been taken on whether a new treatment plant will be built or whether the ore from Goedgenoeg will be transported to the existing West reduction plant for treatment The capital estimate of R940m includes a R100m provision for a new treatment plant, but this would be saved if management decides to use existing facilities

The method of financing the expenditure on Goedgenoeg has not been finally decided The large expenditure likely to be incurred in the Moab area, if viable, will require detailed investigations into alternative funding schemes Pretorius says this exercise is a year or two away and the level of distributable earnings at the time will be an important factor

He says the R940m can be financed by Vaal Reefs without the need to call on shareholders for funds provided the company gets the necessary tax shield arrangement He will not be drawn on the specific gold price parameters used in planning, but says that because the project is low grade, it is sensitive to the gold price and could be delayed by a too low gold price

The financial situation gets interesting when account is taken of the Moab extension Mining companies can offset capital expenditure against profits for tax purposes, which makes the Receiver of Revenue an important partner in the business given the 70% plus rates of tax paid by many gold mines Vaal Reefs is a large contributor to the Treasury, having paid R557m in tax last year Since last year's changes in the Income Tax Act, the Receiver has taken a tougher stance on the tax status of new mining developments, so he will be watching the planned developments closely.

The latest annual report allocates the R10m to be spent this year on Moab to the North Lease budget This would imply that Moab will be developed as part of the North Lease area and not the South Lease Pretorius says this is speculation on my part and the budget allocation cannot be taken as an indication of where Moab will be placed He declines to say, in that case, why the costs have been allocated to the North Lease

If Moab does fall under the North Lease area, investors concerned about the adverse effect of heavy capital expenditure on distributable earnings and dividends might consider buying Southvaal shares Southvaal gets its income in royalties from mining of the South Lease where the capital expenditure programme is winding down with the completion of the No 9 shaft

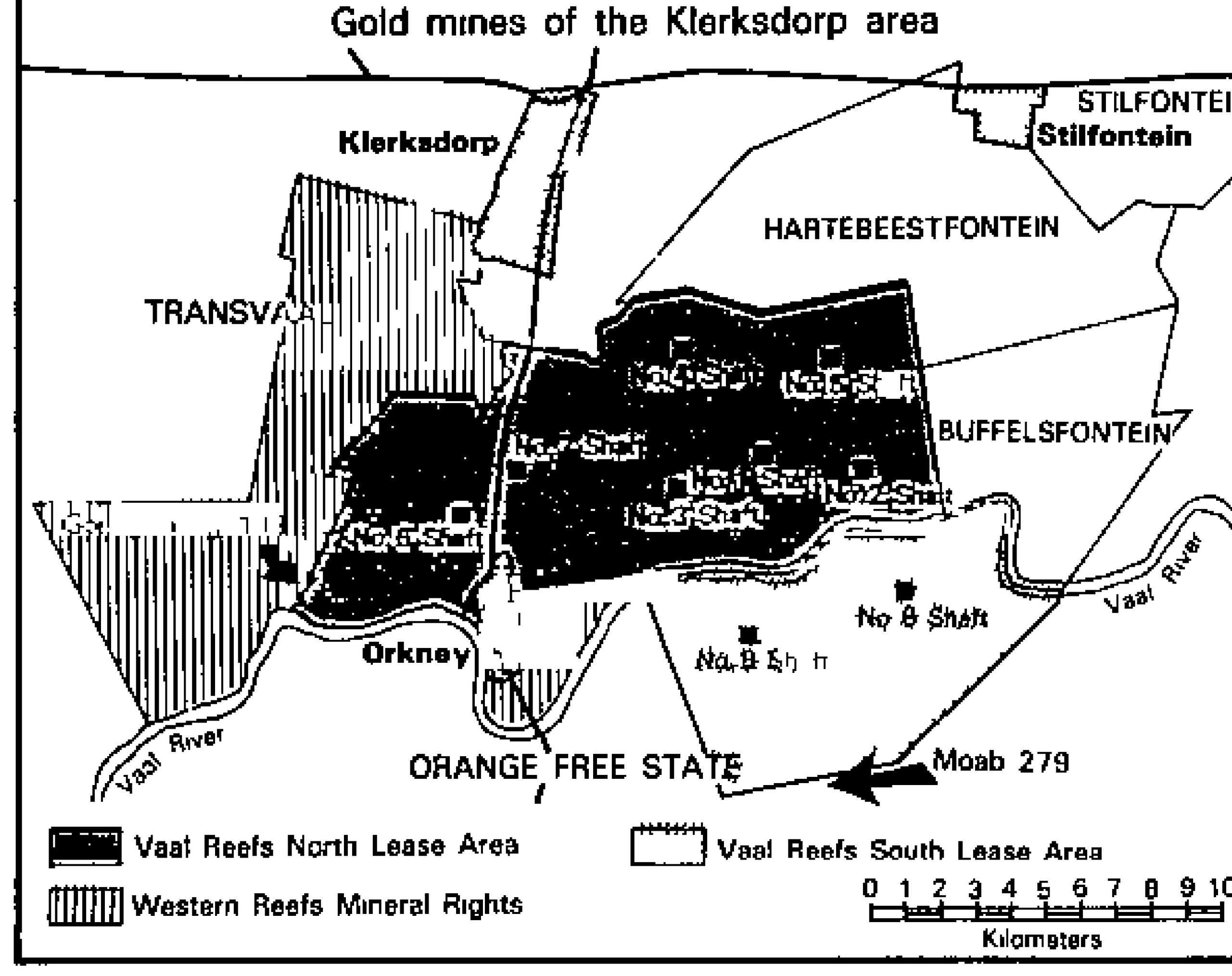
Pretorius will not give estimates on grade or reserves for Moab because he says the drilling programme is not yet complete He will say only that mining would be at depths between 2 500 m and 4 000 m and while the potential ore reserves are greater than Goedgenoeg, the area is fairly extensively faulted.

The Moab mineral rights belong to Anglo, so some kind of deal will have to be worked out between Vaal Reefs and Anglo Says Pretorius "This is a tricky area and there are about 100 possible alternative solutions Our thinking on this is far from clear at this stage"

I feel that one possibility is for Anglo to repeat what it did to fund the Western Deep Levels (WDL) No 1 shaft project That way it could have Vaal Reefs issue convertible debentures to shareholders to raise necessary finance On WDL, these offer a fixed interest return, while the shares convert as the expansion is completed Production from the new area will then pay for the shares and support the enlarged issued capital with, one hopes, few ill-effects on shareholders in the form of diluted earnings and dividends

VAAL REEFS EXPANDS

Gold mines of the Klerksdorp area



Analysts say the structure of the Moab project must also depend on negotiations with the mineral rights holders in adjacent areas, which include Free State Development and Gencor The region could be big enough to provide replacement shafts for both the present Nos 8 and 9 shaft systems at Vaal Reefs, but that is looking some 30 years ahead

The market has speculated recently on some kind of deal concerning Vaal Reefs and Gencor's Buffelsfontein mine, which adjoins Vaal Reefs' eastern boundary

The belief is that Buffels is facing problems because of the faulting on the reef horizons being developed from the Strathmore sub-vertical shaft. The Strathmore was supposed to provide new ore reserves that the mine needs to maintain output

Buffels is urgently looking for replacement reserves near its south-western corner adjacent to Vaal Reefs' No 8 shaft.

Although Gencor manages the mine, the Anglo group has a larger equity stake in Buffels than Gencor

Where possible, Vaal Reefs management is going for mechanisation of its development and stopping operations in the new projects using specially designed load-haul dumpers Mining plans are being designed to incorporate large-scale mechanisation from scratch provided trials are successful at the No 9 shaft "There is no question of retrenchment and numbers will be brought down through natural labour turnover"

Brendan Ryan

25/4/86 B Day

BUSIN

Alex calm after violence

SIPHO NGCOBO

ALEXANDRA, just north of Johannesburg, was calm yesterday after violence on Tuesday and Wednesday left at least three people dead and many injured, and houses either petrol-bombed or gutted.

In the wake of the unrest, and after allegations of police violence against activists in Alexandra, the United Democratic Front (UDF) has called for the formation of "street defence committees".

Among those killed on Tuesday night — residents allege by disguised members of the police — were activists of the Alexandra Action Committee (AAC) and the Alexandra Civic Association (ACA), Ace Mashao and Colin Ntuhla

The injured included police constable G C Terblanche, who was shot with an AK47 assault rifle on Wednesday

A police spokesman described his condition as "serious but stable"

Meanwhile, police and soldiers in armoured personnel carriers patrolled the township, while others camped at the stadium where local residents normally hold meetings

The roads were still barricaded yesterday with cement pipes, tree trunks, rocks and car wrecks

☐ Sapa reports that two elderly women, alleged to be witches, were doused with

World Gold meeting returns to London

BUSDAY 25/4/86 214

● STALS

THE World Gold Conference, organised by the *Financial Times*, returns to London from June 18-19 for the first time in 10 years

SA Director-General of Finance Chris Stals will deliver the keynote address

More than 200 bankers, mining-house executives and other specialists will be analysing and forecasting the precious metal's future role in the international economy

Delegates from North America, Europe, Middle and Far East, SA and Australia will hear addresses on gold supply and markets, as well as the political and economic aspects of the business. They will meet under the chairmanship of Robert Guy, a director of merchant bankers N Rothschild and Sons

Other prominent personalities from the world's gold-producing countries will include the MD of Mase-Westpac in Australia, Warren Magi, and assistant GM of the Chamber of Mines of SA, Tom Main

The consultant to Consolidated Gold Fields on the Middle East, Far Eastern and South American markets, Timothy Green, will assess the gold outlook

Among other speakers are the gold specialist at James Capel and Company, Julian Baring, who will talk on gold shares, and the senior partner of Brian Marber and Company, Brian Marber, who will give a five-year forecast — Sapa

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COMPANIES

It's still early days for re-opened Modder B

ROY BENNETTS

MODDER B gold mine's results for the three months to end-March are not expected to induce a wave of buying.

But it is still early days for this re-opened East Rand property.

Although recovery and revenue figures are given for the four months to end-December, they bear little comparison with the latest figures due to the progression of build-up in production.

However, it must be noted that the mine is falling behind the original targets set by managing director Cyril Heever, mainly as a result of commissioning problems both in the hoisting of ore and at the heap leach plant.

During the quarter the plant was operated for only 58 of the available 90 operating days.

The mine treated 6 670 tons of ore in the three months, at a recovery yield of 1,23 grams a ton to produce 8,26kg of gold.

This is well below the planned schedule of 5 000 ton a month at an ore reserve grade of 4,2g/t. Production had previously been targeted at 47kg for the quarter.

At a gold price of R22 745kg, Modder B sold its production for a total of R201 900, resulting in a unit revenue of R30,27 a ton treated

Costs are absent from the balance sheet as Heever says that due to the nature of the mining operation, where the opening of new working areas and production are indistinguishable, a cost per ton figure is not considered relevant.

Heever had estimated a cost of R49 a ton when the mine is in full production, so it would not be unjust to assume an expense of close to R60 a ton at this stage of the mine's development, resulting in a shortfall of R30 a ton

Parent company Modder B Gold Holdings produced a pre-tax profit of R503 000 in the three months

COMPANIES

Moffat Park may be part of a new gold mine

24

ROY BENNETTS

MOFFAT Park in Johannesburg's southern suburbs could become part of a new R1,5bn gold mine if Rand Mines' current exploration drilling programme intersects a viable reef in the vicinity

A City Engineers Department spokesman says that while a shaft would be allowed in the area, there would be a careful study of the type of headgear that would be erected on the site

There would be no question of a process plant or workers compound being built near the shaft, he said

Head of Rand Mines gold and uranium division Clive Knobbs says that while there has been a reef intersection, it has not been of sufficient value to allow the mining house to advance any possible plans to start mining operations

At least two more boreholes would have to be sunk, says Knobbs, with positive results showing intersections of the reef and reef deflections

Several mining analysts believe that Rand Mines has intersected the lower grade South Reef at a depth of about 4 000 metres below surface, with indications of the presence of the Main Reef Leader

This reef would begin near the old City Deep mine at a depth of 2 000m and dip sharply in the direction of Alberton

In-situ grades are expected to be about 10 grams a ton, with a pay limit of 4g/t required to meet the estimated working costs of R100 for every ton of ore treated

The presence of a drilling rig in Moffat Park has already dropped the selling price of houses in the area, says an estate agent

However, if the go-ahead was to be given for a new mine, actual mining is unlikely to start before 1990

Absence of a process plant will probably force the mine to mill ore underground and then transport the residues for treatment at City Deep

It is possible that access to the ore body could be gained from the City Deep and Crown Mines shafts, which may then only require the construction of a ventilation shaft at Moffat Park

Japan's record trade surplus

TOKYO — Japan ran up a record trade surplus of almost $62bn in the year to March 31 — and economists said this could be surpassed next year

The surplus is 35% more than than the previous year's record of $45,6bn

Economists attributed the latest increase to a rapid fall in prices of imported oil — from an average $27 per barrel in January to less than $20 in March — Sapa-Reuter

FIN MAIL 11/5/86

RAND MINES

214

Slowed by coal

Over the last five months Rand Mines has performed more like a coal share than a mining house stock It has dropped some 27% from a high of R110 to its current R80 a share, compared with its 12-month low of R70 recorded almost exactly a year ago on May 8

The obvious reason for the weakness is that Rand Mines gets the bulk of its income from coal via subsidiary Witbank Colliery There must, however, be an argument that the rerating may have been overdone Despite the weighting towards coal, Rand Mines is a mining house and there is a lot more to the share than its coal interests

"The financial structure is rock-solid, the balance sheet is as clean as a whistle and the share has some speculative interest with its various projects," comments a partner in a broking firm handling largely institutional business

Coal accounted for 50% of Rand Mines' attributable income of R110,9m in its year to end-September, but the outlook for the coal market has deteriorated rapidly in both export and inland markets The market is full of gloomy stories about coal and the South African coal companies are certainly going to suffer Rand Mines chairman Dammy Watt says results for the year to end-September 1986 should only be 15% up on last year, despite the 37% interim advance. Earnings will also be hit by the gold price's fall to around R22 400/kg from a peak of R28 800/kg

Rand Mines is involved in heavy capital expenditure, largely on two new collieries to supply Escom power stations. It spent R65m in the six months to March and plans to spend another R137m by September Escom wants to delay bringing on stream the planned generating sets at the new power stations

The coal market is cyclical and should eventually recover What is positive now for Rand Mines is the growth of the contribution to group earnings of the gold dump retreatment projects The Crown Mines project

Rand Mines' Watt ... making cautious forecasts

RAND MINES MOVES UP

Six months to	Mar 31 '85	Sep 30 '85	Mar 31 '86
Turnover (Rm)	297,6	363,8	395,4
Operating profit (Rm)	87,2	110,4	144,0
Dividend income (Rm)	12,8	23,5	18,8
Attributable profit (Rm)	51,1	59,8	69,9
Earnings (c)	456	533	624
Dividends (c)	85	265	105

kicked in R10,7m in 1985 from R7,1m the previous financial year, and development of the second project at City Deep is well under way There is also the speculative interest of the potential gold development south of Central Rand

At R80, the share yields 4,6%, one of the lowest ratings in the mining house sector It is on a par with Gencor, while Anglo sits on 3,6%, GFSA on 3,6% and JCI on 2,9% If analysts' predictions of a final dividend as high as 300c come through, then the forward yield is 5%. The share could be worth buying, particularly if it goes below current levels towards its 12-month low of R70

Brendan Ryan

Utah deals in mines frozen by court

BUS DAY 22/5/86 (214)

BRIAN ZLOTNICK
Investment Editor

WORCESTER Gold Mine succeeded in the Rand Supreme Court on Tuesday in bringing an interdict preventing Utah International from disinvesting of or dealing in its wholly-owned SA and Namibian mining interests

Action against Utah was brought by Worcester's lawyers, G B Liebmann, Behrmann & Co, after a decision by Utah to pull out of a merger with Worcester.

Utah is the Californian-based mining subsidiary of Australian giant Broken Hill Proprietary.

SA interests are held by Southern Sphere, which is actively involved in diamond mining at Taung, in Bophuthaswana, and has mineral deposits which include chromite, nickel, gold and tantalite in Nambia.

The Worcester group is involved in gold mining on a small scale in the Barberton area and has the second largest mineral rights after Anglovaal in this area

The merger was intended to lead to a stock exchange listing by June.

In terms of proposals outlined by merchant bankers Mercabank, the enlarged group was to have raised about R20m through a public share offer and to initially have had a market capitalisation of about R60m

Proceeds of the offer were to be used to establish grassroot mines and provide existing mines with much-needed finance to lift production and profitability.

Utah was to have held the majority of the equity (49%) and would have been relieved of the need to commit fresh

● To Page 2

Court freezes Utah deals

BUS DAY (214) 22/5/86

● From Page 1

funds from abroad to finance mining operations

Moreover, it may well have intended to sell some of its shares, liquidate a loan of some R15m and repatriate the proceeds

Profitability forecasts suggest that the enlarged group would by 1990 have a total revenue of R33,9m and pre-tax profits of R15,5m.

Worcester contends that the merger is legally binding and that Utah is planning shortly to disinvest itself of the disputed interests.

Director Bernt Honeth says the interdict will also prevent Southern from closing certain operations and laying off staff (a few hundred) who would be crucial to sucessfully implementing the merger

"We are also negotiating with other parties to buy out Utah and proceed with the JSE listing," he added

It is understood that major SA mining houses have held negotiations about acquiring Utah's wholly-owned SA mining interests.

Anglovaal confirmed yesterday that recent low-level discussions have taken place with Southern Sphere Apparently nothing has come of them

Utah's latest disinvestment moves have so far not involved its important 70% stake in significant steam coal reserves at Delmas and a 30% holding in a gold mining project near Anglovaal's Loraine

Anglovaal is in partnership with Utah in these two projects and denies that it has been approached to buy out its partner

In terms of the court interdict, Utah is to file answering affidavits by June 3

Action to enforce the merger is to be immediately instituted by Worcester says, Benjamin Liebmann

Honeth insists his prime intention is that the merger and listing should proceed and that out-of-court settlement discussions are continuing

FIN MAIL 23/5/86 214

COAL DISTRIBUTION

Lifting the curtain

The last pillar in the regulation of the local coal market has crumbled with government's decision to abandon controls on the distribution of coal at merchant level

Last year merchants were estimated to have handled about 20 Mt of SA's 170 Mt coal production With an average pithead price of R26/t this amounts to a sizeable market, inhabited by more than 600 merchants.

TCOA's Weiss ... adapt to new conditions

The new action comes hard on the heels of last month's decision to end control of the wholesale and retail prices of coal (*Business* April 18)

Although the market had begun to rule itself long before government's disengagement, the scrapping of formal control of distribution represents a hard-earned victory for many of the industry's smaller merchants

They have fought government regulations which laid down extensive infrastructual standards, and particularly the unpopular rationalisation scheme which prescribed areas in which merchants could operate ever since the Department of Mineral and Energy Affairs (DMEA) disavowed deregulation more than two years ago

To a large extent the authorities have been turning a blind eye to distribution methods for the last 18 months after two failures to uphold the regulations in the courts and the establishment of an anti-regulation Coal Advisory Board (CAB)

Transvaal Coal Owners Association's Les Weiss does not anticipate dramatic changes "Those merchants who favoured the controls should not be depressed, they will simply have to adapt their style of business And those who are inefficient may have to go to the wall," he says

MacPhail's, SA's largest coal distributor, which has been an outspoken supporter of government control, points out that competition is already fierce and the company has adapted to the free market situation "We won't be making any change for change's sake," says a spokesman

Aluchem and Reef Coal's Basil Botha did not adhere to the regulations, leading to the court battles "The DMEA tried to stop opposition in the market, leaving the existing merchants to set their own prices," he says

He quotes the case of a protected merchant who charged R38,66/t in 1982 The arrival of a competitor brought prices down to around R25/t "Nearly five years later, coal prices are still below the higher level," he says His only regret is that government took so long to scrap the regulations In his view, "taxpayers' money has been wasted"

A DMEA spokesman tells the *FM* he hopes there will be better co-operation between merchants and producers

"We are removing government interference and placing the industry in private sector hands, in line with the CAB recommendations," he says

But why did deregulation take so long? The DMEA spokesman admits the unpopular regulation R2241 has been dead for some time, "but the CAB made its recommendations to government a fortnight ago and now we have acted," he says

Essentially, the new moves mean the mines can sell directly to bulk users while smaller clients should benefit from merchants' economies of scale

Weiss says it will be essential for producers and merchants to liaise more closely "The infrastructures laid down by the DMEA ensured constant support for consumers Now there will still have to be some stockpiling and the industry will have to retain some of the other supporting services" ■

M-NET

Coming into focus

Although it's hard to predict the impact of SA's first pay-TV station until the cost of the service is known, market research carried out over the last two years promises well for M-Net

In the final run-up to the October 1 start "all the issues are falling nicely into place," says chairman Ton Vosloo

Perhaps the most auspicious breakthrough for the new service is government's agreement that M-Net will be allowed to transmit a "clear" signal which can be received by most PWV viewers for two hours a day, from 5 pm to 7 pm

This will enable potential subscribers to sample the service before they are asked to put hands into pockets In the PWV area all viewers with Bop TV aerials will be able to receive the clear M-Net service, but most others will have to buy a relatively cheap UHF antenna

Says GM Koos Bekker "We feel it's very important to give viewers a taste of our programmes before they have to subscribe" Although the M-Net service will rely mainly on films, the "clear window" slot will be filled largely with magazine programmes, comedies and other light entertainment

The "clear" signal concession will fall away once M-Net has found its feet and built a large enough subscriber base, and viewers will then need a decoder to unscramble the signal

A limited number of the decoders will be available at the start of the service, but these will be allocated mainly to hotels and apartment blocks to give access to the maximum number of viewers

"Mass production of the decoders will begin next March, and we'll then begin our sales drive to individual subscribers," says Bekker

M-Net and the SABC have a similar restriction on advertising — 8% of viewing time — and rates are now being worked out Subscription rates will be announced shortly before the start-up

The two-year planning period has enabled M-Net executives to look at similar subscriber TV services in other parts of the world, and this has added to their confidence that they have taken the right route

"Our system is very similar to France's Canal +, which also operates in a market dominated by three State services," says Bekker Canal +, launched in November 1984, hit the break-even point after just 15 months and in May this year the millionth subscriber signed up

While SA's population is unlikely to sustain this sort of growth, Bekker is confident that the planned high-level entertainment will attract sufficient subscribers

And he says there are currently no fears about M-Net's access to foreign films and programmes

SA's embattled newspaper publishers are watching the omens closely The major groups, Nasionale, Perskor, SA Associated Newspapers and Argus, have roughly equal shareholdings, while the *Natal Witness* and *Daily Dispatch* hold some 5% between them. ■

MINING

A Argus 28/5/86 (214)

Minister 'Yes' to Joel mine

Argus Correspondent

JOHANNESBURG — JCI today announced that the Minister of Mineral and Energy Affairs has granted permission for the go-ahead of the Joel gold mine, as reported yesterday

No details of the price of the new shares or when they will be listed are given, but the amount of R570 million is to be raised This will be done through linked units consisting of shares plus the option to subscribe for shares in 1987 or 1988

"JCI and Anglo and their associates will participate directly in the offer and it is the intention that Randfontein's members will participate in Randfontein's full share of the offer," the company said

"The offer will be made in the ratio of 45 10 45 to JCI, Anglo and their associates and members of Randfontein respectively"

STOCK EXCHANGE

30/5/86.

H J JOEL FIN MAIL

Stand-alone

(214)

JCI's H J Joel gold mine in the Free State will be developed as a "stand-alone" mine without the shelter of a tax umbrella from an existing producer — and will be the first gold mine to be developed this way since Elandsrand and Deelkraal in 1976

The mining house apparently wanted to tuck Joel under the tax umbrella of Randfontein Estates but failed to persuade the Receiver of Revenue to go along with this However, JSE mining analysts generally feel the structure announced is an attractive one, particularly for Randfontein shareholders

"It was by no means certain that Randfontein could afford to have Joel tacked onto it and not have its dividends suffer as a result," comments one mining analyst "This way Randfontein shareholders will be getting in at the ground level on the project when Randfontein passes its 45% entitlement in Joel onto its shareholders "

Not least of Randfontein's shareholders is, of course, JCI, which holds 45% of Joel direct, and also has 30% of Randfontein This will give the house a total direct and indirect interest in Joel of 58,5%

The mining lease over the farms to be mined has been granted to JCI which has ceded it to Joel The lease formula for the State's share of profits is Y = 10-80/X, while the mining tax formula is Y = 60-480/X plus a surcharge, which is currently 25%

Those formulae are standard for recent gold mine developments and are no worse than what JCI could have expected, however strongly management may have pleaded for more favourable terms Capital expenditure is currently being funded by interest-free loans to Joel from JCI, Anglo and its associates and Randfontein in the proportion 45 10 45, which reflects the respective shareholdings

The loans will be repaid when Joel raises equity capital Joel intends to raise about R570m to fund the mine through an offer of linked units consisting of shares issued this year, plus options to subscribe for more shares in 1987 and 1988 Anglo and JCI will participate directly in the offer while Randfontein will pass its rights on to its members Details and timing of the offer are still to be announced

Work on Joel's first twin-shaft system started last year, as it is a shallow mine it could take only another three years before the start-up of production The bulk of the capex will probably be spent in the second and third years, so the initial share issue by Joel could be as low as about R200m, or 35% of the R570m needed, with the rest to follow when the options are taken up

Fred Roux, GM of JCI's gold and uranium division, confirms there will be a 10% cumulative allowance for tax purposes on the R570m to be spent on the mine He will not give estimates at this stage on when production from Joel might start, or on how long the mine's tax holiday will last before the capital expenditure and cumulative allowances have been redeemed through profits and the mine will then have to start paying tax

JCI has still to provide technical details on the mine but it appears the recovered grade will be in the region of 6,5 g/t to 7 g/t, with annual tonnage throughput at about 1,4 Mt The life of the mine has been put at 20 years by JCI chairman Gordon Waddell It will use the "trackless" mechanised mining techniques proven by JCI at Randfontein's Cooke section and also being introduced to Western Areas, so Joel's labour force should be relatively small *Brendan Ryan*

Landau out as Gencor's Keys continues shake-up

5/6/86 STAR (214)

By Peter Farley

New Gencor chief executive Mr Derek Keys has moved quickly to restructure the conglomerate's senior management, with the announcement yesterday that the executive director of the industrial division, Mr Basil Landau (56), is to retire

And though no successor has yet been nominated, Kanhym MD Mr Don Masson is the hot favourite to take over this vital task

Mr Landau is the second senior director to "retire" since the appointment of Mr Keys to the top job, following the resignation of mining boss Mr Johan Fritz last month Mr Fritz was replaced by Mr Steve Ellis and Mr Clive Netscher, who will share the mining portfolio

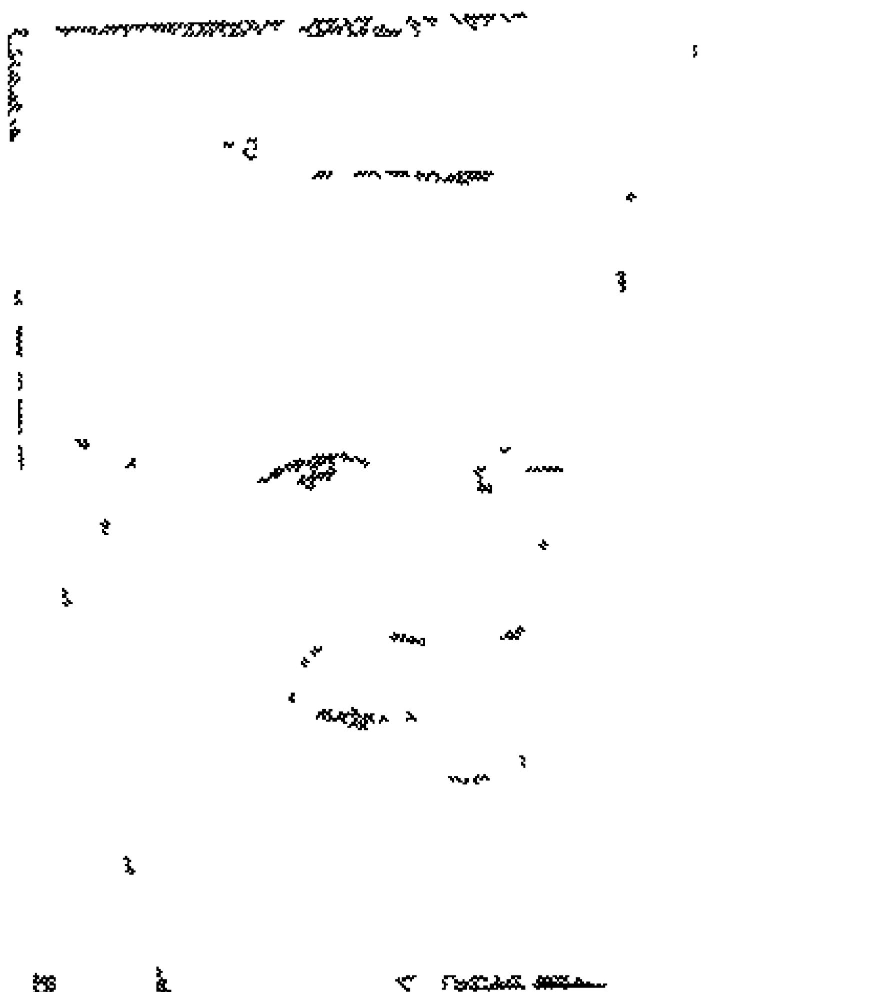
Mr Keys, who has been in the job for less than three weeks, is clearly giving urgent attention to dismantling the committee structure that has been a hallmark of Gencor's indecisiveness in recent years

However, while Mr Fritz made it clear that he was leaving because he was not favoured for the chairman's position, Mr Landau initially pledged his allegiance to Mr Keys and expressed his willingness to remain a director of the group

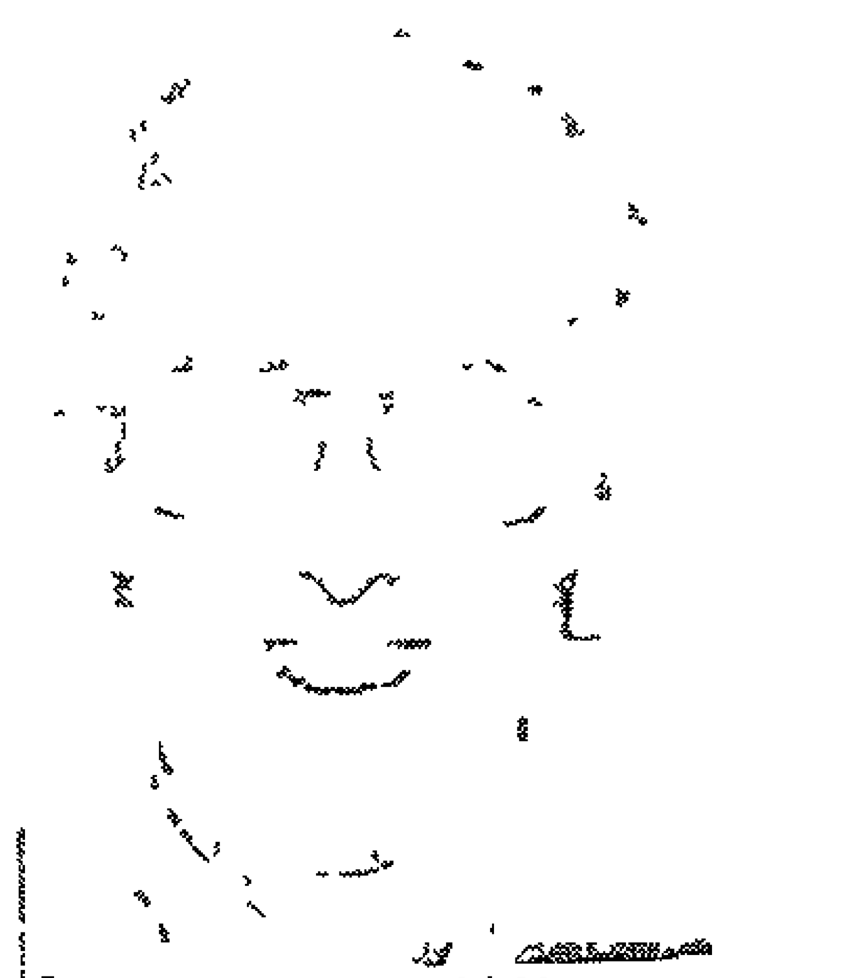
Nevertheless, it is understood that Mr Keys informed Mr Landau of his plans at a meeting a week ago last Friday, the day after Mr Landau returned from a three-week visit overseas

Following that session, Mr Keys last Thursday held lengthy discussions with Mr Masson However, sources close to the group believe that no formal announcement is being made until the rest of the structure has been put in place

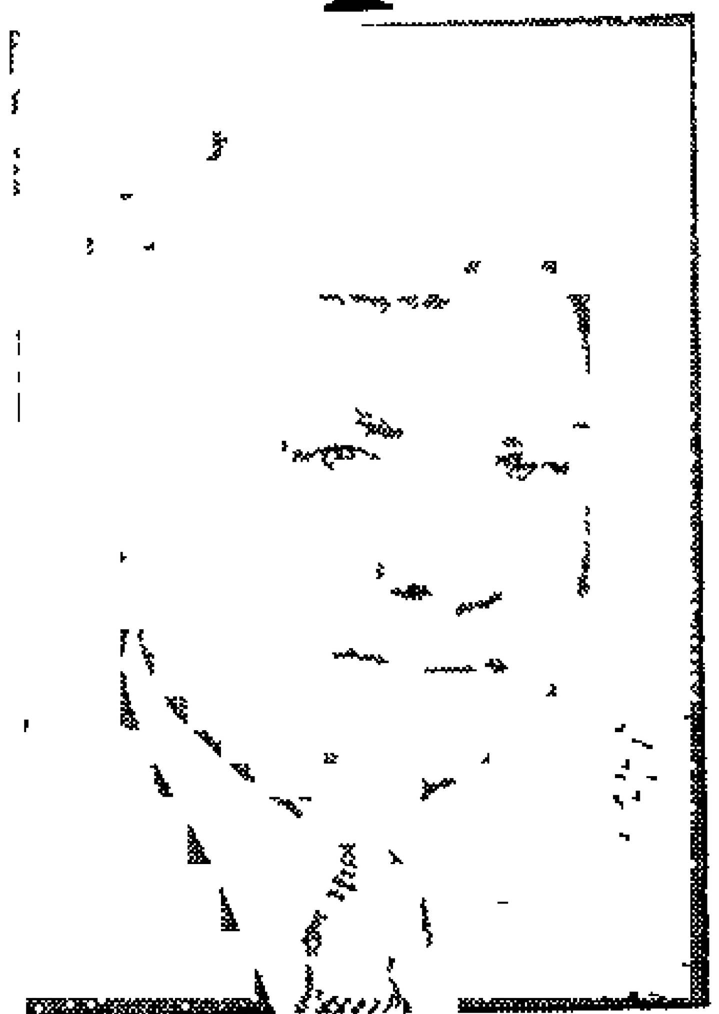
Two more senior Gencor executives, Mr Hugh Smith and Mr George Clark, are expected to retire in the next year or so.



Chief Executive Dereck Keys



Kanhym MD Donald Masson



Financial director Tom de Beer

Clive Netscher (left) and Steve Ellis who took over the mining division after Johan Fritz resigned

Hugh Smith (left) and George Clark, two senior executives who are reaching retirement age.

Never before has there been a shake-up of such magnitude in one of SA's premier coporations and it gives some indication of the severity of action that ultimate controlling shareholder Sanlam felt was necessary

Although Gencor's profitability has not suffered markedly in recent years, the vast profits from the mining operations have disguised serious flaws in other operating divisions and senior management

These flaws were the subject of a lengthy study on the group by US management consultants Arthur D Little' And though the report's findings have not been made public, it is clear that it suggested radical changes

GIC parent B Elliot may cash in on sale

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BRIAN ZLOTNICK

June 1986.

FOR some time now Goldfields Industrial Corporation (GIC) has been the subject of take-over talk that its UK parent is to disinvest.

However, the sale by GIC of its loss-making tool and engineering division for R4m cash, may in fact signal that, if anything, parent B Elliott is set to hold on to its 62% stake and cream off sharply higher dividend receipts

GIC now finds itself awash with surplus cash and its earnings a share materially boosted by the disposal.

Earnings in the 1986 financial year to March would have been 45c a share compared with the reported 4c if the transaction had been effective for the full year and the cash proceeds reinvested in the money market.

GIC will now concentrate on its core activity — steel processing — and financial director Andrew Crawley says that the group "has nothing left to sell".

He admits that some of the proceeds will be used to upgrade plant and that it is on the acquisition trail.

However, with earnings now set to bound ahead and the group flush with cash, dividends this year of a minimum of about 25c a share are probably on the cards.

The UK parent now may well be content with returns of that order, considering that its subsidiary's three-year dividend drought was only recently broken with the declaration of a 3c a share dividend for the 1986 year.

While the share has almost doubled from mid-April's 145c to yesterday's 260c — mostly on speculative (knowledgeable?) buying — at this price it could provide a high prospective dividend yield of about 9%.

COMPANIES

Gencor's gold mines produce mixed results

ROY BENNETTS

GENCOR's gold mines produced a mixed bag of interim dividends which tended to shadow the lower local price of gold.

Included is the final declaration for the group's flagship, Buffelsfontein, which at 500c a share surpassed market expectation.

The mine's total for the year at R10 a share compares favourably with the previous year's R8,15 and the market's prediction of R9,40.

Stilfontein's interim of 115c a share was lower than last year's half-way declaration of 140c, but well ahead of a market forecast of 90c a share.

Analysts believe that profits in the June quarter may have been boosted by sales of uranium, allowing the directors to be generous.

Biggest disappointment was the unchanged interim of 160c a share from St Helena, against expectations of 200c a share.

The mine is moving into the Ongegund area to the south of the original lease area with the sinking of the No 10 shaft.

That project should cost a total of R125m when completed in 1987. An estimated R24m had been spent by the end of last year

Beatrix is to pay a maiden interim of 15c a share, equalling last year's total return on investments.

In spite of the mine's high loan repayments, analysts predict that this year's final should at least match the interim.

Marievale, at 25c a share, fell below last year's interim of 35c and market expectations of 30c a share.

This mine is regarded as being highly sensitive to gold price movements and looks unlikely to match last year's total payment of 70c a share.

Grootvlei, at 60c a share, matched market expectations but fell well below the 1985 declaration of 85c.

This elderly lady of the East Rand is constantly fighting a battle against rising costs, which have been further aggravated by government's withdrawel of funds for water pumping costs.

Last year Grootvlei paid a total dividend of 180c a share.

West Rand Cons is to pay an ordinary interim dividend of 30c (40c) a share and a deferred payment of R17 (R22,67).

To ensure profitability, it has sold forward all of its expected gold production up to October at prices ranging from R21 763/kg to R29 941/kg

Last year, West Rand Cons paid a total of 120c a share.

Bank tops R1m profit

Own Correspondent

PRE-TAX profit for the New Republic Bank has climbed over R1m for the first time in its 15 years of existence

The 90% increase on the 1985 figure to R1 029 452 was hammered by an increase in taxation to R404 277 (R107 251) plus government's special levy on banks of R43 942, charged for the first time this year.

Bottom-line figures after tax depredations were still a healthy 34%, up at R581 233 (R434 586).

The dividend was increased to 10c a share from 8c paid out of earnings a share of 30,83c (21,43c)

On the balance sheet, total assets rose by 21% to R53m, deposits and savings accounts were up 20% to R49m and advances and bills discounted R45m — up 22%

Chairman H N Naran said prospects for the present financial period were uncertain and "materially improved results can only be expected if an economic recovery gets under way soon".

He said the bank had spent more than R1m in the past two years on its computer system, which had given it a major advantage.

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Utah's SA assets attached by order

6/6/85 BUS DAY. 214

BRIAN ZLOTNICK
Investment Editor

THE legal wrangle between Utah International and Worcester Gold Mine deepened when an order attaching Utah's SA assets, believed to be worth more than R100m, was granted on Wednesday.

Yesterday the deputy sheriff of the Rand Supreme Court made the attachment to establish jurisdiction for action to be instituted by Worcester

This will effectively prevent Utah — the Californian-based mining subsidiary of Australian giant Broken Hill Proprietary (BHP) — which is facing a hostile takeover bid from SA-born Robert Holmes à Court, from disinvesting or dealing with its SA assets

Worcester contends that it has a legally binding merger with certain of Utah's subsidiaries that was to have led to a stock listing in June of an enlarged group with a market capitalisation of some R60m

Worcester, involved in gold-mining on a small scale in the Barberton area, seeks to either legally force Utah into a merger or receive payment for damages amounting to R12m

The assets that have been attached include the significant interests Utah holds in partnership with Anglovaal, which were not included in the proposed merger

They are an important 70% stake in sizeable steam coal reserves, estimated at about 1-billion tons, at Delmas and a 30% holding in a gold-mining project near Loraine

Assets held by Utah subsidiary Southern Sphere, which were part of the mooted merger, include mineral deposits — chromite, nickel, gold and tantalite in Namibia — and a small diamond mine at Taung, in Bophutswana.

Worcester's lawyers, G B Liebmann, Behrmann & Co intend to issue a summons today and, based on the present backlog of cases before the courts, it could take at least 18 months before the case comes up for trial in the Rand Supreme Court.

In the meantime any thoughts that BHP might entertain about disinvesting shortly from SA will probably have to be shelved

CAPE TIMES 11/6/86

Gold, platinum prices surge

LONDON. — Platinum and to a lesser extent gold should continue volatile, with the possibility of further significant gains, ahead of the June 16 anniversary of the Soweto riots in SA, dealers said.

Gold closed at $348,70-$349,10, slightly up on its sharply firmer opening of $348,30/70, and $6,50 ahead of Monday night's close here

The opening reflected a strong rally in New York on Monday that was fuelled by the SA crisis

Platinum was fixed in the afternoon at $440,25, $17,25 up on the previous afternoon fix, but was starting to come off as the London market closed

Dealers said that if New York's platinum price for July delivery could break through resistance around the $448 to $450 area, it could easily reach $460 and then the way could be clear to $500 in the fairly near term

While movements in the platinum price are expected to be choppy, no operator wanted to go short, given that troubled SA accounted for over 80% of supplies

Gold could make further gains if the New York market took August delivery through resistance around the $357 level.

But the existence of extensive gold stocks outside SA could put a damper on any advances.

Dealers said that while the New York market was focussing on the near-term possibility of civil unrest in SA at the time of the Soweto anniversary, London operators were equally concerned at the prospect of Commonwealth sanctions on Pretoria

The precious metals market opened here with light follow-through buying, which quickly turned to selling as feeling grew that movements had been overdone and profits should be taken. This pattern repeated itself after New York opened.

Gold was fixed at $347,55 in the morning and $347,70 in the afternoon. Dealers detected some producer selling of gold and possibility platinum. — Reuter

Exhibition attendance drops 8%

ATTENDANCE at this year's Cape Town Chamber of Commerce's Design for Living exhibition at the Good Hope Centre was about 8% down on last year at 97 000 people

Exhibition manager Roger Haupt, however, notes that a public holiday fell on a traditionally busy Saturday. The mid-week attendance figure was broken last Thursday with 11 800 visitors.

More than 200 exhibitors participated, although five companies pulled out at the last minute. Their stands were taken up by others on the waiting list.

COMPANIES 11/6/86 Bus Day

Wit Nigel plans to tithe profits

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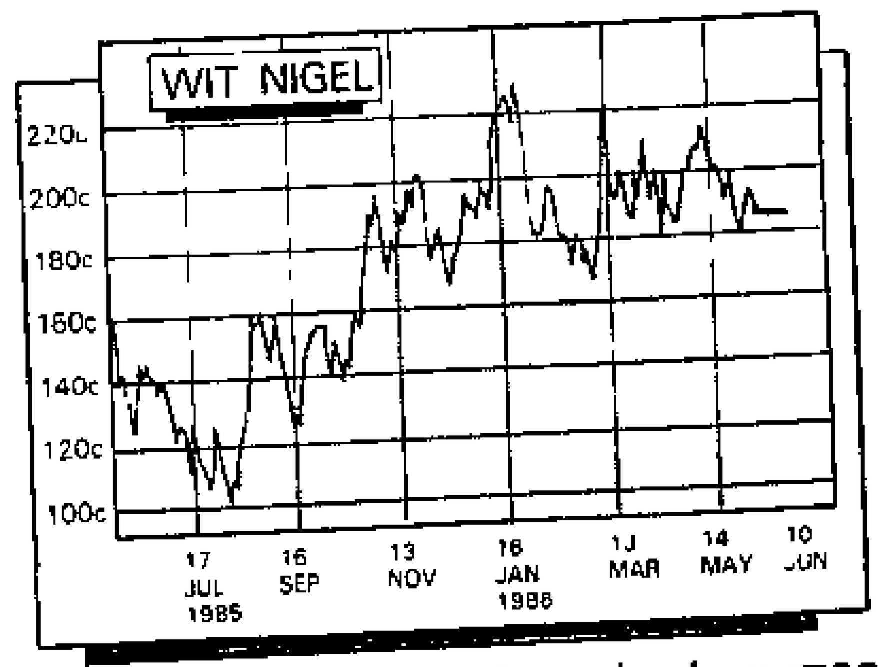
ROY BENNETTS



WIT NIGEL gold mine is no stranger to controversy but chairman Peter George's latest idea of tithing a portion of the company's profits is likely to stir up a hornets' nest among long-suffering shareholders.

Tithing is the payment of a 10th of income for the support of a religious establishment.

George may have excellent personal reasons for tithing his own salary However, the financial results of Wit Nigel are of concern to other people who may not be of the same persuasion.

Concerning such an important issue, it would not seem unreasonable to wish for the scheduled annual meeting to be held in Johannesburg rather than on the less accessible mine property

Such a venue must certainly preclude many shareholders from attending the Wit Nigel meeting

The important question is what portion of the mine's income is to be tithed

In the financial year to end-December, Wit Nigel had an operating loss of R7,6m, compared with R1,5m in the previous year

This was reduced to R1,7m (R116 000) by the injection of nearly R6m (R1,7m) by way of State assistance

However, in the six months to end-March, due to the exchange-rate-boosted gold price, this situation was changed to an operating profit, after sundry revenue, of R2,6m which included State assistance of R1,5m.

While George may persuade shareholders to part with a 10th of the mine's income, he is unlikely to be allowed to tithe any part of the State's payments to the mine.

This leaves operating profits and sundry revenue of just over R1m, providing for a tithe payment of R104 900.

Concerning the tax implications of tithing, George says that it is understood that all company donations are judged on merit, and it would be no different in the case of tithes than disbursements from the Anglo American and De Beers Chairman's Fund

13/6/86

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BASIL LANDAU

FIN MAIL

Where to now?

When Gencor announced the retirement last week of industrial division chief Basil Landau, the cynics speculated that the removal

P.T.O.

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of the "Landau discount" factor would send Gencor's share price into orbit It didn't Even so, fairly or unfairly, the fortunes of the smooth-talking racehorse-owner and controversial executive have been the subject of gossip and speculation for some time now

Landau was personally responsible for 14 companies in the Gencor group — eight of them quoted and with assets worth R4 billion — and nearly all have bled heavily over the past two years But whether Landau jumped or was pushed remains a matter of speculation.

All he will say is that the press release stating "genuine retirement" is accurate Though participation in a Gencor share-purchase scheme has been "very lucrative and kind" to him, clearly he has no intention of going out to grass

A fit and fighting 56, Landau has well-formulated plans for the next stage of his career. However, he isn't disclosing these till he leaves Gencor at end- August Meantime, he'll relinquish his 13 Gencor board appointments but will remain a director of Armscor's Naschem

Raymond Preston

Landau ... did he jump or was he pushed?

Landau served on the Steyn Commission in 1978, was a government appointee to the President's Council and is a government supporter But he's keen to quash speculation that he might stand for parliament on a National Party ticket However, he does consider government's reform efforts "wonderful" and believes that "all 24m South Africans can be grateful to P W (Botha) for being the man to change SA's direction "

What is Landau's legacy? His critics say the list of his blunders is lengthy He's been hammered for Gencor's acquisition of Tedelex, as well as being blamed for R90m of forex losses subsequently incurred "There have been many criticisms of many acquisitions during this recession," he says "But the forex decisions were not mine I didn't have the power to take these decisions at Tedelex since we practise delegation management I'm not trying to pass the buck but I play a supportive role It's well known where responsibility lies "

He's also been hammered for his handling of the Kohler forex debacle early last year, when he publicly fired two Kohler employees for disobeying board instructions to cover forward on foreign loans That was followed by a rumpus over the Sappi rights issue, when the company "forgot" to consolidate R80m debt

He, however, sees things differently "The companies in Gencor's industrial division that I've been responsible for had assets worth R980m in 1980 and R4 billion in 1986 Prior to the recession from 1976-1980 sales increased by 28% compounded and earnings increased in the same period by 36% During the recession we dropped into line But, nonetheless, assets grew from 1976-1985 by 36% compounded

"I've been very successful in Gencor I've seen the companies in my division grow dramatically We've turned the corner now and all operating companies in the industrial division are strong But with 43 000 employees this has obviously been a team effort I don't want to take credit for my successes "

Does he think his critics are unfair? "I don't think about it," he says "When you're in business, apart from anything else, you've got to be a sportsman If you're a good sportsman you don't complain But people who understand Gencor know exactly where the blame lies

"I like to get involved and give help and support but I didn't run the companies One of my philosophies is that the bookmaker only pays out when the horse passes the finishing post

"People ask me if I have regrets I say no, that regret is just a form of burning valuable energy I believe one must simply keep on moving forward I've had many setbacks and many successes, as everyone has My greatest success has been a lot of luck I'm not interested in looking backwards, it's more fruitful to concentrate on the years ahead "

Landau has switched careers a number of times After studying accountancy at the University of the Orange Free State and failing his board exams, he worked as an accountant for nine years

He then switched to the retail car business and after nine years became GM of Atkinson Oates before joining Toyota and eventually becoming CE

A Jewish name

"When I joined Toyota in the early sixties someone asked Albert Wessels why he'd employed a guy with a Russian grandfather and a Jewish name Wessels replied 'Landau's not a Jew, he's a Free Stater ' Then he added, 'My only complaint is he hasn't got enough Jewish blood ' "

In fact, Landau's grandfather was Jewish, his grandmother Afrikaans and his mother half-German Landau himself was baptised Anglican but confirmed and married in the Methodist church

Landau left Toyota and found himself shouldering responsibilty for British Leyland's South African operation Three years later he became chairman of Kohler, and when Union Corporation merged with Gen-shouldering responsibility for British Ley-trial division

He says he'll miss his colleagues, he's leaving without "any emotional predjudices or biases " About to enter the next phase of his business career, Landau says that looking back he is "absolutely happy" with the way things have gone so far ■

Boom for precious metals and minerals?

STAR 14/6/86 214

LONDON — The state of emergency declared in South Africa has deepened uncertainty over the future of the vast mineral wealth which helped put South Africa among the richest countries on the continent, dealers say

Analysts agree that precious metals and other minerals would appreciate "if the world thought supplies were going to be disrupted," as one put it

Yesterday, platinum, vital for the car industry, surged to its highest price for three years, reaching $450,50, although one analyst saw it as likely to retreat

GOLD

Gold has been less volatile, but has gained strongly this week to $347,40 at around midday yesterday from $341,65 a week ago Large world stocks of the metal have made it more resistant to developments than platinum

South African Government officials are reluctant to dwell on the leverage the country holds through its mineral wealth for fear that such talk will increase overseas calls for alternative sources — Reuter

There's still gold in those dumps

BUS DAY · 18/6/86 · (214)

ROY BENNETTS

THE BOOST to the local price of gold, brought about by the sliding rand, caused the rebirth of several suspended mining operations where the gold recovery grade has previously been considered as unprofitable

One of the first to be reopened and listed on the JSE was the East Rand Modder B mine Originally registered in 1908, it mined the Leader Reef until September 1956, when it became unprofitable An attempt at reopening by Grinaker Holdings in 1974 fell through

During 1984, small-scale workings were started by Cyril Heever's Mining, Financial & Technical Advisers at a rate of 5 000-tons a month, with a recovery grade of 4,8 grammes a ton

In July 1985 the mine was listed with 13,6-million shares in issue of which 2,6-million were privately placed at 250c each

Prior to the listing, some 11-million shares had already been purchased by an overseas dealer On the day of the listing, R2,1m worth of shares were traded in more than 400 deals

Initially the shares changed hands at 340c each, but drifted to a day's low of 315c before firming to 333c each

However, the mine failed to establish itself with the public, whose lack of interest pushed down the price to a current 160c a share

One of the most interesting mining sagas to end as a JSE listing was Springs Dagga To gain the 25% of the mine still controlled by East Dagga, Joe Barardo's Egoli Consolidated, as holders of the lion's share, needed to raise R45m from a rights issue by end-March 1985

However, due to certain seemingly unrelated events Egoli failed to secure the deal, which then passed into the hand of Loucas Pouroulis through his holdings in Cobra Emerald Mines

Egoli shareholders were then offered 23,5-million shares in Springs Dagga, with a further 1,8-million goning to stable-mate Waverley at 61c each

After the JSE listing in December last year, the equity was held 48,8% by Cobra, 27,2% by the Egoli group, leaving Golden Dumps with 4% and the public with 20%

In spite of stockbrokers' estimations that the shares had a value of 115c each, they slipped to a low of 43c in the first month of trading By March there was a dramatic recovery, with the shares reaching over 170c each, followed by a gentle easing to a current 136c a share

There is at present market rumour of a possible joining of Springs Dagga to the Golden Dumps' flagship, Consolidated Modder

Recently from the Cyril Heever stable has come the listing of Vansa, a primary vanadium mine with underlaying deposits of platinum in the Kennedy's Vale area of the Eastern Transvaal

Shares were grouped into nearly 5-million linked units comprising two shares and one option

The options may be used at a later date to subscribe for shares at R3 each After the exercise of the options and conversion of preference shares, Vansa will have just under 30-million shares in issue

Trading started on March 26 at 300c a share, but quickly eased to 280c and is currently trading at 250c a share

West Wits has doubled its reserves of gold ore

STAR 18/1/96 (214)

By Gareth Costa

West Wits Gold Mine has doubled its ore reserves and acquired Randfontein Estates's old, but completely equipped and operational number 16 shaft for the sum of R5,7 million.

West Wits now has ore reserves of 13,2 million tons with an in situ grade of 4,55g/ton Previously it had 6,3 million tons at 5,1g/ton, but the mining of these new reserves is many years down the track as the old ones are more than it is able to handle at present.

Until now the mine could only mine down to a depth of 300 metres, but an agreement with Randfontein gives it the right to mine below this level

The mine is processing 17 000 tons of underground ore with a grade of 4g/ton, 15 000 tons of ore from the open-cast workings with a grade of 2,8g/ton and 60 000 tons of re-treatment material from the sand dumps with a grade of 1g/ton

The mine's total gold recovery is running at just below 2g/ton from the 90 000 tons of material being processed, but it is experiencing recovery problems because of dilution of the material.

The new number eight shaft is expected to add about 25 000 tons of rock a month at a grade of about 4g/ton and is expected to come into production next month The number 16 shaft should contribute about 30 000 tons

This new tonnage will necessitate an expansion of the processing plant, but chairman Mr Joe Berardo says that it is not a problem and the mine has equipment which it can use

The open-cast workings have total reserves of about 230 000 tons and a life of about two years, but it is providing gold at a fairly cheap price as costs are running at a mere R10/ton

Production surge 'could dampen gold prospects'

19/6/86. STAR (214)

By Neil Behrmann

LONDON — A surge in international gold production could dampen gold's prospects, especially if Japanese demand wanes, says Consolidated Gold Fields consultant Timothy Green

At a *Financial Times* conference on gold, he expressed concern that fabrication and investment demand would be swamped by growing supplies in coming years

So far this year, the market had been underpinned by unusual demand from Japan, he said "But can we look to Japan for such strong buying for the rest of the year? This is the worrying thought"

Demand from the Middle East "is a shadow of its former self", said Mr Green With the exception of Japan, consumption in the Far East was so weak that Hong Kong prices were trading at a discount to London

Japan absorbed nearly 240 tons last year, and in the first five months of 1986 demand there totalled 180 tons Including 200 tons for a special coin programme to commemorate the reign of their emperor, total Japanese demand could reach 500 tons this year or 40 percent of Western output, estimated Mr Green

Production growing

"Japan is thus the foundation stone of today's market, but what happens to the gold price if this consumption fails to continue?"

The price could fall, Mr Green suggested, if growth in world gold demand was overtaken by supplies

Production was growing rapidly, and would continue to do so for the rest of the decade Western gold mine production had already risen from 950 tons in 1980 to 1 213 tons in 1985, and would rise to nearly 1 400 tons by 1988, said Mr Green

"That is virtually a 50 percent rise in a decade And production can stay on that level for much of the rest of the century"

Many of the new small mines, especially in the US and Australia, are relatively low cost — perhaps $200 an ounce — so that gold mining remains almost the last profitable game in town"

"Everyone is still looking — and finding — out west in the United States, in Papua New Guinea, in the Solomon Islands, in Indonesia," said Mr Green

Production in the Pacific region, mainly Australia and Papua New Guinea would double from around 93 tons in 1986 to 180 tons by the end of the decade, said Warren Magi, managing director of Mase-Westpac, the new Australian member of the gold fix About US $700 million has been spent on gold exploration and development since 1980, he said

"World production might rise to even higher levels than we expect now Even South Africa is predicting a rise in mine output to 700 tons and staying at that level for the rest of the century," said Mr Green.

"Naturally there are political worries now about South Africa, one cannot rule out disruptions from time to time, but year in and year out we shall see South Africa remaining the foremost producer

"The gold market, in any event, is now much less dependent on South Africa, it used to contribute over 75 percent of Western output, it is now down to 55 percent and will probably fall to under 50 percent in the next few years"

China investing

Soviet sales were also likely to increase, said Mr Green

One should expect at least 300 tons in 1986 against 210 tons last year, he forecast Besides the economic problems of the Chernobyl disaster, the Soviet Union was earning much less from oil and natural gas exports, he said

"China is also investing more in gold mine exploration and development, and by the 1990s we must anticipate more gold from China," said Mr Green

China's output is currently estimated at 70 tons

"All in all, the gold market will have to absorb between 1 650 to 1 750 tons annually in the years ahead

Poor investment and coin demand placed the onus on jewellery consumption, said Mr Green Jewellery demand currently around 1 000 tons should rise to at least 1 100 tons That would help swallow supplies said Mr Green And to raise consumption more jewellery promotion was necesary

"I don't expect fireworks in the gold market, it is this very realisation that gold is going nowhere that keeps the investor at bay

"People breathed a sigh of relief at getting out of gold at over $350," said Mr Green

The years of wasted opportunities

The Star Bureau

LONDON — Chairman of the London Gold Market and director of NM Rothschilds & Sons, Robert Guy, told a gold conference that South Africans wasted the opportunity of bringing about political reforms when the economy was booming.

Now the country is facing the prospect of international sanctions, he said

Talking in a personal capacity, Mr Guy commented "I heard it said in South Africa last year that if only the gold price was higher, then the changes in the socio-economic policy would have been so much easier.

"The problem was that during the years when the gold price had indeed been higher, when overseas governments had made public calls for change, when individuals gave their private views on the untenability of the existing system, the financial opportunity was not in fact taken

"Now the situation has visibly deteriorated in both human and financial terms

"In response, the South African government appears to be retreating to the laager and the tide in favour of sanctions turns stronger

"All major governments, including the UK, are strongly opposed to the system of apartheid

"The South African government itself now states that it too wishes to bring this system to an end, but a credibility gap remains and the situation visibly deteriorates In logic the case for sanctions is a poor one In emotional terms however the case is much stronger and when was politics ever solely concerned with logic?"

LIBANON

Into deeper ground

GFSA's 50-year-old Libanon mine has started production from its new and deep No 4 shaft complex. The recovery grade should increase.

Mining of the Main Reef from Libanon's new No 4 shaft system has started and production is currently running at about 2 000 t a month at a recovered grade of about 6,5 g/t That tonnage is a welcome sweetener making up for low grades elsewhere on the mine, which has an average recovery grade of about 5,3 g/t

The start of mining operations from No 4 shaft during this year, Libanon's 50th anniversary, marks the beginning of the shift of the bulk of the mine's production from the southern, relatively shallow, areas served by the Harvie Watt and No 2 shafts to the deeper, north-eastern part of the lease This area will be served by the No 4 shaft system and associated service shafts

There have been some initial hiccups as production from the No 4 shaft has started, while work is still in progress to finish the pump stations and some other ancillary work That causes complications in using the shaft "The stoping started on schedule, but work on the pumping facilities is behind because of ground problems experienced," comments Libanon chairman Alan Munro

He says production from No 4 shaft will build up to about 20 000 t a month over the next 12 to 24 months, as further longwalls are established to exploit the Ventersdorp Contact Reef (VCR), in addition to initial mining on the Main Reef At full output, some 80 000 t a month of ore will be hoisted through the new shaft This is equal to about 55% of Libanon's total current production of 145 000 t

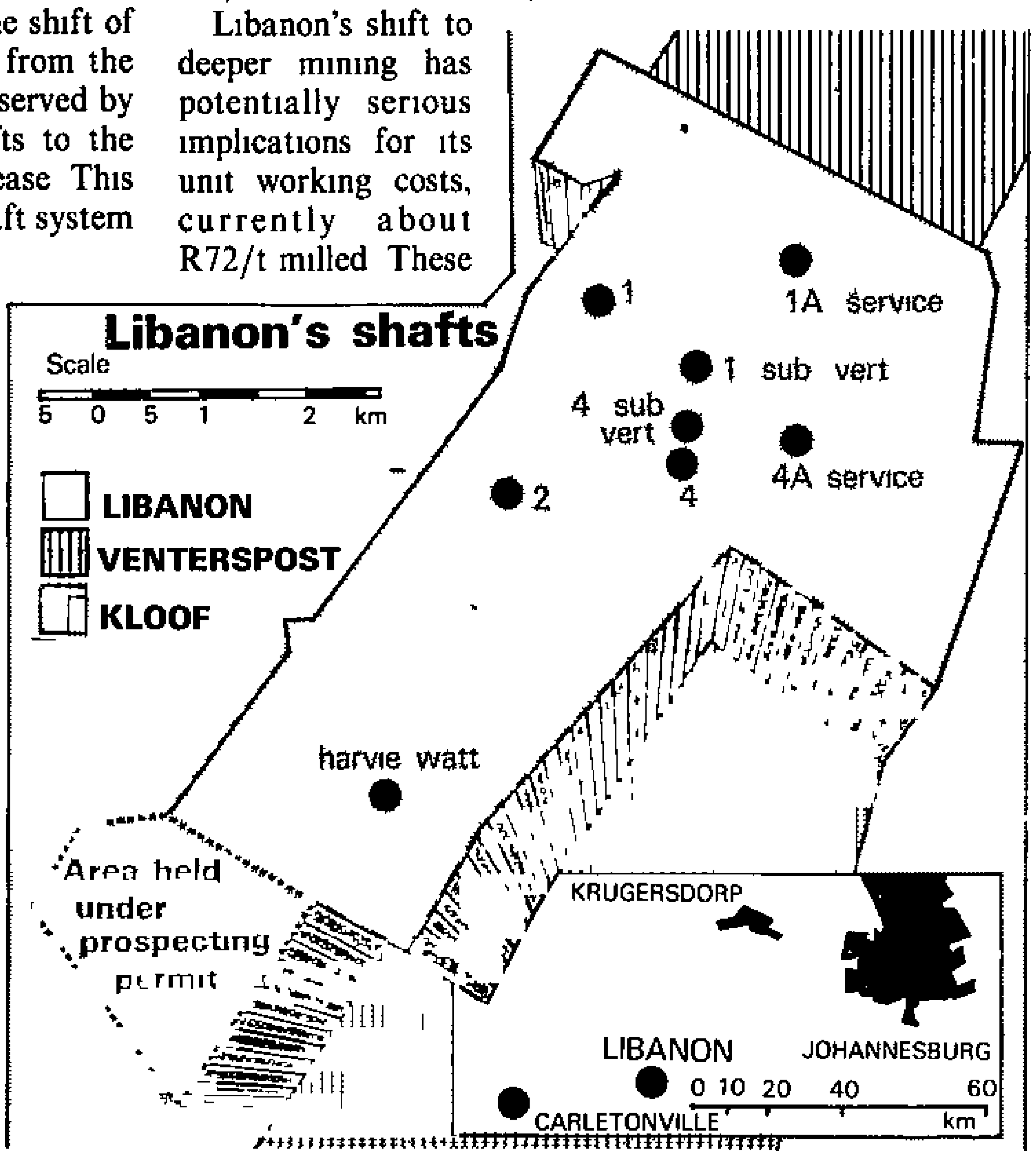
Average recovery grade, and future trends in working costs, are the key issues in the shift of Libanon's mining operations to the No 4 shaft system The average yield dropped rapidly from an average 6,3 g/t in the 1983 financial year to hit 4,8 g/t in the September 1985 quarter, before recovering to the 5,3 g/t shown in the 1986 March quarter While drops in the pay limit caused by the soaring rand gold price formed part of the reason for the grade decline, the fall was faster than desired by management, and resulted mainly from the exhaustion of the higher-grade VCR reserves mined from the Harvie Watt shaft

Munro says the decline in the grade has been halted, and the current 5,3 g/t is acceptable, given the low pay limits established by a gold price of around R27 000/kg He will not be specific on anticipated future grades, saying only that these depend on the pay limit, which in turn depends on the rand-denominated gold price

However, mining analysts say the overall grade will probably not get back to 6 g/t during the mine's remaining life which, with the introduction of the No 4 shaft, is currently put at about 20 years

They point out the present yield of about 6,5 g/t coming from the areas opened up by the No 4 shaft will not be maintained on the larger production tonnages, as the first mining operations were sited on carefully chosen, enriched reef areas, limited in extent

Libanon's shift to deeper mining has potentially serious implications for its unit working costs, currently about R72/t milled These are high by industry standards, but Munro maintains that Libanon is an efficient producer He points out that the present average working cost for mines on the West Wits line is about R75/t However, most of these mines are working at depths greater than Libanon has dealt with so far From workings with an average depth of about 1 500 m on the Harvie Watt shaft, Libanon will now be mining from the 4 sub-vertical shaft at depths from 2 000 m down to 3 000 m and deeper



The move to deeper workings means more time will be spent getting the shifts to and from the working places, as well as incurring problems of lost production from the higher incidence of rockbursts at greater depths These add up to higher real working costs, worsening the effects of SA's 18% inflation rate Munro concedes the greater depth will place upward pressure on costs, but says steps are being taken to counter this

"We are planning to concentrate mining operations and so minimise development costs," he says "We will also install a backfilling operation to provide support for the working stopes This will cut down the material and labour costs compared with those incurred on conventional support systems I would also point out Libanon's record as one of the most efficient mines in the group with regard to working costs," he says

While operations are moving northwards, Libanon has one interesting option lying to its south, in the form of mineral rights to a 369 ha area on its southern boundary The rights belong to a subsidiary of Gold Fields of South Africa (GFSA), which has granted Libanon on option over them The mine has until August 1987 to exercise that option, if it does so, Libanon must issue 62 700 new shares in settlement to the GFSA company Munro says only that it would be foolish to take up an option any earlier than one has to, and nothing should be read into the fact that Libanon has not taken it up so far

The area is underlain by Main Reef It has the advantage that working levels would be shallow, and access could be gained from existing working levels served by the Harvie Watt shaft Munro will not comment on the results of exploration work so far

If the grades are acceptable, it would make strategic sense for Libanon to extend the life of the Harvie Watt shaft by maintaining mining operations in a separate area to that served by the No 4 shaft, which will soon dominate Libanon's existence

From the investor's viewpoint, Libanon is highly geared to the gold price and, like the marginal mines, should perform when the rand gold price jumps sharply, as it has done recently "Overall the mine as an investment is OK but no great shakes," is how one mining analyst sums it up

Last week's final dividend from Libanon of 245c a share indicates the mine paid out only what it earned in the second half of its year to end-June, and has retained the 72c a share in distributable earnings that were held back at the interim GFSA's justification for such retentions is that they enable the capital expenditure programme to go ahead largely independent of movements in the gold price, while also helping to maintain dividends in bad times

Brendan Ryan

FIN MAIL 20/6/86 214

COMPANY PERFORMANCE

Going for gold

One thing about a recession is that it does, to some extent, encourage people and companies to perform more efficiently

Certainly that seems to have been the experience of the JSE-quoted construction company, S M Goldstein (SMG), judging from its performance in the last year

Its track record, the company boasts, shows a sizeable reduction in construction time on projects And the quicker turnaround time, it reckons, has allowed it to start on other projects and increase turnover overall

In January this year, SMG handed over 895 conventionally-built houses, most of which were three-bedroomed houses The homes in Ennerdale were commissioned by Johannesburg City Council's housing department That contract, worth some R18,5m, set a September 1986 completion date

On June 2 Goldcast Construction Systems, a subsidiary, started working on a R10,3m contract to build 546 houses in Eldorado Park, also for the Johannesburg City Council All are three-bedroomed face brick houses under tiled roofs, with lounges, dining rooms, bathrooms and separate toilets

And although council indicated that it would be satisfied with a 15-month delivery period, Goldcast has undertaken to start handing the houses over in August It claims too that it will hand the last one over on December 2

Also in June, another subsidiary, Goldstein Housing, which specialises in mass housing, started a R2m contract to build 100 houses in Marlboro Gardens, Sandton, for the (Indian) House of Delegates

Time allowed for the contract is 18 months But Goldstein Housing claims it will complete the contract by end-November — about 12 months ahead of schedule

The savings, had penalty or bonus clauses been included, would have been sizeable, says SMG Regrettably, though, the practice of including such clauses has been out of use for some time now

Reason for the speed, says SMG MD, Trevor Jackson, is to allow SMG to start work on the next project that much sooner

One example If Goldstein Housing was still locked into the Ennerdale contract Jackson may not have been able to muster the resources needed for the group's two current contracts

The speed-up on payment on the R18,5m contract, too, must have also helped cash flow ■

Shareholder bid to block Peter George tithing plan

S-TIMES 22/6/86 214

By Don Robertson

MINORITY shareholders in Wit Nigel are to challenge the chairman's plans to contribute 10% of pre-tax profits to churches

At next Monday's annual meeting they will invoke Section 252 of the Companies Act to prevent chairman Peter George from imposing his Christian beliefs on the company

Mr George gained control of Wit Nigel in December 1983. In the 18 months to December 1984, a loss of R1,54-million was incurred before State assistance and the loss rose to R4,4-million in the past year

Modest

However, in the past two quarters the company has recorded a modest profit — R69 000 in December before State assistance and R901 000 in March

Shareholders have not received a dividend since 1983 and are worried that the tithe will reduce the possibility of payments

Section 252 relates to shareholders' options in case of "oppressive or unfair conduct" It reads "Any member of a company who complains that any particular act or omission of a company is unfairly prejudicial, unjust or inequitable, or that the affairs of the company are being conducted in a manner unfairly prejudicial, unjust or inequitable to him or some part of the members of the company, may, subject to the provisions of subsection (2), make an application to the court for an order under this section."

Mr George says in a circular to shareholders. "Tithing does work. It is exciting and when done for the right reasons, as an act of love and obedience to God's word, it brings great blessings, protection and increase, and in a world fraught with uncertainty, these are things we all need

"He promises to pour out out so much blessing we won't have room enough for it."

Another group of shareholders, thought to represent about 5-million shares in the issued capital of 11,5-million, plans to vote against the proposal

Should the motion to tithe the company's profits succeed, the funds would be administered by the Christian Action Programme, which he runs

The annual meeting will be held on the mine property at

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☐ To Page 2

22/6/86 S-TIMES

OFS mines activity may surge

BUS DAY 23/6/86 (214)

ADAM PAYNE

A GREAT surge of evaluation prospecting, with the probability of several new gold mines being established south of the OFS goldfield, has fuelled enthusiasm that there will be considerable extension of the life of the OFS goldfield.

The Surge South, the title of stockbroker Mathison & Hollidge's review of gold mining prospects south of the main OFS goldfield, reports on eight areas of interest where mines could be established

The report says "When the mines were started in the 1940s, the thought was that everything would be mined out in 25 years Now it looks as though mining will continue in the old area, as well as the new, for another 25 years or more

"What we are witnessing is a massive expansion to the south of the OFS goldfield on reefs other than the Basal and Leader reefs."

There are several participants in this surge of activity, the major ones being Anglo American, Gencor, in association with African Selection Trust, and, to a lesser extent, GFSA

On Free State Development (Freddies), the authors say the company's mineral rights are strategically well placed and are thus certain to be turned to account some time in the future.

The first area to be mined will be Du Preez Leger-Jonkersrust through President Brand's No 5 shaft Development costs and profits will be shared between Freegold and Freddies

Exploited

The report says it seems more than likely there will be another mine between Beatrix and Harmony, and still another further to the east in the Biddulph area

"In due course the Ada May (Beisa) reef may be exploited by Anglo and Gencor north of Beisa, and it could well be that the central, deeper area of Doorn River and Kalkoenkranz will be developed"

The report says a new mine could be established soon in Bloemhoek-Welgelegen.

Discussing this area south and south-west of Harmony, the report says it seems clear from the drilling pattern, where many of the boreholes are within a kilometre of each other, that the programme is one of evaluation and no longer simply exploration

"Our conclusion is that Anglo American, in association with Gencor, has been testing the Eldorado reef and must have had considerable encouragement The Eldorado reef is being mined by Beatrix. At Beatrix it is very variable in its development, ranging in thickness from 20cm to 300cm."

It is expected that grade at Bloemhoek/Welgelegen will be much as for Beatrix (8,46g/t at the time of the Buffels takeover). It is estimated that the tonnage available will be about 70-million.

Promising

The second promising area for drilling is Biddulph/Le Roux, south-east of Harmony.

"Clearly the target must be the Eldorado reefs, again at shallow depths"

The brokers say it is early yet to be estimating tonnage for the Biddulph/Le Roux area, but the spread of the drilling is already the same as that in Bloemhoek/Welgelegen and it can be assumed that an equivalent tonnage will ultimately be proved. However, the tonnage could be greater — perhaps enough for two mines or one large mine.

The third area of interest is that just east of the Beisa lease

The intensity of drilling indicates an evaluation programme. The area must be regarded as having potential for one new mine, probably with ore-reserve values comparable with that of Beatrix.

BUSDAY
25/6/86

M (214)

Bumper year for mineral exports

CHERILYN IRETON

EARNINGS from mineral sales soared last year because of the falling rand, says outgoing Chamber of Mines president Clive Knobbs.

Last year was an excellent year for mineral sales — despite the drop in the average price of gold, Knobbs told the chamber's annual meeting in Johannesburg yesterday

He said gold, with earnings at the unprecedented level of R15,292bn, remained the pivot of both the national economy and mining sector Earnings rose 32% on 1984

The value of coal sales climbed 47% to reach a level of R5bn. Total production exceeded 173-million tons. Despite discouraging export prospects, as a result of oversupplied markets, overseas coal sales increased by 6-million tons last year

Coal prices are expected to fall this year

Knobbs was pleased with the performance of the platinum-group metals, even though the dollar price of both platinum and palladium fell

"The decline in the rand was more than enough to give a substantial boost to revenues," he said

The rand value also led to a 35% boost in the value of sales of metals and minerals other than gold, silver, diamonds and coal.

"By far the most impressive performer was titanium with the value of sales increasing by nearly 129%. Chrome also did well with its sales valued at 90% more than in 1984

SA gold mines face increased competition

Cape Times 25/6/86

(214)

By ROB BATSFORD

JOHANNESBURG — A warning that SA's gold mining industry — vital to the economy — was facing increased competition from other countries was given by the outgoing President of the Chamber of Mines, Clive Knobbs, at the annual meeting yesterday

Urging the industry to adopt a more aggressive marketing strategy, he said gold supplies from other countries were increasing and output from Western sources other than SA, which last year amounted to 540 tons, could well double by the middle of the next decade

"Higher sales from the Communist bloc, together with expanding Western output, could increase annual supplies of gold to the Western market to 2 000 tonnes by the middle of the next decade," he said

"These volumes may exceed consumer requirements unless the gold mining industry makes a concerted attempt to formulate and implement a more aggressive marketing strategy aimed at stimulating both physical and investment demand"

Mining revenues

Knobbs said SA's mining industry made a vital contribution to keeping the country's economy afloat last year, with earnings in rand terms rising by 36%

Knobbs said gold remained the pivot of the SA economy and the dominant sector of the mining industry

It was again the main earner of mining revenues, with rand earnings at the unprecedented level of R15,29 billion in 1985, about 32% above the figure for 1984

Coal was the second largest earner with total sales of R5 billion

But Knobbs warned that prospects for the immediate future were discouraging

Knobbs said sales of metals and minerals other than gold, silver, diamonds and coal were about 35% higher in value than in 1984

"Economic growth in the first quarter of this year was negative

"It will be immensely difficult to pull the economy out of this vicious circle of currency depreciation and inflation"

Knobbs said the essential condition for an improved outlook for the economy remained significant political reform, which should be accelerated

But, he warned "The pressures now being exerted, both internally and externally, threaten to encourage confrontation rather than conciliation"

The chamber elected Edwin Peter Gush to succeed Knobbs as president

Gush is an executive director of Anglo American Corporation and chairman of the corporation's gold and uranium division

He has been a vice-president for the past two years

COMPANIES 25/6/86 (214) BUS.DAY

Southgo is coming to the market with offer

BRIAN ZLOTNICK

SOUTH EAST RAND Gold Holdings (Southgo), the only independently-owned producing gold mine on the Witwatersrand, is coming to the market through a public share offer.

Final terms of the offer are expected to be released on July 7, but the directors say they are looking to raise R10m to fund a three-year, capital-expansion programme

The mine, which adjoins Marievale, is a low cost producer which churns out 135kg of gold a year from underground operations that go down to 1 000m

Proceeds of the issue will initially be used to double the milled output to 6 000 tons and, over a three-year period by exploiting deeper levels, to 31 000 tons a month, producing some 1 318kg of gold a year

In the quarter to February, an operating profit of R489 000 was made, and R390 000 in the quarter to May with the recovery grade at 4,4g a ton

MD Glenn Laing estimates that at a gold price of R25 000 a kg, or R778 an oz, the mine will have, in today's money terms, R6,7m available for annual distribution in four years time

Costs are of the order of R52,50 a ton milled and the break-even gold price is $192 an oz at an exchange rate of $0,50 a R1

Stockbrokers Anderson Wilson, who are bringing Southgo to the market, say the mine has sufficient ore reserves for a life of 20 years at the expanded rate

Their report has been backed by Van Eck and Lurie

Two gold-bearing reefs, Main Reef Leader, now being mined, and Kimberley reef are exploited on the mine's 1 542 hectares of mining title

Ore reserves have been calculated to be 5,94-million tons at an average recovery grade of 4,25g a ton over a 100cm mining width

Anderson Wilson's Jens Jacobsen says drilling and exploration programmes are under way in the western part of the mine, which are expected to provide extra reserves and extend the mine's life expectancy

Mining operations date back to 1888 with mining continuing to 1956 when the mine was listed on the Johannesburg and London exchanges During the life of this original operation, 11,4-million tons of ore were milled, yielding more than 100 000kg of gold at an average recovery grade of 8,76g a ton

In 1981, the mine was reopened and, after the public offer, deputy chairman Roy Flowerday and Laing will own 75% of the enlarged equity

Mining operations are effectively concentrated on orebodies previously considered uneconomic

Laing says the mine will not be burdened with heavy office overheads as all operations will be based on the mine

Furthermore, the mine has the advantage that it is already developed, shallow, and will be a low cost producer

214

Joel mine optimistic

ADAM PAYNE

JOEL gold mine, now being established by JCI, should achieve a positive cash flow and make profits in 1990/91, based on a gold price of R20 000/kg (R622/oz)

The pre-listing statement, which gives a confident picture of the mine, indicates low working costs, a small workforce of 2 500, compared with Randfontein's 15 000, and a reef starting at just over 6g/t at shallow depths of less than 1 000m and averaging 5,4g/t at depths down to 1 600m

The grade will initially be higher than that at neighbouring Beatrix (5,4g/t)

The mine will cost R775m in 1986 money The public will participate only through linked units (or rights) issued to Randfontein shareholders

The terms of the issue have been published Listing of nil paid letters starts on the JSE on Monday and analysts expect the price to be about R17,50.

While some brokers have advised those wishing to obtain a stake in Joel to buy Randfontein, my view is that this would be costly and clumsy

The easier course would be to buy nil paid letters and buyers should be well rewarded, as were buyers of Beatrix

The company is raising R570m, of which the first *tranche* will be R415m this year

Randfontein shareholders will pick up units of five shares and two free options per Randfontein share

The mine should be highly efficient, using trackless mining equipment for ore handling which will cut the labour complement and costs

The reef to be exploited is the same as that at Beatrix — VS5 Beatrix composite reef with a moderate dip of 12 degrees

Total ore reserves are estimated at about 38-million tons, averaging an *in situ* grade of 6,5g/t At a milling rate of 120 000 tons per month (TPM), the projected life of the mine is about 25 years.

Access to the upper levels will be by twin shafts — No 3 and No 4 Subsequent access to the lower levels will be by a second twin-shaft system — No 1 and No 2 to the northeast of No 3 and No 4

No 3 and No 4 shafts, now being sunk, have been designed for a milling rate of 80 000 TPM by mid-1988 from a final depth of only 1 000m

No 1 and No 2 shafts will be sunk from 1988, designed to hoist 120 000 TPM from a final depth of 1 600m They should be completed during 1991

Water-bearing fissures and dykes have been intersected on Beatrix mine and it is expected that similar conditions will exist at Joel

Ergo battles against rising costs

26/5/86 (214) (383) BUS DAY

LIZ ROUSE

EAST Rand Gold & Uranium (Ergo), which hit record profits in the past year, faces ever-increasing costs and decreasing grades

Chairman Peter Gush says in the annual report these factors will have a negative impact on profit margins this year But additional production from the carbon-in-leach (CIL) plants at both Ergo and Daggafontein will assist in increasing revenue and minimising increases in unit costs.

A slightly higher tonnage throughput of slimes and sand is planned However, lower grades are forecast and gold production should be at a similar level to last year's

Capital expenditure will remain high at R65,4m (R72,7m in the year to March) About R52m is earmarked for the Daggafontein division project, while the Ergo division is likely to spend R11,5m

Consideration is being given to increasing the Simmergo division's plant capacity by 20 000 tons a month R1,6m has been set aside for this The addition would enable a throughput of about 200 000 tons a month to be achieved

Gush says all targets on the Daggafontein project — a 1-million tons a month plant — have been achieved to date The current programme is to commission the first 500 000 tons a month stream in early 1987, followed shortly by the second stream

However, the rate of expenditure will be reviewed from time to time in the light of the gold price and company earnings

Ergo achieved record taxed profits of R94,6m in the year to March, compared with the previous year's R74,2m The profit surge was attributed mainly to the 32% higher average gold price received of R24 074/kg a 20% increase in gold production at 8 310kg

Turnover was at peak of R236,2m, but cost of sales increased by R53,8m to R139,2m Tax remained light at R5,2m because of high capital expenditure The dividend total was lifted by 20c to 85c

Gold production from Ergo division increased by 22% to 6 616kg as the newly commissioned CIl plant was in full production, thereby increasing overall gold reovery to 55,4% from 45,6%

The plant operated at a cost of R22m

UK Charter group gets a big lift

Investment Staff

CHARTER CONSOLIDATED, the UK-based group engaged in manufacturing, construction, mining, finance and investment, has lifted earnings a share by 88% to 18,8p (10p) in the year to March

An increased final dividend of 7,75p is recommended by the directors to make a total of 11,5p for the year.

Pre-tax profits jumped 74% to £28,7m (£16,5m) and with the effective tax rate falling, taxed profits more than doubled to £19,8m from last year's £9m.

The directors say the improved profits reflect continued progress in reshaping the group, reducing the level of borrowings and seeking higher returns on capital

MEDI-CLINIC

Healthy returns

Rembrandt's private hospital group, Medi-Clinic, will be announcing its listing details in the next few days Judging by the success of President Medical Investment's (Presmed) listing on the Development Capital Market (DCM) earlier this month, Medi-Clinic's larger, main board quote should be well received by the market Institutions are reported to be keen on the group, particularly as they were not offered the opportunity to participate directly in Presmed's listing, a relatively small issue of less than R500 000 In comparison, Medi-Clinic's total capitalisation could be above R160m

Being fairly new in the business, Medi-Clinic's profit history is limited and investment decisions will probably be based on faith in the group However, with the Rembrandt group behind Medi-Clinic, reaction to the private placing has been favourable Rembrandt, under chairman Anton Rupert, has recently developed an interest in the medical field and a sizeable stake in private hospitals has quietly been built up

Profits are unlikely to be significant at this stage, while Medi-Clinic is heavily involved in expanding its base As one market commentator points out "Medi-Clinic is like a property development company which needs time to build up occupancy Returns will not be attractive at this stage"

The group owns four hospitals totalling about 700 beds, the largest of which are the Sandton and Morningside clinics in Sandton The other two, the Leeuwendal Nursing Home and Medipark Clinic in the Cape, were acquired in 1984 and represent Medi-Clinic's first entry into the medical field With the addition of another three hospitals, the total number of beds will double to 1 400 Next in line is the Panorama Medi-Clinic, expected to be commissioned in August Construction has started on the Mitchells Plain Clinic which should be operational by August next year, and plans are ready for the Constantiaberg Clinic, expected to be completed by late 1988

The listing will be by way of a private placing and public offer Investors will be offered shares and/or 11% unsecured subordinated compulsory convertible debentures The medical profession will apparently have preferential allocation No dividends are expected to be declared this year or next year The debentures, therefore, appear to be the more attractive option However, whatever combination is applied for, Rembrandt will not dilute its equity holding below 50% Previous owners of Medi-Clinics' two original hospitals, the Newman Hospital Group, hold a minority stake

Financial director Pierre de Klerk discounts misgivings about the Rembrandt group's lack of experience in this field He tells me that Abel Newman, of the Newman Hospital Group, acts as consultant to Medi-Clinic, while his son-in-law Brian Kirsch, also said to be highly experienced, is operations director He adds "Newman, in fact, was responsible for the commissioning of the Sandton Clinic last year"

Medi-Clinic, like the Rembrandt group, appears to have a penchant for conservative accounting policies Rembrandt is said to have converted its large loans to Medi-Clinic into equity, but historical profits apparently include interest on these loans Further, it is possible that development costs are being written off in full, instead of being amortised

Despite rationalisation in the medical industry, Medi-Clinic expects to benefit from the growing number of patients who are members of medical aid schemes Its services are open to all race groups and it charges medical aid rates Since 1980, medical aid membership is said to have grown by 20%, and most of the growth has come from black membership

The government's mooted move into greater privatisation of medical services could be bullish for Medi-Clinic The group's future activities are not limited to pure medical services Other openings include management and administration of hospitals In this area, may come into direct competition with Home & Hospitals With an estimated market of 120 000 beds in the industry, private beds account for 7%-10% of the market, of which Home & Hospitals has a dominant share The latter group is not strictly private, as the hospitals are State-owned, but it offers management services on a contract basis

Rembrandt's Rupert . . . from tobacco to hospitals

Of the privately-owned hospitals, Clinic Holdings is the largest, followed at present by Afrox's Ammed, but after Medi-Corp's existing developments come on stream, it should rival Ammed in size If local developments follow overseas trends, the private hospital industry should offer good growth prospects As Afrox's Peter Joubert comments "We would not have diversified into this sector had we not foreseen growth"

The financial implications will become clearer when listing details are available However, even then, historical profits and prospective p es may not mean much Investors will have to take a view on what management can do and weigh up longer-term growth prospects *Patric Ho*

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SOUTHGO

Up and running

Arguably the most interesting small gold mine development to date is being brought to the market with current moves to list the Nigel Gold Mining Company as South-East Gold Holdings (Southgo) The mine lies west of Marievale and is controlled by a syndicate led by Roy Flowerday and Glenn Laing The syndicate has spent some R6m over the last two years to bring production to the present level of 3 000 t/m milled, at a yield of 4,4 g/t This is currently being upgraded through ore sorting on surface to about 5 g/t

Sponsoring brokers for the issue are Anderson, Wilson whose mining analysts, Jens Jacobsen and Mannie Rahn, are also technical consultants Senbank is the merchant bank

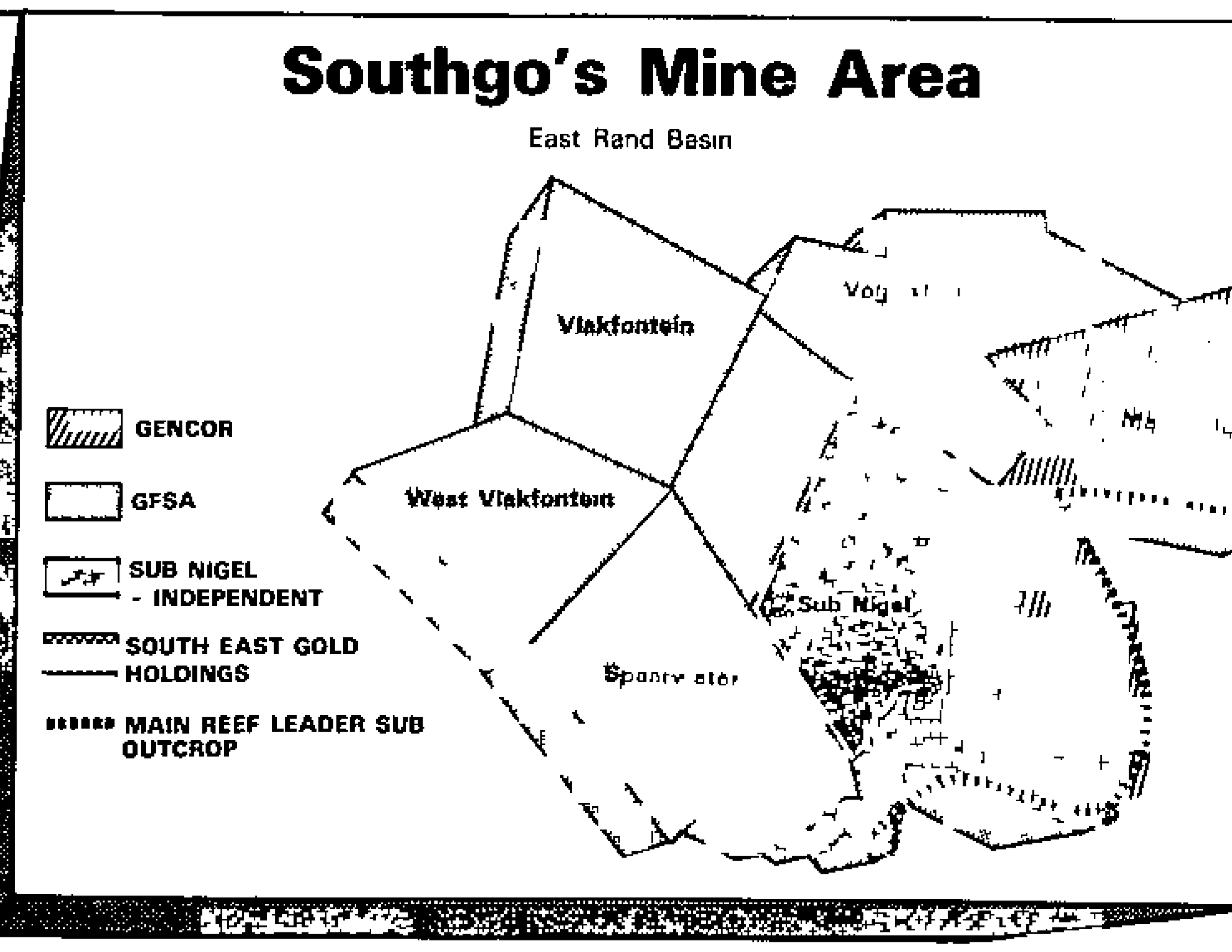
Laing tells the *FM* the listing is to raise R10m, which will be used to boost production from the present level of 3 000 t/month milled to 31 000 t/month milled in two stages He says the syndicate will retain a 75% stake in Southgo The issue is to be split, with 50% going in preferential placings, and 50% offered to the public Jacobsen won't give details on the listing price other than to say it will be in the 50c to 150c a share range The prospectus is due out on July 7

Taking the average of that range, it appears the price could be pitched at about 100c a share, and hence 10m shares are involved, which means total issued capital would be 40m shares The cheapness of the

P.T.O.

shares and the fact that the mine is already a going concern are what make this listing particularly interesting for the small investor

Southgo is a profitable concern, with the syndicate having borne the costs of getting the mine to this stage before coming to the market It differs from recent gold mine developments such as Cyril Heever's Modder B and Steen Severin's Rand Leases, where the call for funds was intended to finance development from the grassroots level, and shareholders have a three or four year wait before they can expect dividends, during this time they are exposed to the risks which can hit any mining development



Jacobsen says Southgo will pay a small dividend in December this year, with an increased payout in 1987, while in 1988 investors can expect a 15% return on their money

Laing holds a mining geology degree from Wits and a masters degree in mining from the Colorado School of Mines He has worked extensively on mines with the Messina group and with Egoli, which he left to start Southgo He contends that the risks inherent in any new mining project have been eliminated at this stage of Southgo's development

"The incline shafts are equipped and working, the development ends are open, the reserve ore blocks are there and have been checked, there is no water problem and the milling and treatment plants work efficiently," he says "We have been through the lock-up stage which takes place in the start-up of any new treatment plant when recoveries are low because gold is trapped in the plant

"We have held off asking the public to inject funds until now because we intend to produce results from Southgo and not excuses There will be no management contract for the running of the mine and there will be no head office structure to support as we work from the mine Both of these will cut unnecessary costs"

Production for the last two quarters has run at about 36,5 kg of gold per quarter from about 8 300 t of ore milled at a recovery grade of 4,36 g/t Southgo last month commissioned a new sorting and screening plant which increased the rate of surface sorting of ore to 22% to upgrade the mill feed That resulted in an improvement in the grade to 4,99 g/t for May

Laing says the key to operating the mine successfully is to keep the stoping width down to 700 mm, which reduces the waste to be hoisted His mining contractors are paid a bonus on stoping width maintained and not on tonnage produced.

Costs are relatively low at R52,50/t because the mine is shallow with operations on the Main Reef leader starting from some 50 m below ground and then following the reef down He says these costs will be held at R52,50/t for the phase two and three stages

Current phase one operations are in the shallower levels of the mine down to 15 level Phase two involves expanding existing operations in these upper levels to produce 10 000 t/month, from which 6 000 t/month will be milled after upgrading through ore sorting The existing plant will be expanded to handle the extra production and this phase should be in operation by the fourth quarter of this year

In Phase three, operations will move into the deeper areas of the mine, but at their deepest will only go down to about 1 500 Phase three production will start building from the fourth quarter of 1987 and the should hit its full output of 31 000 t/... milled in 1989, which it will maintain 1993 when production will drop back 25 000 t/month milled for the rest of its ... On present planning, life expectancy runs 2 012 Phase two capex is estimated R1,5m and Phase three capex at R8 5...

Brendan R

Nedbank's sponsors

It needs a far-sighted investor to subscribe to Nedbank's deferred ords at 630c a share and with no dividend this year, when the ords trade at 600c and carry a dividend Old Mutual probably had no option. No other sugar daddy was obviously available to pull Nedbank out of its troubles

At any rate, perusal of the deferred ords' allocation register shows that Old Mutual has taken 32,16m of the deferred ords in its own name Another 17,79m of deferred shares were issued to Sharestock Nominees These look certain to have landed in Old Mutual's hands, which means the life assurer has taken 91% of the deferred shares on offer

Old Mutual's holding in Nedbank at end-April was 29%, or 26m shares It now holds 52%-plus of the enlarged share capital, equal to some 75,5m shares That means it has bought just under 50m more shares, which tallies with the deferred allocations in its own name and to Sharestock Nominees

Mutual also got a little help from friends These included a few private investors, including Helen Horwood, wife of Nedbank chairman Owen Horwood, and the Liberty group Fugit followed its entitlemer 900 000 shares, as did Liberty to 1 shares The Liberty group now owns 4% of Nedbank

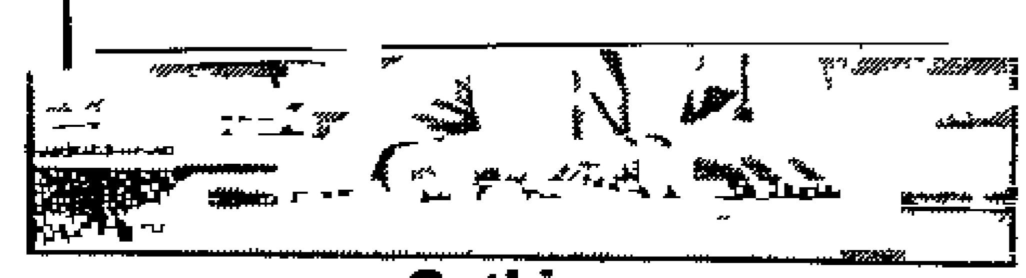
Meanwhile, the Nedbank share on T day was roaring ahead to 650c That off prospective dividend yield this year of 4 better than Barclays and Volkskas, a most generous rating for a bank which been through the mill these last 12 mo Maybe a breakthrough on Triomf is in nent, but on fundamentals there is present inducement to buy

Christopher Mar

Housewares expands

Since its listing at the end of last month, direct selling retailer Housewares' share price has regularly been hitting new highs Placed at 50c, the share was expected to open at around 80c, but traded below 70c on its debut Since then it has gained strength week by week, and recently day by day It currently trades at 110c

One reason could be Housewares' Imperial acquisition, which is forecast to lift EPS from 6,4c to 7,5c a share for the year to end-December The latest forecast places the



Gutkin

stage Merchandise, available in sets, is being despatched by place setting as each payment is received MD Melvyn Gutkin admits that this concept is experimental, but he adds that the buyer has the option of acquiring the complete set at a lower price He tells me this concept is a proven success in the UK That may be, but it has yet to be shown that the idea will prove successful here *Patric Ho*

Joel nil paid letters hold promise for Randfontein takers

BUS DAY. 30/6/87

ADAM PAYNE

INVESTORS seeking to obtain shares in JCI's new Joel gold mine in the Free State will have the opportunity today of buying nil paid letters of allocation

These are the shares being issued to Randfontein, which, because of its 45% interest in Joel, it is passing on to its shareholders.

Randfontein is the only holder of a large interest to be passing on its rights in Joel Anglo American and associates will retain their 10% and JCI and associates will retain their 45% interest

It is unlikely that large numbers of nil paid letters will come on the market from shareholders of Randfontein

The shares are fairly tightly held, with JCI having 30,6%, which will give it an indirect interest in Joel beyond its original 45% direct holding.

The remaining shares in Randfontein are largely held by institutions and by other mining houses which are unlikely to pass on their rights

One broker close to the scene has advised clients wishing to buy the nil paid letters not to go above R17,50

The letters entitle the holder to five shares at R6 each and to one class A option operative in December 1987 entitling the holder to buy one share at R6, and finally one class B option entitling the holder to buy another share at R6 in December 1988

"If the letters are above R17,50 we advise clients to rather buy Beatrix, which is almost an identical mine and is already producing," says the broker.

In a topsy-turvy year Anglo just 'growed'

1/7/86 STAR

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By Peter Farley
Investment Editor

The strength of Anglo American's mining operations, combined with the benefits of a weak rand on both export earnings and foreign investments, formed the cornerstone of a 36 percent earnings growth last year

The annual report shows that income from mining investments increased to 70 percent of total earnings from 66 percent, despite the value of the investments in this sector declining to 70 percent from 74 percent the previous year

And despite a torrid year in many sectors of the economy — with LTA, Samcor and Computer Sciences all having problems — income from the non-mining operations only slipped to 30 percent of the group's total from 34 percent.

Moderate growth

Today, however, Anglo is a massive corporation, with investments in almost every sector of the South African economy and substantial holdings elsewhere in the world

Last year, international investments accounted for some 22 percent of the group's total R1,2 billion net earnings At the end of March the value of the group's investments — heavily influenced by the depreciated rand — had soared to R16,7 billion from R10,7 billion at the end of financial 1985

Chairman Mr Gavin Relly offers no specific forecasts for the current year in the annual report, apart from commenting on subsidiarie companies, but expects the Government's actions to have a modestly expansionary bias in the year ahead

However, he adds "Unfortunately, only a moderate growth target can be countenanced under present circumstances"

With Anglo a direct microcosm of the economy, the same should be true of the group

Nevertheless, Anglo will, perversely; stand to continue to benefit from South Africa's predicaments The weak rand has resulted in enormous profit increases across the sepctrum of mining interests, including gold, diamonds, coal, platinum and manganese, and has substantially boosted the value of the investments

Gavin Relly

The only major changes in the group's investment portfolio have been the sale of its 8,8 percent stake in Middelburg Steel to Barlow Rand, the addition of a 20 percent stake in Tongaat Hulett, the acquisition of 20 percent of Barclays Bank and 50 percent of HLH Timber

Other major investment occurences during the year were the flotation of Southern Life (which gave Anglo a 37,5 percent stake after the merger into Southern of Anglo Life) and the controversial merger of the group's Free State gold mines

The diamond portfolio — principally De Beers, Anamint and the CSO — pushed its contribution to group earning up to 12 percent from 10 percent, after a 75 percent rise in the CSO's sales in rand terms

But going through the annual report one gets an indelible impression of the formidable impact Anglo is having on the lives of most South Africans

Apart from employing some 280 000 people, the corporation's investments outside mining, include the country's biggest bank, the second biggest motor manufacturer, the second biggest paper producer, the third largest life insurance company, substantial holdings in the biggest motor dealer network and the biggest electronics and telecommunications companies, indirect holdings in one of the biggest food groups and through it effective control of the country's biggest retail/consumer group and a host of other investments in a wide spectrum of industries

In fact, if you drive a Mazda or a Ford (or bought any car through a McCarthy dealership), bank at Barclays or insure through Southern, have an STC switchboard, buy a Farmer Brown chicken, shop at OK Bazaars or drink Castle Lager, read either *The Star* or *The Sunday Times*, or buy a diamond engagement ring — Anglo is making a profit out of you

The question now is what else is there left for Anglo to take over? Think about it

Wits conference on business

By Stan Kennedy

The political editor of *The Economist*, Mr Simon Jenkins, will be one of the main speakers at a conference entitled "What Boundaries for Business" at the University of the Witwatersrand on July 10 and 11

Altogether, there will be 10 top-flight speakers from overseas

They include Dr John Burton research director, Institute of Economic Affairs, London, Mr Sam Peltzman, Professor of Business Economics, University of Chicago, Mr Ian Hirst, lecturer in finance, Edinburgh University, and Mr Morgan Reynolds, Economics Professor, Texas A & M University

The keynote address will be delivered by KwaZulu Chief Minister Mangosuthu Buthelezi

Prominent local speakers will be Mr Gavin Relly, chairman of Anglo American Corporation; Dr Conrad Strauss, chairman, Standard Bank, Mr Peter Searle, chairman, Volkswagen SA, and Mr Nigel Bruce, editor, *Fiancial Mail*

The conference will also focus on the management issues of labour relations, marketing and financial co-operation

West Wits income leaps threefold to R4,8-m

STAR 1/7/86 214

By Gareth Costa

West Witwatersrand Gold Holdings' maiden results as a listed company showed a threefold increase in after-tax income to R4,8 million for the year to end-March 1986

The company, listed in November 1985, owns 80 percent of West Wits Gold Mine and 20 percent of Egoli

The gold mine is in production but is still being developed, while it recently doubled its ore reserves and acquired a fully equipped and operational shaft for R5,7 million.

Turnover shot-up from R4,9 million to R23 million and should do the same this financial year as the mine developments come into production

Working costs of R17,5 million resulted in an operating income of R5,4 million

Bottom line earnings of 7,6c a share were achieved, up from 4,5c, putting the company on a PE ratio of 19 on the current share price of 145c

Looking at the future, chairman Mr Joe Berardo says in the annual report that an increase of 180 percent in gold output is called for this year "The primary objective of West Wits Gold Mine is to utilise its large and shallow reserves to establish a large tonnage, low cost operation"

Joe Berardo

He adds that all has been going according to plan except that the recovered grades have been down, but the reasons for this have been identified,

No dividend payment will be made yet, but Mr Berardo says that once all the planned expansions are completed and all necessary contingencies and capital requirements provided for, shareholders could expect a dividend

2/7/86 BUS DAY

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COMPANIES

ERPM in R150m loan agreement

THE Rand Mines marginal gold producer, East Rand Proprietary Mines (ERPM), has signed a 10-year, R150m loan agreement with a Barclays-led consortium of SA banks.

The money will be used to finance ERPM's R300m Far East Vertical (FEV) programme, which will boost gold output and add about 50 years to the 92-year-old producer's life.

The government-guaranteed loan, which will be flexible, is part of the FEV financing package. The entire financing package includes the R47m raised by a 1-for-1 rights issue earlier this year.

Other banks in the loan consortium are Standard Bank, Volkskas Merchant Bank and Trust Bank. The loan heralds a switch to on-shore loans for large projects

According to Reg Bradshaw, financial director of the Rand Mines gold and uranium division, ERPM will draw down on the loan over a three-year period, starting in November this year It will be repaid over the balance of seven years

The FEV project involves the expansion and deepening of existing vertical and sub-vertical shafts and the sinking of a new 6m-diameter ventilation shaft — all on the fringe of the ERPM property. The gold plant will be extended and a new hostel built.

The FEV will give ERPM access to additional ore reserves in the higher-grade south-east section of the mine, enabling it to increase tonnage milled from 2,8-million tons a year currently to about 4-million tons a year by 1990. This will raise gold production from 11 tons a year to more than 18 tons.

The FEV project will create about 7 000 jobs

The system should be commissioned in 1989. Foreign exchange earnings should soar from about R197m in the current year to about R1,5bn (at current gold prices) in 1999.

Grade should be about 5g/t, compared with the average grade of 3,64g/t in the past year. The FEV project has the potential to produce 850 tons of gold over the next 50 years, earning R15bn at the current gold price

ERPM will resume dividend payments in 1989 when the FEV project comes on stream

4/7/86 BUSDAY

COMPANIES (214)

Guardbank ups its insurance holding

MERVYN HARRIS

GUARDBANK Growth Fund boosted its stake in insurance, mining-house and Rembrandt Controlling stocks, but sold its Amgold and Freegold holdings in the June quarter.

Largest acquisition during the quarter was the purchase of 775 000 shares in Southern Life which, together with its huge holding in the Liberty Life Group, put insurance at the top of the sectoral spread (14,48%), just shading mining houses (14,11%)

Other notable investments were the purchase of 110 000 shares in Cons Gold, 100 000 in Gencor, smaller parcels in GFSA and Rand Mines, 200 000 Barlows shares and 300 000 more Sasol shares

The portfolio changes increased the total portfolio's equity content at end-June to 88,13% (86,92% at end-March), with the balance of 11,87% being held either in cash or short-term securities

Roy McAlpine, an executive director of the fund's manager, Guardbank Management Corporation, says the big purchase of Southern Life stock reflects the fund's belief that the life insurance industry is not affected by adverse short-term economic factors

Referring to the other sales and purchases, he said "Amgold was trading at a premium when we sold our holding, while we were able to buy mining-house shares at a substantial discount to underlying asset value."

The fund has declared an income distribution of 20,69c for the six months to June, compared with the 26,08c a unit in the same period last year.

The decline was because of two main factors interest rates received on the cash content of the portfolio were much lower than a year ago, and prices of equities have risen faster than growth in dividends, resulting in a drop in yields.

The market value of the fund at June 30, excluding compulsory charges, totalled R241,8m (R219,3m previous quarter), of which equities accounted for R213,1m (R190,6m previous quarter)

The repurchase price of 796,58c a unit (ex-distribution) at June 30 reflects a rise of 15,27% over the corresponding price of 691,04c at December 31

Growth in the unit price for the six months to end-June (reflecting income and capital appreciation) was 18,27%

The 20,69c distribution a unit, together with the distribution of 21,49c a unit for the six months to end-December, makes a total of 42,18c a unit for the year

214 FIN MAIL 4/7/86

POTCH GOLD

Listing ahead

The mining exploration section of the JSE will soon list another company — Potchefstroom Gold Areas (PGA) — which will offer investors the chance to participate in exploration work looking for new gold mines in the "Potchefstroom gap," between existing gold mines of the West Wits line and the Klerksdorp area

PGA's assets will include the exploration and mineral rights currently held by Southern Prospecting in exploration joint ventures in the region led by Anglo American Corporation Sponsoring broker for the issue is Martin and Co and the merchant bank is UAL

Confirming the intention to list PGA, Southern Prospecting MD Chris von Christierson, tells me the Potchefstroom gap has become one of the most promising areas in the gold exploration boom that has run since 1982 He declined to give details of the issue price or number of shares on offer ahead of the release of the prospectus later this month

PGA's Von Christierson ... exploration to intensify

Von Christierson believes the exploration boom will intensify because of pressure on the mining houses to find replacement ore reserves "If you look at the existing mines with short expected lifespans, say 10 years, then you get a figure of about 78 t a year of gold production that needs to be replaced

"Let's assume the current average grade for the gold mining industry remains unchanged at 5,78 g/t, which implies no further decline That means an additional 13,5 Mt a year would have to be milled to replace today's short life production To justify this new investment, reserves for 25 years — about 338 Mt — have to be proven immediately

"Assume also that a reserve of 40 Mt of ore is the minimum needed to support a major new shaft system, or a smallish mine such as JCI's Joel or Gencor's Unisel We therefore need 8,5 such new mines to be on stream within 10 years, amounting to one every 14 months

"That may not happen, but it shows why the mining houses are spending so much on exploration," Von Christierson says

PGA's exploration interests include a 10% subscription right — the company does not have to contribute to exploration costs — over some 10 000 ha of ground in the area north-east of Potchefstroom This is known as the Mooirivier venture

The company also has a 26% stake over some 36 000 ha in the Vyfhoek venture area, running from immediately north of Potchefstroom south to the Vaal River, and west to the Lucas block east of Buffelsfontein gold mine PGA has a 6% subscription right here and must contribute its share of exploration costs on the remaining 20%

PGA also has subscription rights ranging between 8% and 10% over ground totalling 10 000 ha in the South West Vaal Venture Area, lying north and west of the farm Goedgenoeg where Vaal Reefs gold mine recently announced a major expansion

Of the three areas the Mooirivier venture looks the most interesting the ground in which PGA has a stake lies immediately south of the farm Gerhardminnebron and takes in the farms Stompoorfontein, Buffelsvlei and Boschhoek These farms occupy key positions in a major exploration drive by Anglo and Gold Fields of SA (GFSA) to prove a possible new entry point into the Witwatersrand Basin, eight drill rigs are operating in the area

AAC and GFSA and their associates or subsidiaries hold the bulk of the mineral rights to the area New Central Witwatersrand Areas (NCW) holds rights to the southern portion of Gerhardminnebron where Anglo is currently drilling Last year NCW sold off 50% of its Gerhardminnebron mineral rights to parent Anglo for R9,45m The deal raised queries on whether NCW should have retained the stake in a possible new gold mine and instead have held a rights issue to raise money to fund its share of the drilling costs

In April NCW published results for borehole MGM1 in a form which did not refer to specific reef horizons but instead gave a block of reef intersections classified as "conglomerates of the Johannesburg subgroup" Other geologists have refined these published figures, and point out that MGM1 showed values of 821 and 1 756 cm g/t on the Bird Reef, and of 209, 60, 577, 710, 440 and 83 cm g/t on the Livingstone Johnstone reef series

The focus since the mid-Forties, when drilling first started in this area, is the Bird Reef because of the belief held by some geologists that the Bird Reef correlates with the Vaal Reef, which is exploited by the mines of the Klerksdorp field NCW's MGM1 Bird Reef intersections are encouraging

A number of geologists are now convinced the Bird and Vaal reefs correlate They feel the drilling programme around Gerhardminnebron is aimed at proving a new mine or mines to exploit this horizon, and that the work south of Potchefstroom is looking for upthrown, isolated blocks of Vaal Reef

They may be right, but investors keen to get some of the action through a company such as PGA should remember these are highly speculative shares There will be no dividends and any rewards will come in the form of rights to subscribe to any new mines set up There is also no guarantee on when developments will occur As noted, the mining houses have been drilling this area for more than 30 years But developments could be close to hand — an announcement say within three years — given the need to find new ore reserves and the limited areas left to explore

Brendan Ryan

FIN MAIL

USCO 4/7/86

No fireworks

Given the benefits of a much improved local steel market, Union Steel Corp's (Usco) recovery hopes for the interim to end-March were dashed by unresolved teething problems at its new direct reduction plant However, losses in the steel division have been reduced In the previous year, the group ran up total losses of R19,5m, of which R26,8m was attributable to the steel division, at the interim the total figure was whittled down to R7,6m

Despite a 35% drop in the non-ferrous division's despatches, group turnover increased by 20,8%, largely as a result of better local steel demand and higher billet exports However, the group's copper and aluminium products markets were not as buoyant Delays in capital projects hampered demand, and this resulted in "a substantial decrease

DENIS HEALEY

Love him, or hate him

Shadow foreign minister Denis Healey, who last week paid a controversial visit to SA, defies indifference The cinnabar-complexioned face straddled by its two challenging thickets radiates a personality which is today one of the most dominating in British politics

Reviled by the leftwing of his own Labour Party (LP) and feared by the Conservatives, Healey, who turns 69 in August, has given up any ambition of becoming Labour PM According to many political commentators, though, he would have been the best Labour candidate yet

However, if Margaret Thatcher's Tories stumble at the next general election, Healey will achieve his aim of making a mark on international relations as Foreign Secretary He's wanted the job for a long time, planning to be to the LP what Foreign Minister Andrei Gromyko was to the Soviet Union Though Healey will be over 70 when the UK next goes to the polls, he shows no signs of flagging — and his father lived to over 90

An intellectual polymath and political pugilist who combines stinging jabs of wit with heavy punches, Healey was born in Yorkshire of Irish parents He was given a second name, Winston, because his father felt sorry for the humiliation Churchill suffered over the disastrous Gallipoli expedition in 1917

A scholarship to Bradford Grammar School was followed by another to Oxford's most prestigious college, Balliol, where he won a first in classics Balliol made him an honorary Fellow in 1979, the same year he was created a Companion of Honour by the Queen During World War 2, he served in North Africa and was a beachmaster at Anzio, where the Allies invaded Italy Fired by the ideals of building a new, equitable Britain from the ruins of war, Healey ran as a candidate in the 1945 elections which swept Labour into office, but was beaten

Turning down the invitation to become a don at Balliol, he took a full-time job with the LP as its international secretary He married Edna, an Oxford graduate and teacher, who, since their son and two daughters grew up, has become a successful writer, broadcaster, film-maker and lecturer Last week, Healey gave Winnie Mandela a copy of his wife's new book, *Wives of Fame* — a triple biography of Mary Livingstone, Jenny Marx and Emma Darwin

The 1952 elections propelled Healey into parliament and, seven years later, the Shadow Cabinet His first ministry, Defence, in the 1964-1970 Harold Wilson government, was widely acknowledged as a success in streamlining and modernising the UK's armed forces The second, Chancellor of the Exchequer (1974-1979), was tarnished by the sterling crisis of 1976 and rampant inflation

The collapse of the pound saw Healey turn back from Heathrow airport — from where he was due to fly to the International Monetary Fund (IMF) meeting in Manila — to bolster confidence Forced to seek IMF help and accept its conditions, Healey launched Britain on the unsocialist road to monetarism and the principle of aiming for non-inflationary growth through tax cuts The Left never forgave him

Healey, whose tough self-confidence verges on dismissive arrogance (Thatcher's most criticised fault), has baldly stated "I think I was a bloody good Secretary of State for Defence and a bloody good Chancellor, too The first is generally recognised, the second not " However, it cost him the leadership of the LP when ex-PM Jim Callaghan retired and leftwing support gave Michael Foot a narrow victory over Healey

That marked the start of a near-suicidal struggle between Left and Right in the LP However, while the "Gang of Four" (led by David Owen) split off to form the Social Democratic Party (SDP), Healey stayed to fight the Left This was despite his conviction that the socialist fundamentalists would sink the party's chances of regaining power

The price was paid in the 1983 elections when the Falklands war factor gave Thatcher her huge majority Healey denies he was the senior Shadow Minister who called Labour's manifesto "the longest suicide note in history" — but it smacks of his acerbity

His tendency to shoot from the lip also damaged the party during the Falklands campaign Healey accused Thatcher of glorifying in slaughter She called him a "political thug " He apologised because it was "unfair" to Thatcher and conceded later it had been a potentially damaging mistake "My great weakness as a politician is that I always say too much I dare say I am a bit of a thug," Healey told one interviewer, adding that all parties need someone to shake them up

That's Healey's forte In the House of Commons, where he relishes verbal combat, Foreign Secretary Sir Geoffrey Howe was the victim of perhaps his most famous remark Being attacked by Howe, he said, was like "being savaged by a dead sheep " He also punctured the then Tory party chairman, John Gummer, by asking "Would you buy a second-hand scooter from this man?"

Healey has a wide range of interests aside from politics travel, painting, playing the piano (from Chopin to Duke Ellington) and, above all, photography He never moves without his camera and a book, *Healey's Eye*, established his near professionalism

In terms of foreign policy, he has shifted from the time when Labour's hard men derided him as "the MP for Nato " As the leadership, under Neil Kinnock, seeks to re-establish Labour's electoral credibility, some analysts believe Healey (who sees something of John Kennedy's catalytic quality in Kinnock) has moved to the Left

Others reckon there has been a mutual convergence of party and man Healey has publicly mauled the US over Nicaragua (Defence Secretary Caspar Weinberger lost their TV debate on points) and criticised Thatcher for turning the "special relationship" between London and Washington into a one-way street of slavish acquiescence

Healey and Mandela . . .
***Wives of Fame* for Winnie**

On Nato, however, he remains "an Atlanticist," but would cancel Britain's order for US Trident missiles, negotiate closure of American Cruise nuclear bases and push for greater conventional capability in the Alliance

At the same time, he is not a unilateralist when it comes to the UK's existing (but ageing) Polaris deterrent "The other buggers can start the war So you've got to concern yourself about this appalling problem you're on the same planet and you can't step off," he has stated

So he continues to be at odds with the far Left of the party Answering a unilateralist at a recent lecture, Healey said "What you are talking about is neutralism I've always regarded neutralism as chauvinism with an inferiority complex " ■

GLENN LAING

FIN MAIL (214) 4/7/86

Gold-digger

Glenn Laing, MD of soon-to-be-listed South East Rand Gold Holdings (Southgo) is the latest member of a small but growing number of independent mining entrepreneurs in an industry which has traditionally been dominated by the massive mining houses

Laing (35) intends expanding Southgo's operations at the old Nigel Gold Mine, situated at Nigel on the East Rand, from its present level of 3 000 tons/month to 31 000 tons/month — and hopes to raise R10m through a preferential share placing and public offer of shares on the JSE


Robert Tshabalala

Laing ... independent mining entrepreneur

Laing and his partner, Roy Flowerday, are generally unknown to the investing public To date, they have both kept a fairly low profile inside the limited circles of geologists, mining men, investors and speculators who watch small new mining developments closely However, Laing's training in geology and mining and his career in the mining industry have been directed towards realising his ambition of running his own mine and, eventually, his own mining group

Educated in Zimbabwe, he graduated with distinctions in mining geology from the University of the Witwatersrand and then, to the surprise of his lecturers, signed on as a learner on-setter with the Messina mining group's Messina copper mine — on-setters are responsible for loading workers into and out of the cages in which they're transported down the mine shafts to the underground workings

"When I started the mining geology degree I wasn't sure which route I wanted to follow, exploration geology or mining Towards the end I decided to go for mining and, holding a bursary from Messina, starting from scratch with them seemed the obvious way to gain the needed experience," Laing says

He subsequently became a learner official and within two years obtained a blasting certificate — the essential key to any career in the mining industry

Having acquired the practical necessities, Laing decided to return to the academic side of his chosen career and took a masters degree in mining from the Colorado School of Mines in the US Returning to the Messina group, he then rose swiftly through the various management levels, becoming GM of the MTD Mangula copper mine in 1978

In 1981 he moved to SA and spent a year as a section manager on the East Rand Proprietary Gold Mines (ERPM) He subsequently joined Joe Berardo's Egoli group in 1982 working under technical director Tony Netto before buying into the Nigel gold mine with Flowerday two years ago

Mining men, with a few notable exceptions, are a conservative group and Laing is not an exception to this rule The two syndicates led by himself and Flowerday have pumped R6m into Southgo to get it to its present stage where it is a profitable, going concern before approaching the market for funds to finance the final expansion

"It's fine making projections but I'm the guy who has to make it all work and carry the can if it doesn't That means I'm the guy who'll have to stand in front of shareholders to try and explain what happened should something go wrong I'm taking all the necessary steps to make sure everything goes right "

"All the necessary steps" has meant a highly conservative financial and operating approach to setting up Southgo Expansion has been planned in two stages initially pushing up milled output to 6 000 tons and then 31 000 tons a month The second phase expansion is already virtually complete, funded by the profits ploughed back into the mine over the last six months

Overhead costs have been cut to the bone — Laing is scathing about the unnecessary financial burdens some mines carry in the form of head office charges "We have no head office and work at the mine There'll be no guys at head office on ego-trips messing the mine manager around There's no management contract between myself and the company though I have a service contract I draw a salary which is determined by the board of directors and otherwise my rewards will come through my shareholding in the company

"If the company does well the shareholders, including myself, will do well So the mine won't be lumbered with management contract charges — on some small mines they run at up to R2 a ton milled — regardless of how well or badly it is doing " ■

ALEXANDER HAIG

A dark, dark horse

Alexander M Haig this week marked his fourth anniversary in private life by doing something extraordinary — he announced his plans to seek the Republican nomination for US president in 1988

Idleness will do that to a man It clouds the judgment Disappointment has dogged General Haig's life from almost the earliest days when he was one of the US army's most promising and intelligent young officers In the Sixties, his then meteoric military career took him to the post of commander of American troops in Europe and he was the youngest general of any army to be named commander of the Nato alliance in Brussels

Haig

Haig was the kind of young officer civilians love to believe their armies are filled with — sound of limb, cool of eye and with a deep sense of both history, mission and honour Haig could quote Roman generals, nuclear throw-weights and Marx, if need be, with easy familiarity

Small wonder that Richard Nixon chose him as chief White House military aide, boosted him onto the national security staff and finally, as Watergate closed around, as his chief personal adviser

Nor was it surprising when Ronald Reagan selected Haig as his first Secretary of State in 1981, a choice which dramatised the president's determination for a tough foreign policy Yet just as Watergate had blurred the Haig character, his early days at the State Department blunted his reputation for incisive judgment as first in the Polish Solidarity crackdown and repeatedly in the Middle East, Haig faltered and dithered

Finally, in the spring of 1982, with Reagan lying shot, but recovering in a nearby hospital, Haig and his political future came unglued He was seen to have lost control and to make an ill-chosen grab at the White House staff duties which, by the constitution, fell to the vice-president By June he was gone, replaced by the phlegmatic George Shultz

Unless Haig's true friends prevail on him to reconsider, he will enter a list of contenders seeking the Republican nomination which already includes his old nemesis, Vice-President George Bush, along with Senate majority leader Robert Dole, former majority leader Howard Baker, congressman Jack Kemp, a professional football star, and a former governor whose name — Pierre S du Pont — and fortune have to put him ahead of Haig at the opening bell

Haig, by his lights, does have a considerable following among the far rightwing of the Republican party for his stern stance against Communism and his calls for more aggressive policies in the Middle East and in Central America But Americans have traditionally demanded more than that

Also, Americans have only elected seven generals president since farmer-general George Washington, even that tally includes Theodore Roosevelt who really was a reservist colonel In this century only Dwight Eisenhower, who was something more than a military man, ever made it to the White House while better soldiers — Pershing, MacArthur, Bradley — were never seriously considered

Since retiring four years ago, Haig, now a vigorous 62, has been serving on various corporate boards and giving lots of pep-filled speeches to various conservative groups

"I believe the race is wide open," Haig said in a news interview which followed one of those outings "I think timing is very, very important because I'm a dark, dark horse " It is all rather sad ■

W/C ARGUS 5/7/86 (214)

Big profits for booming gold mines on the cards

By JOHN ORPEN

JOHANNESBURG. — South Africa's booming gold mines are expected to report all-time record profits for the June quarter

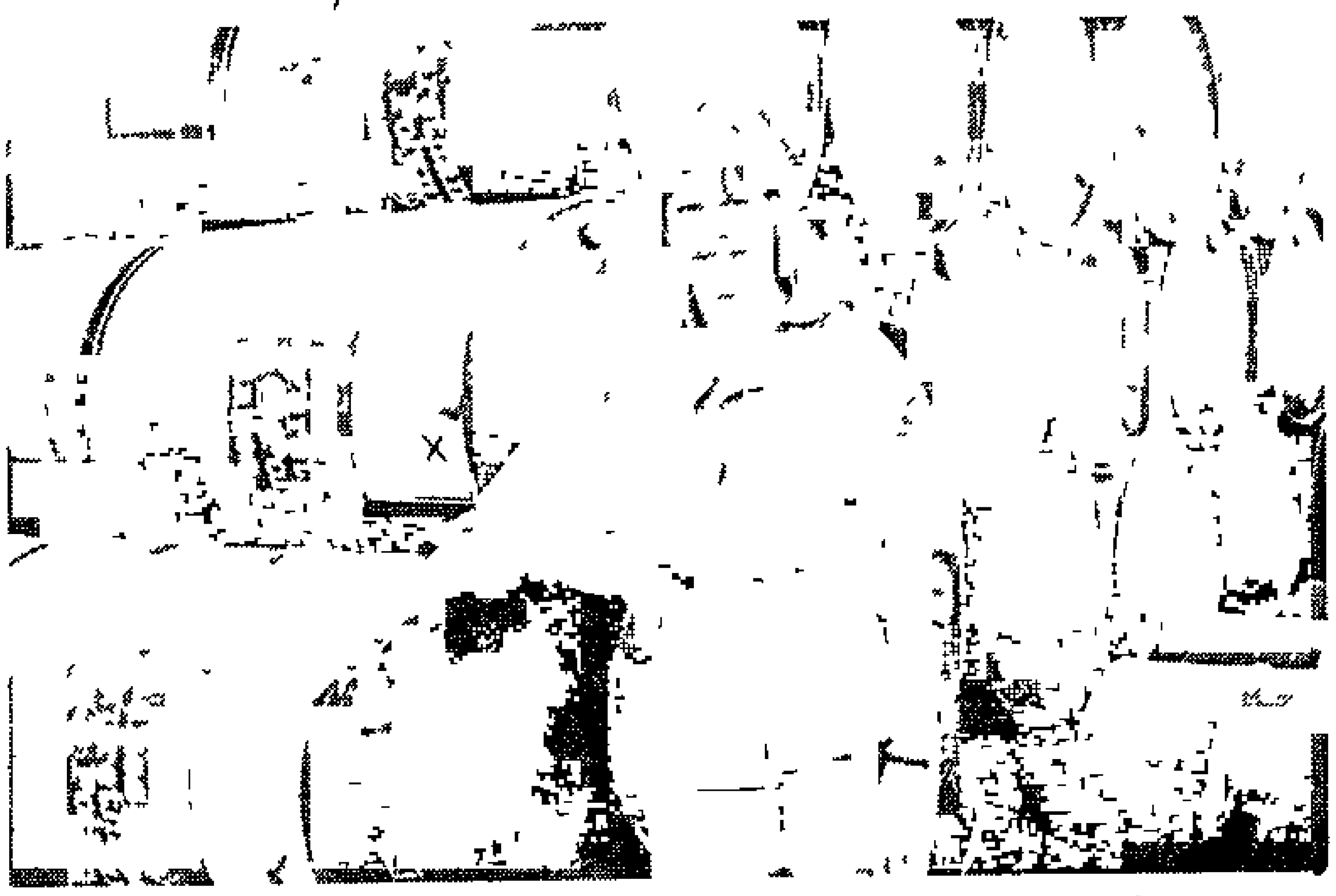
The results for the three months to June 30, to be released within the next fortnight, could, some sources believe, provide the catalyst for the nation's long-awaited economic revival

They draw attention to the likelihood that it is largely a lack of confidence which is holding back the economic recovery.

Hence, outstanding figures from the sector contributing the bulk of South Africa's foreign exchange earnings and a large proportion of the gross national product, could well trigger off a renewed wave of entrepreneurial optimism

Markedly more

That the mines will earn markedly more in the June quarter than in any previous three month period can be gauged from the average rand gold price that ruled for the most recent quarter — R24 774 a kg, which is a sharp 4 percent up on the R23 794 a kg of the March quarter.



Johannesburg manufacturer Van Leer have produced a new drum with a special seam designed to resist impact. The new seams mean that drums can be manufactured from cheaper 0,9mm mild steel instead of the conventional 1,2mm steel. Seen here with some of the drums is customer Mrs Pat Wilson, buyer and production planner of Industrial Urethanes in Edenvale, Transvaal which uses more than 500 drums a month.

Apart from the confidence spinoff, improved gold mining earnings translate into higher dividends, more expenditure by the huge gold mining industry and increased takings for the fiscus — all factors which point to a higher level of spending throughout the economy and reduced pressure to raise taxes

Mining analysts canvassed are optimistic that most of the gold mines will be reporting better results during the next couple of weeks

Unit trusts

	Buy	Sell	Yield
Mutual	975,37	904,28	4,52
NGF	471,77	438,87	5,08
Sage	[illegible]	873,36	4,72
UAL	898,64	838,64	5,57
UAL Min	213,83	200,01	7,21
SATS	333,40	310,36	5,35
Sanlam	682,07	636,78	7,11
Trustgro	198,68	184,93	7,30
Sandiv	207,29	194,61	9,56
Gardbnk	855,72	796,69	5,29
Stand	452,25	421,25	5,60
StandInc	79,23	78,23	14 1

Telecom giant

LONDON. — The US telecommunications giant, ITT, and France's CGE have announced a R11-billion joint venture in Europe. It creates the world's biggest maker of telecom equipment

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Randfontein is the mine to watch

7/7/86 STAR 214

By Gareth Costa

Randfontein Estates gold mine appears to be the mine to watch as the June quarter's results are released over the next week, but analysts are divided over whether the mine will record better earnings

One school of thought suggests that underground production will be up because there have not been strikes

In line with this, better grades and more gold should be produced since the lower-yielding surface dumps were not used to supplement the milled tonnage

Working costs should also be up because of the underground work

However, the March quarter saw Randfontein receiving a rand gold price way below that of the other mines mainly due to poor currency hedging

One analyst has suggested that it will be the same this year, maybe even worse, as the books are cleared of long-term contracts for the start of new gold division chairman, Mr Ken Maxwell

The average gold price for the quarter should be about R24 700, or four percent higher

Mathison and Hollidge analyst Mr Hilton Ashton says he expects this to offset a forecast increase in average working costs

He adds that total production should also be up by about two percent, mainly due to the lack of strike activity

Buffels is expected to once again show a low milled tonnage as was the case last quarter through stockpiling as a strike buffer

Other mines in the Gencor Group could also be following this policy

Ferguson Brothers' Mr Mark Madeyski said he believed Buffels' working costs would remain high, in the region of the R117 a ton of last quarter, while another analyst said he believed Buffels' shares were overpriced on the current and expected earnings

Market talk says that Beatrix and Cons Modder have both had problems with grades, but Mr Madeyski points out that Cons Modder has the rich Black Reef which it can milk if it is battling

Analysts say that Blyvoor had problems in the March quarter, but it should improve, while Kinross and Bracken could also show impoved grades

A drop in grades to about 2g/ton could be in line for Wit Nigel

SNK 7/7/86 214

State is to aid search for new goldfields

The Government is to help the gold mining industry in a search for new goldfields in the Witwatersrand basin, Minister of Mining Mr Danie Steyn promised when he opened the international Geocongress 86 in Johannesburg

He said the plan would be outlined in a White Paper on future mineral policy to be tabled in Parliament next month

Among steps proposed was a "search for outliers of the Witwatersrand basin by the Government's Geological Survey, plus continual assessment of gold reserves and resources in the basin"

The Government would also give State support to certain gold mines and for the establishment of industries geared to produce value-added components of gold exports

PRIVATE INTERESTS

Mr Steyn said the Government envisaged the establishment of a Mineral Advisory Council on which private interests would be represented Its task would be to supersede the Mineral Policy Committee and integrate all strategies related to the best use of minerals

Addressing hundreds of geologists from all over the world, Mr Steyn paid tribute to this country's gold mining pioneers who had added "an entirely new dimension to world mining"

Their sophistication had grown so much that gold occurring nearly 4 km below the surface at a grade of 6 g a ton could be mined, recovered and sold at a profit

Such feats had made gold synonymous with South Africa, which still possessed more than half the world's reserves

Up to 10 000 strike against detentions

Mineworkers stage protest

SNK

7/7/86

Up to 10 000 black mineworkers have staged strikes and go-slow actions on five mines in protest at the emergency detention of trade union leaders

The National Union of Mineworkers (NUM) reports that 8 000 miners have been staging a go slow since Friday on Anglo American's Free State Geduld mine But the company said only 3 000 out of a workforce of 26 000 had been involved

In Kimberley, 1 950 NUM supporters have been on strike at four De Beers diamond mines since Thursday, demanding the release of NUM officials detained under the state of emergency A union spokesman said a wage dispute on the mines was a separate issue and was not related to the strike

Negotiations are continuing with De Beers

Latest estimates by the independent Labour Monitoring Group put the total number of union officials and members in detention at 1 537, including 18 NUM officials

The president of the NUM, Mr James Motlatsi, and general secretary Mr Cyril Ramaphosa have returned to South Africa from Britain where they attended a British NUM conference in Wales and met Labour Party leader Mr Neil Kinnock

Mr Motlatsi and Mr Ramaphosa were met at Jan Smuts Airport on Friday by British diplomats after they had expressed fears that they may be detained However, the two union leaders left the airport without incident

Step up reforms

The Institute for Personnel Management (IPM) has become the latest body to express concern at the detrimental effects emergency detentions were having on employer-worker relations, writes Mike Siluma

In a telex to the Minister of Law and Order, Mr Louis le Grange, the IPM urged the Government to step up the reform process as the only possible way of resolving the problems

Calling for detained unionists to be charged or released, the IPM said the detentions had a "definite detrimental effect" on industrial relations, and specifically on the present round of wage negotiations

As long as blacks did not have a political forum at the highest level, trade unions would be, and were, forced to get involved in issues outside the workplace, including political activities

However, the IPM said it accepted that no person was above the law and called on unions to "act responsibly"

Some individual employers and their organisations have recently made similar calls

The Labour Monitoring Group said of the 1 537 unionists in detention 218 were leaders and 1 319 members

Wage negotiations feared to be in danger of being jeopardised by the detentions were notably those involving thousands of black workers in the crucial metal and mining industries

Lesotho warns migrants on joining NUM

The Star's Africa News Service

MASERU — Basotho mineworkers in South Africa have been warned by the head of the military government, Major General Metsing Lekhanya, not to get involved in South African politics through membership of the National Union of Mineworkers.

The general also announced that a Lesotho ministerial delegation would visit South Africa this week for talks on improvements to the working conditions of Basotho migrant workers

He did not say with whom the talks would be held but it is believed they will include representatives of the South African Government and the Chamber of Mines

Speaking at a rally over the weekend, General Lekhanya said Basotho who joined the NUM must be careful not to endanger their employment

His statement comes soon after a renewed warning by South African Foreign Minister Mr Pik Botha that migrant workers in South Africa might be sent home if international economic sanctions were imposed on South Africa.

Security meeting

Schoolboy

Southgo set for August listing

BUS DAY 7/7/86 (214)

BRIAN ZLOTNICK

SOUTHGO — South East Rand Gold Holdings — a low-cost producing gold mine, is coming to the market through a general-public share offer of 5-million shares priced at 100c each.

According to the prospectus, in today's *Business Day*, Southgo is raising R10m — also by way of a private placing of 5-million shares — to fund a three-year capital expansion programme

The offer opens today and closes at noon on July 25 The 40-million shares in issue are expected to be listed on the JSE gold board under the Rand and Others sector on August 6

Investors have to subscribe for a minimum of 500 shares

Southgo, which adjoins the Marievale mine and borders Nigel, needs a gold price price of only $192/oz — at an exchange rate of $0,50 — in today's money terms — to break even

Earnings a share, at a gold price of R20 000/kg, in today's money terms, are forecast to be 20,5c in the 1988 financial year to December and 24,7c at a gold price of R25 000/kg, the directors predict in the prospectus

They say their intention is to distribute 80% of the amount available for distribution by way of dividends to shareholders

Based on forecasts of a gold price of R25 000/kg, or R778 an ounce in today's money terms — compared with the current price of about R27 500 — dividends a share could be 4,5c in the 10 months to end-1986, 11c in 1987 and 19,5c in 1988

Looking at the detailed income statement, no provision for taxation has been provided for on the forecasted profits, presumably because of taxation benefits from capital expenditure

So, in determing what worth to place on the shares, it seems the cash-flow statements provided in the technical report are a better guide

Furthermore, these calculations show what cash flows can be expected from the 1989 financial year until the year 2012

The 1989 year is theoretically the pivotal year, as production will then be up to 1 581kg of gold a year, at a recovery grade of 4,25g a ton, from 372 000 tons milled

Cash flow at a gold price of R25 000/kg is estimated to be R6,7m a year until the year 2012, when the mine's estimated current ore reserves of 5,94-million tons, at a recovery grade of 4,25g a ton, will be nearing an end

Based on the theoretical cash-flow paradigm and current gold price, shareholders can expect an annual dividend of at least 15c a share from 1989 onwards

Given that there are many imponderable variables, and using the expected (theoretical) dividend flow, the share could hit the market at about 125c

Because the offer has not been underwritten, eyebrows may well be raised. But director Norman Lowenthal says the directors are so certain of the issue's success that they feel it is unnecessary to have an underwriter

West Wits sees a golden future on the horizon

7/7/86 BUSDAY 214

ADAM PAYNE

THE high rand-gold price has given birth to a rash of small gold mines on the sites of defunct former big mines — and some of these are prospering and expect to improve.

West Witwatersrand Gold Holdings is now aiming at an increase of 180% in gold output in the year to next March.

This target follows the achievement of a threefold increase in after-tax income to R4,8m in the year to last March.

Like the other small mines which have opened or are being opened along the Witwatersrand — Egoli, Springs Dagga, Modder Bee, Rand Leases and South-East Gold — the attraction is the prospect of a continued high rand-gold price

For investors with confidence that the rand-gold price will remain high, West Wits is a fairly good investment. However, like other small mines with low grade, the mine is more vulnerable to the gold price than the large higher-grade producers.

If the mine can maintain a grade of 2g a ton to 3g/t and control costs, it should do well and be worth an investment — bearing in mind it is speculative.

West Wits chairman Joe Berardo says. "Our primary objective is to use our large and shallow reserves to establish a large-tonnage, low-cost operation. The objective is well on the way to being realised

"All has been going according to plan except that recovered grades have been lower than estimated. However, reasons for this have been identified and I am confident that performance will advance substantially in the year ahead.

"Ultimately, our performance will be determined mostly by the rand-gold price."

The company now has the right to use the old Randfontein No 16 shaft which is expected to be brought rapidly into production.

Capex last year was R7,3m. Spending this year is estimated at R7m

ARGUS 8/7/86

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INNOVATION

Latest methods will slash Joel mine's labour costs

Financial Editor

SOUTH Africa's gold mines may all look the same on the surface but underground important changes are taking place, all of which are aimed at increasing productivity and cutting costs, particularly of labour

The Joel mine being developed in the Free State is a good example of this trend

Gold mining analyst Garth Tromp of Mathison and Hollidge says "The mine is unique in that it will be the only gold mine in the industry utilising what is known as trackless mining throughout all its operations

"While this pushes up the initial capital expenditure it is expected to reduce mining costs substantially"

MOST SUCCESSFUL

JCI's experience with trackless mining at Randfontein Estates has been most successful and its use at Joel could result in cost savings of 15 to 20 percent when compared with conventional mining methods

Mr Tromp says a major saving lies in the ore handling system because one handling process will be eliminated

Mechanisation will also cut down on the number of people required Joel's labour complement of 2 500 compares with 4 200 on a similar mine.

Other spinoffs from a lower labour complement include improved houses for all and less susceptibility to growing union influence.

Joel is in the process of raising R184-million through a rights issue of 6,1-million units at R30 each to Randfontein shareholders.

NIL PAID LETTERS

Mr Tromp says the Joel nil paid letters being traded on the stock exchange, and which give their holder the right to take up the units, are probably worth between R15 and R19 depending on the basis of valuation employed.

The first gold will be produced in 1988 and by June of that year the milling rate should be 80 000 tons a month, reaching 120 000 tons a month by 1991 when the second twin-shaft system is expected to be completed

BUSDAY. 8/7/86.

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COMPANIES

GFSA golds' profit rises

ADAM PAYNE

TAXED profits at GFSA's gold mines rose nearly 5% to R252,3m in the June quarter mainly because of lower tax resulting from heavier capex.

Working profit was lower, largely because of a lower gold price of R23 743/kg (R25 029) and because of higher costs

The higher capex figure was the result of completing accounts for the June year-end and did not necessarily represent a spurt in spending in the quarter

Unit costs rose by 21% at East Driefontein and by 22% at West Driefontein over a year ago. Cost increases on all the mines resulted partly from the one-off funding of their liability for leave owed to black mineworkers.

A decrease in yield at West Driefontein was due to seismic activity, which forced the mine to move out of a high-grade area Grade should improve in the current quarter with the mine again working the Carbon Leader reef.

DOORNFONTEIN: The mine is battling with grade Despite maintained tonnage, gold production was lower Costs were up 21% on a year ago.

An over-provision for tax resulted in a R5,6m credit, which helped the jump in taxed profit to R23m (R14,4m)

Capex in the next two years is expected to be about R35m a year

DEELKRAAL: Development was reduced because it had reached the Elandsrand boundary to the east. It is expected to recover. The mine will eventually sink a second sub-vertical shaft below the present one.

KLOOF: Grade is expected to improve from 13g/t to between 14,0g/t and 14,5g/t in the next three to six months on a new long wall As soon as No 4 Shaft is completed a sub-vertical shaft will go down to 3,5km

In driving towards Leeuwdoorn mine for development, heavy water was encountered on 23 level. Shaft sinkers will carry out the station cutting on this level to bring the project back on stope.

LIBANON: Costs were up only 15% over a year ago. Grade improved and is likely to remain at 5,5 g/t.

VENTERSPOST: Grade has been rising and the management expects to maintain yield at 3,5g/t to 4,0g/t

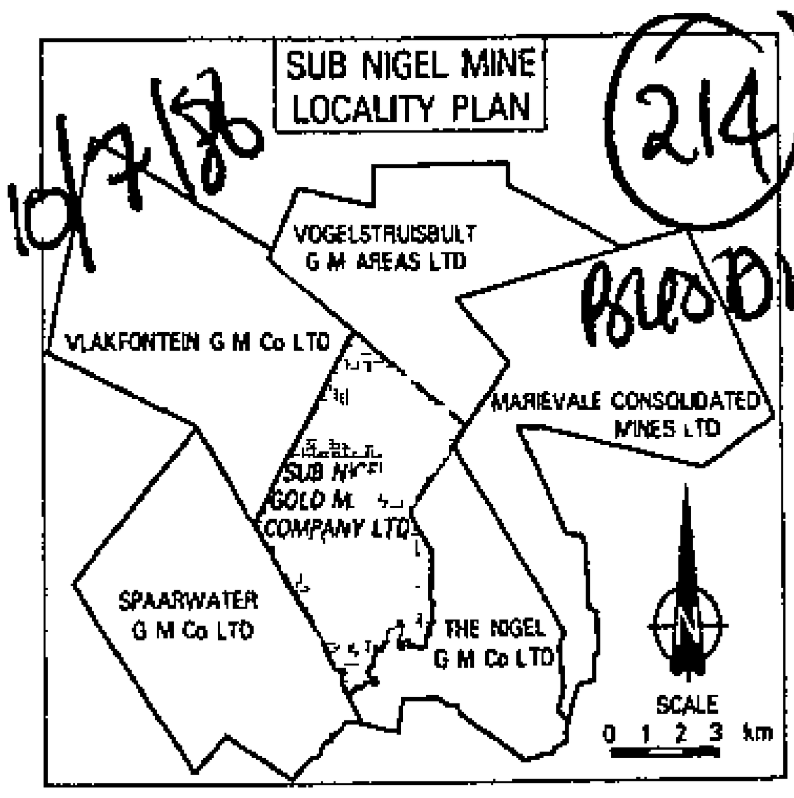
"We have got to do so," says Colin Fenton, head of GFSA's gold division

"Hopefully, we can maintain it above 3,7g/t"

VLAKFONTEIN: Costs rose because of a higher price for some ore bought from one of the suppliers.

Sub Nigel heads for a listing

10/7/86 214 BUSDAY



CHERILYN IRETON

EAST RAND gold mine, Sub Nigel, should be listed on the JSE next month after a private placing of 5-million shares at R1,80 each has been concluded

Sub Nigel is a small producer and neighbour of soon-to-be listed Southgo

Before its closure in 1969, the former GFSA mine was highly profitable, producing 460 tons of gold with an average recovery yield of 15,9gm/t

In September 1984, MD Les Holmes took transfer of the property and since October 1985 Sub Nigel has on average each month milled 2 000 tons of ore with recovery grades above 8g/t

The mine reported profits of R1,5m in the nine months to June

Sub Nigel is managed by Rhombus Mining Group and headed by Holmes, a former MD of Golden Dumps, where he was in charge of establishing Consolidated Modderfontein and South Roodepoort

He was responsible for introducing SA's first carbon-in-pulp recovery plant A conservative mining engineer, obsessed with running a tight operation, he has only three senior people — a mining engineer, a chartered accountant and a geologist — with him on the Rhombus management team

"We may be a small mine, but we are certainly not marginal," says Holmes

Targeted monthly production is 40 000 tons, says Holmes' partner and financial director Rob Still

Still, a former partner of Ernst & Whinney, joined Rhombus after an association as a consultant

According to geological estimates, the mine has reserves of 15-million tons of ore at an *in-situ* grade of 5,6g/t At planned production rates, this should last 32 years Costs a ton, in today's money terms, are estimated to be about R52,50

Still says the shallowness of the mine and the existing infrastructure will make for considerable cost containment He estimates the breakeven gold price to be about R10,500/kg.

Up-dip scraper mining techniques will be used to get to the reef, which runs in pay shoots Existing infrastructure dictates that traditional track mining methods be used

The labour force will be drawn from the East Rand

Proceeds of the private placing will be used to help fund a R24m capital expenditure programme, which includes the re-equipping of three existing shafts and the establishment of a carbon-in-pulp reduction plant

The private placing is equal to 19% of Sub Nigel's equity, bringing the number of shares in isssue to 22,1-million — a figure which will reach 26-million when the debentures issued in London last year are converted.

Mixed results from GFSA

15/7/86

Financial Staff

Gold Fields's coal and base metals results for the June quarter were a mixed bag, with some recording increased profits, while others reported worse results

Black Mountain Minerals recorded an increase from R8,3 million to R11,6 million in net profit, following higher world zinc prices and the weaker rand, while production was constant at 303 000 tons

O'Okiep Copper Company picked up the bottom line from R530 000 to R3,5 million, also due to higher copper prices and the rand, while the grade rose to 1,84 from 1,58

Revenue was R23 million, up from R17,6 million

Rooiberg Tin slipped into the red, losing R663 000 following the collapse of the world tin price Union Tin lost a further R820 000 with the winding down of the mine Gold Fields Coal made a reduced profit of R6,5 million, down from R7 million, while production was down at 2,3 million tons

Gold hedging bonus for Rand Mines

15/7/86 STAR 214

By Gareth Costa

Beneficial gold hedging and a low increase in working costs at Rand Mines have resulted in most of its gold producers recording increased profits in the June quarter

The group had a 23 percent increase in pre-tax profit to R111 million, while after-tax profit was 18 percent up at R83 million

However, ERPM slipped into the red for the quarter, even after receiving nearly R1 000/kg more for its gold at R25 530/kg Gold produced by the mine slipped by 90kg to 2 235kg, after a drop in grade to 3,37g/ton from 3,55g/ton

Analysts say that while this indicates the current position of the mine, most are confident that given time things will improve when the 5g/ton from the Far East Vertical shaft starts coming through The mine will begin working parts of the new ore body by the end of the year

They do say, though, that it is imperative that costs are kept down, but this should be possible once the old and inefficient shaft systems are phased out and the gold plants modernised

ERPM recorded a working loss of R8,6 million, but state assistance of R9 million pulled it into the black before taxation with R1,1 million However, after tax the mine was R1,4 million in the red, equal to 165c a share after capex Last quarter the loss was 91c a share

Clive Knobbs, head of the gold division

The mine has hedged about a quarter of its production forward for the next three months at a price of R28 000/kg

Harmony increased production to 7 309kg, while the yield eased marginaly to 3,52g/ton Analysts were expecting it to move back to around 4g/ton

The excellent gold price of R26 154/kg received from R23 930/kg the previous quarter offset the R4 higher working cost of R68,53/ton, to record revenue from gold and silver of R191 million, while working profit was R57 million

A low tax bill due to the end of the financial year and increased capex, saw the mine's pre-tax profits rising to R61,2 million from R47,8 million After capital expenditure of R43 million, earnings were 68c a share from the 45c last time around

Blyvooruitzicht achieved good results for the three months, with a vastly increased ore throughput to 589 000 tons, back to previous levels after the first quarter's wildcat strike which saw it drop to 498 000 tons

The mine produced nearly 600kg more gold even after the grade eased slightly to 6,15g/ton from 6,2g/ton Costs came down with the increased tonnage, falling R6 to R84/ton milled

Working profits were R43,6 million, while the bottom line of after-tax profit was R18 million, up from R14 million Earnings after capital expenditure were 57c a share, up from 39c

Durban Deep recorded a "pleasing" after tax profit of R5,2 million, while working costs were down slightly at R73,47/ton from R73,86/ton

15/7/86 Bus Day

Rand Mines producers notch up higher profits

(214)

ADAM PAYNE

GOLD mines in the Rand Mines group, having sold gold forward at higher-than-ruling prices in the June quarter, achieved excellent results with net profits higher on all mines except ERPM

Stars of the quarter were Durban Deep and Harmony Durban Deep achieved a 73% rise in net profit and transformed a loss in earnings-a-share after capex in the March quarter of 4,9c into a profit of 87c

Harmony, with considerably higher revenue-a-kilogram at R26 154 (R23 930) and slightly higher tonnage, increased net profit by 28% to R61,3m Earnings-a-share after capex rose to 68c (45c)

GFSA's average price received in the June quarter, with no forward sales, was R23 743/kg compared with R25 029/kg in March

Rand Mines, including forward sales, averaged R25 805/kg in the June quarter, an increase of 7% over the price in the March quarter

With the gold price at present at R29 087/kg, largely because of the weak rand, the various Rand Mines gold producers have sold forward for the current quarter at a lower price

Harmony has sold 1 026 (about 14%) of its current quarter production at R27 147/kg

Other prices for forward sales this quarter are ERPM R28 067/kg and R30 958 for the fourth quarter, Durban Deep R26 336/kg and Blyvoor R27 029/kg

All four producers showed lower grades during the June quarter but this was more than offset by an almost 5% increase in tonnage milled Gold production rose by 624kg to 15 105kg

Higher gold production and rand receipts resulted in pre-tax profits rising by almost 23% to R111,2m

Although capex was 14,5% higher, tax also rose by R7,5m to R27,8m

Because of higher tonnage, the average unit costs were virtually unchanged at R81,23/ton

Harmony The mine accounted for more than 70% of the group's bottom-line profits With higher tonnage, total revenue for the quarter was up more than R20m at just under R200m Capex for the year to June 1987 is provisionally estimated at R139m

Blyvoor The results were much better than in the March quarter when the mine suffered a one-week, wild-cat strike which cost 44 000 tons in lost production Grade dropped to 6,15g/t (6,20g/t) which, according to Rand Mines gold division deputy chairman Paul Forbes, is in line with predictions

Capex for the year to June 1987 is estimated at R21m

Durban Deep After a March quarter which showed a negative cash flow after capex, the mine was R2m in the black in June, because of higher production and a higher gold price

ERPM Had a bad quarter, reporting a net loss Capex of R16,8m resulted in a negative cash flow of R18,3m in the quarter Gold production was lower largely because of seismic activity

	Tons milled 000's	Yield g/t	Costs R/Ton	Costs $/oz*	Rev $/oz*	Rev R/Kg	Costs R/Kg	Net profit R000	Net Profit after capex R000	EPS after capex cents
Blyvoor	589	6,15	84,00	190	357	25 700	13 660	18 402	13 702	57
March	498	6,20	90,04	212	351	23 998	14 522	14 471	9 276	38,6
Harmony	2 076	3,52	68,53	271	364	26 154	19 464	61 253	18 192	68
March	2 017	3,56	64,89	266	350	23 930	18 220	47 876	12 067	44,9
Durban Deep	602	3,22	73,47	317	348	25 005	22 821	5 212	2 014	87
March	583	3,12	73,85	334	349	23 864	22 852	3 002	(115)	(-4,9)
ERPM	664	3,37	98,92	409	355	25 530	29 379	(1 486)	(-18 320)	(165)
March	656	3,55	97,63	403	361	24 679	27 543	4 939	(10 126)	(91)

* Standard Bank average exchange rate March quarter 0,4471; December 0,4656.

COMPANIES

Argus 16/7/86 (214)

Earnings boom boosts gold mines' expansion

By DEREK TOMMEY
Financial Editor

THE high rand gold price received by the gold mines for the past 18 months or so is triggering a major expansion of the industry

This is welcome news for all South Africans as this expansion should have strong positive benefits for the rest of the economy and put South Africa back on the economic growth track

Quarterly figures issued today by two mining groups — Anglovaal and JCI — show that they doubled their total capital expenditure between the March and the June quarters — from R75,5 million to R152,3 million

If the other large mining groups which are still to issue their June quarterly reports do the same, South Africans can expect a marked increase in economic activity in the near future

Today's reports show that Randfontein increased its capital expenditure from R37,0 million in the March quarter to R61,7 million in the June quarter, Western Areas from R16,7 million to R34,9 million, Hartebeestfontein from R15,4 million to R36,3 million, Village Main from R100 000 to R1,9 million, ET Cons from R3,9 million to R9,7 million, Loraine from R1,7 million to R3,5 million, and Cons Murchison, which produces gold as well as antimony, from R700 000 to R4,3 million

As this increased expenditure starts flowing to the construction, engineering and other mining industry suppliers the business tempo should start picking up

The feature of the Anglovaal June quarterlies was Loraine's doubling of its attributable profit from R7,0 million in the March quarter to R14,2 million This followed an increase in working profit from R12,6 million to R21,9 million

Hartebeestfontein also had a good quarter, raising its taxed profit from R51,4 million to R72,5 million although working profit rose only from R117,0 million to R122,5 million

Boosting taxed profit were the tax benefits arising from the sharp increase in capital expenditure

ET Cons' working profit rose from only to R12,4 million from R11,0 million But here again, the increased capital expenditure led to a cut in tax payable and after-tax profit rose from R6,7 million to R11,6 million

Village Main increased its profit from R586 000 to R1 671 00

In the JCI group, a significant increase in Randfontein's milling rate and in revenue a ton milled from R82,59 to R99,58 lifted the mine's working profit from R56,0 million to R75,0 million After tax profit was R76,3 million (R51,4 million).

DD 16/7/86 213

Solidarity strike by workers halts mine

JOHANNESBURG — Production at the Gencor-owned Matla colliery near Witbank ground to a halt yesterday as about 1 600 workers went on strike to demand the reopening of a shaft closed by management on Monday

A spokesman for the National Union of Mineworkers (NUM), Mr Marcel Golding, said Matla's management had "locked out" about 900 workers from one of the mine's shafts on Monday and had demanded that the workers sign an undertaking not to take any illegal industrial action

But a mine spokesman denied this yesterday, saying workers had damaged mine property and were being asked to sign an undertaking not to do so in future

Yesterday morning the rest of the workforce went on strike in solidarity with the workers from the closed shaft who refused to sign the undertaking

A Gencor spokesman, Mr Dawie de Beer, confirmed that management had closed one shaft at Matla on Monday and that both shafts were at a standstill yesterday as a result of the solidarity strike

He said the shaft had been closed on Monday because workers had damaged a conveyor belt and cables on the mine last week Management required workers to sign an undertaking "not to damage company property" before restarting production at the shaft

Meanwhile, the entire workforce of the Twins-Propan pharmaceutical company in Wadeville, Germiston, was dismissed yesterday morning during a strike over wage negotiations

The Chemical Workers Industrial Union (CWIU) said the 280 workers had been on strike since Friday after wage talks with management reached a deadlock

The workers staged a "sleep-in" in the plant on Monday night and were dismissed yesterday morning

The union said that, as a subsidiary of the Premier Group, Twins-Propan was acting contrary to the spirit of recent public statements in favour of a "progressive approach" to industrial relations made by the head of the Premier Group, Mr Tony Bloom

The statement said the dismissals would cause unionists to "doubt the sincerity of businessmen, such as Tony Bloom, who project a liberal image in the press whilst dealing with labour disputes in their factories in a reactionary manner"

The public relations manager for Twins-Propan, Mr David Neppe, said the company had been forced to dismiss the workforce because they had been on an illegal strike

"We told shop stewards and union officials this morning that we cannot continue to negotiate with a workforce that has persisted with an illegal strike for more than two days," he said yesterday

The workers are demanding a R50 a week wage increase, reduced working hours, maternity and paternity leave and May Day and June 16 as paid holidays

The company offered an increase of R21 a week and a one-hour reduction in working hours, or an increase of R25 a week, with the other demands to be discussed at a later date

The union said it was surprised Twins-Propan was reluctant to grant the two holidays, as the Premier Group had already agreed to paid leave on the two days — Sapa

All Anglovaal mines do well

(24) STAR 16/7/86

By Gareth Costa

Anglovaal has produced excellent results for the June quarter, with all the mines increasing grades and all receiving gold prices over R26 000/kg which worked through to strong bottom line results

Loraine picked up its after-tax profit by more than 100 percent to R14,2 million Grades rose from 5,4g/ton to 5,7g/ton along with a small increase in ore milled, to produce 150kg more gold at 2 267kg

Working costs on the mine rose from R95,72/ton to R97,33/ton, which is mainly attributed to wage increases, while capex of R3,4 million was mostly used on the sinking of the Number 3c shaft

Eastern Transvaal Consolidated Mines recovered less gold at 807kg, although grades picked up marginally from 9,5g/ton to 9,6g/ton on reduced ore throughput, which was down from 89 700 tons to 84 300 tons

Unit working costs rose dramatically on ET Cons from R96,22/ton to R109,73, but this is the result of increased wage bills and a lump sum contribution to the pension fund After-tax profit moved strongly from R6,7 million to R11,5 million, although pre-tax profit was only R500 000 higher at R10,8 million

The mine has ore reserves of 1,7 million tons, with an average grade of 13,1g/ton

Hartebeesfontein reduced ore throughput to 773 000 tons, but increased grades from 9,5g/ton to 9,8g/ton to recover 55kg more gold at 7 560kg Working costs rose by R7 to R97,16/ton

After-tax profit improved markedly from R51,4 million to R72,4 million on a reduced tax bill following a much higher capex allocation of R36 million, which was up from R15 million Pre-tax profit was R3 million up at R129 million

Harties ore reserves now total 18,2 million tons with an average grade of 11,9g/ton, based on a gold price of R24 000/kg Last year the reserves were 19 million tons at a price of R19 000/kg

Good results at Randfontein and Western Areas

STAR 16/7/86 214

By Gareth Costa

JCI's Randfontein and Western Areas mines both recorded good quarterly results

But Randfontein says that it will not be hedging its gold sales in the foreseeable future, after a somewhat unenviable track record in this field

The mine secured a gold price well below that of other mines, receiving R22 462/kg, which is less than Western Areas' R24 895/kg and the three-month market average of about R24 700/kg. It now seems Randfontein will ride gold price fluctuations until it feels it is time to secure a good price

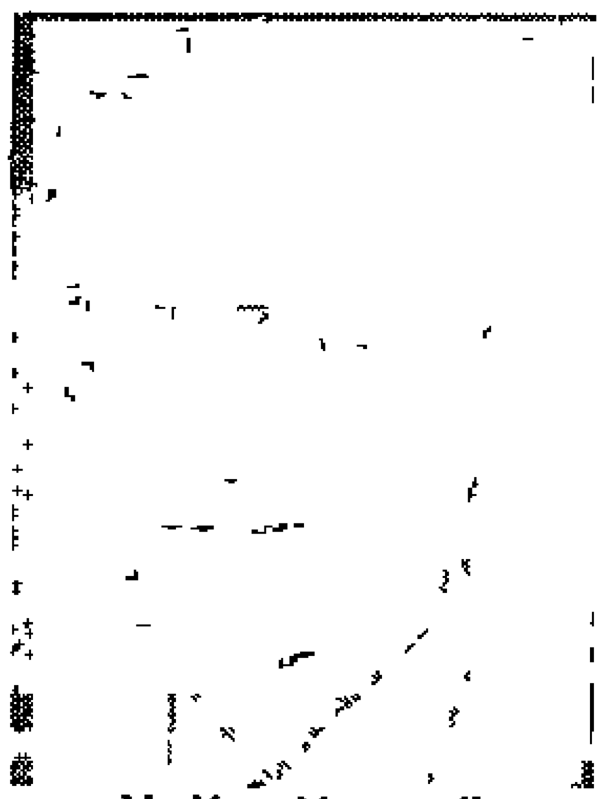
In other respects the mine did better, although the incoming head of the gold division, Mr Ken Maxwell, says the group is not happy with either mine's performance and that improvements are expected

Randfontein's grades were up to 4,4g/ton after falling to 4g/ton in the March quarter, after strikes necessitated using lower grade surface dumps Mr Maxwell says grades should have been higher, but problems with the mechanised mining side diluted them a bit

Ore milled of 1,59 million tons was not back to previous levels, but gold recovered rose from 6 456kg to 7 005kg Surface throughput dropped from 280 000 tons to 87 000 tons

Working costs increased from R47,87/ton to R52,50/ton, for a working profit of R47,08/ton milled Revenue from gold was R158 million Pre-tax profit was R76,28 million and net profit R76,27 million against R60 million and R51 million respectively the previous quarter The tax bill was reduced after capex rose from R37 million to R61 million

Western Areas' costs were "unacceptable"



Mr Ken Maxwell

after increasing by R5 to R89,48/tons Grades remained the same at 4,2g/ton, but gold produced rose from 4 028kg to 4 150kg after tonnage picked up at 988 000 tons Capex rose from R16 million to R34 million

Pre-tax profit was R1,2 million up at R24,8 million, while after tax profit rose to R35 million from R20 million Tax allowance includes provision for an additional payment that may be necessary after the Receiver and JCI sort out a disagreement over whether a hedging or opportunity loss can be deducted off the tax bill

Both the mines use trackless mining, each presently producing 150 000 tons which should move up to 200 000 tons on Western Areas by year end, and a bit more than 200 000 tons on Randfontein

Mr Maxwell says that mechanisation should result in a decreased workforce of about 4 000 to below 10 000 on Randfontein and a similar drop to 8 000 on Western Areas

Capex wipes out profit growth at Gencor gold mines

STAR 17/7/86 (214)

By Sven Lunsche

A sharp increase in capital expenditure is a feature of Gencor's latest quarterly results

Profits after tax rose by 19 percent to R144 million, largely as a result of an improved average gold price, but capex increases of an average 63 percent forced profits after tax and capex to drop by 0,9 percent compared with March

Mr Bruce Evans, Gencor's CE for the gold and uranium division, said that the increase in capex was the combination of a number of smaller investments on all gold mines and was "a question of a long term gain"

The average price recieved was R24 128/kg, which was above the average price recieved by GFSA and JCI, but down on Rand Mines R25 802/kg and Anglovaal's R26 480/kg

Beatrix was the group's outstanding performer, with an improved grade pushing gold production up by 20 percent The mine increased profits by 134 percent to R12,9 million and recieved the highest price in the group by R25310/kg

"The recovery of the grade from 5,4gr/t to 5,7gr/t was more in line with what it was supposed to be, and despite a substantial capital investment on the refrigeration plant was largely responsible for the good results at Beatrix," Mr Evans said

Gencor's other major mines, Buffelsfontein, St Helena and Winkelhaak showed increases in taxed profits, but the cost of replacing and closing down certain shafts made deep inroads into these figures

Buffelsfontein's attributable income rose by 15 percent to R34,2 million, but the production rate was severely restricted by faultings in the replacement of working faces in the Strathmore area This pushed capex up to R10 million for the quarter, and it is estimated that R25 million for the year ending June 1987 will have to be spent to improve the facilities

Despite a 32 percent increase in taxed profits to R23,2 million, Winkelhaak's earnings after capex were down R1 million on the March figure The increase in capital expenditure was, however, also responsible for the reduction in taxation and the subsequent improved earnings

Mr Evans expects further improvements at the mine, as the Number 6 shaft at Winkelhaak is expected to take off in a big way in the near future

At St Helena, the continued closure of high-grade areas was reflected in the drop of the average yield to 4,5gr/t (4,9gr/t), and contributed substantially to capital expenditures of R20,7 million in the first six months of the year

St Helena was also hard hit by frequent strikes and work stoppages, but according to Mr Evans these did not have a substantial impact on earnings Profits after tax and capex were down to R7,5 million from March's figure of R10,2 million

ConsGold is taken to task for labour policy in SA

The Star Bureau

LONDON — Consolidated Gold Fields, is strongly criticised in a report published yesterday for its role in South Africa's gold industry and is described as "arguably the worst" foreign employer in the country

ConsGold has a 48 percent stake in Gold Fields of South Africa (GFSA) and a direct 11 percent interest in the "world's richest gold mines", Driefontein Consolidated and Kloof, as well as a 19 percent stake in a recently developed Deelkraal mine

The London-based Counter Information Services (CIS) says in its booklet, "Consolidated Gold Fields — Partner in Apartheid", that it is estimated South Africa accounts for 75 percent of ConsGold's net attributable earnings

"The ConsGold group can justifiably be described, through its controlling stake in GFSA, as the single largest foreign employer in South Africa today Given the scale and record of its involvement, it is also arguably the worst"

"In an industry not noted for its humanity or sterling employment practices, GFSA has an authoritarian approach to labour relations, and is finding the advent of militant black unionism in the form of the National Union of Mineworkers difficult to accommodate

"The minimum wage for an underground GFSA black mineworker, on the basis of an 11-shift, 102-hour fortnight is R172 a month This is 58 percent of the minimum living level calculated by the South African Bureau for Market Research and 10 to 20 percent less than the wages paid by Anglo American Corporation mines"

"In a climate of increasing international disgust with apartheid and the violence it engenders, ConsGold's tie with South Africa is an exposed Achilles heel"

Adverse sales timing hits bottom line at Freegold

STAR 214 18/7/86

By Duncan Collings

Total gold production by the world's largest gold mine, Anglo's Freegold, was slightly up in the quarter to end-June rising to 27,3 tons from 26,9 tons the previous quarter, but on the financial front the mine did not enjoy as good a quarter

Revenue from gold sales declined R23,5 million to R653,3 million in the June quarter mainly as a result of the timing of gold despatches

The higher gold production followed a slightly increased tonnage milled at 5,6 million tons from 5,3 million, but slightly reduced grade of 4,88 g/t from 5,07g/t

On the working cost front, the group — the product of the merger of Anglo's Free State-administered mines — reduced costs at R74,81 a ton milled against R76,58 the previous quarter as the higher throughput reduced unit costs But overall costs were higher at R418,5 million against R405,4 million

A higher rand gold price received of R24 571 against R24 351 as a result of the weaker rand/dollar exchange rate was not enough to offset the adverse timing of gold despatches, and revenue declined

The lower gold revenue was partly offset by an increase in profits from the metallurgical scheme at R12,9 million versus R7,3 million, but a big decline in net sundry income to R5,3 million (R19,1 million) left pretax profit lower at R253,0 million versus R297,8 million

A lower tax take of R80,7 million against R108,0 million helped the bottom line to only a net nine percent decline to R172,3 million

Freegold's North Region showed an increase in gold production to 13 933kg (13 919kg) This is largely the result of an increase in area mined which rose by 5,4 percent to 568 000 square metres (539 000 square metres)

This more than compensated for the reduction in grade from 5,23g/t to 5,10g/t Capital expenditure decreased by 17,0 percent to R22,9 million (R27,6 million) and profit fell to R111,9 million from R150,3 million

The South Region showed an increase in gold production of 3,5 percent to 13 391kg (12 937kg) for the quarter As with the North Region, this was the result of an increase in area mined of 6,2 percent to 442 000 square metres (416 000 square metres)

Grade, however, declined to 4,68g/t (4,91g/t) reflecting the increase in marginal ore being mined in the light of an improved gold price

The South Region's profit was virtually unchanged for the quarter at R122,9 million versus R121,1 million the previous quarter

Gold production by the metallurgical scheme decreased by 54kg to 699kg (753kg) as a result of a reduction in both head grade and calcine treated

Acid production in the quarter rose by 1,6 percent to 93 171 tons (91 737 tons) Overall, the scheme showed a sharp rise in profit on account of the re-scheduling of uranium sales

Gold mines show R150-m profit rise in second quarter

19/7/86 STAR
214

By Sven Lünsche

Making use of a steadier rand gold price, South African gold mines increased their net profits by more than R150 million in the quarter ending June 1986, following the slump experienced by the mines in the first quarter of the year, when profits dropped by R300 million

The gold mines, associated to the Chamber of Mines, also benefited from a sightly lower rand exchange rate, which was down from 46,3 US cents to an average 45 US cents for the quarter ending June

Analysts said that the results were up to expectations Some mines, mostly those affiliated to Rand Mines and Anglovaal, had reverted to the hedging of their gold sales and this had largely contributed to the improved overall performance

Randfontein, one of the outstanding performers in the last quarter, said, however, that it will not be hedging its sales in the forseeable future after a somewhat unenviable track record in this field

TAX BILL

Net profits for the mine were up more than 30 percent to R76,2 million, despite a low average gold price of R22 462/kg, but an increase in capex ensured that the tax bill was reduced substantially

Other outstanding results for the period were produced by Gencor's Beatrix mine and Anglo's Western Deep

Beatrix increased net earnings by 134 percent to R12,9 million, largely as a result of the recovery in grade from 5,4g/t to 5,7g/t and a subsequent 20 percent surge in gold production

Most mining groups have done fairly well, although increased capital expenditures had made some inroads into the profit figures

Analysts pointed out however, that these substantial increases, in Gencor's case capex surged ahead by almost 63 percent, carried a number of advantages, in that they are long-term investments, and secondly, result in substantial tax benefits

CAPEX SURGE

In the quarter ending June, the provisions for taxation have dropped by R138 million compared with the previous quarter, while capex surged from R490 million to R590 million

The noticeable exception in the gold mining groups was Gold Fields, where the fluctuating rand gold price played havoc with the quarterly results, with the group recording working profits well below those of the previous quarter

After achieving a better-than average gold price of R25 000/kg in the first quarter, GFSA dipped below the three-month market average of about R24 700/kg to record an overall R23 743/kg

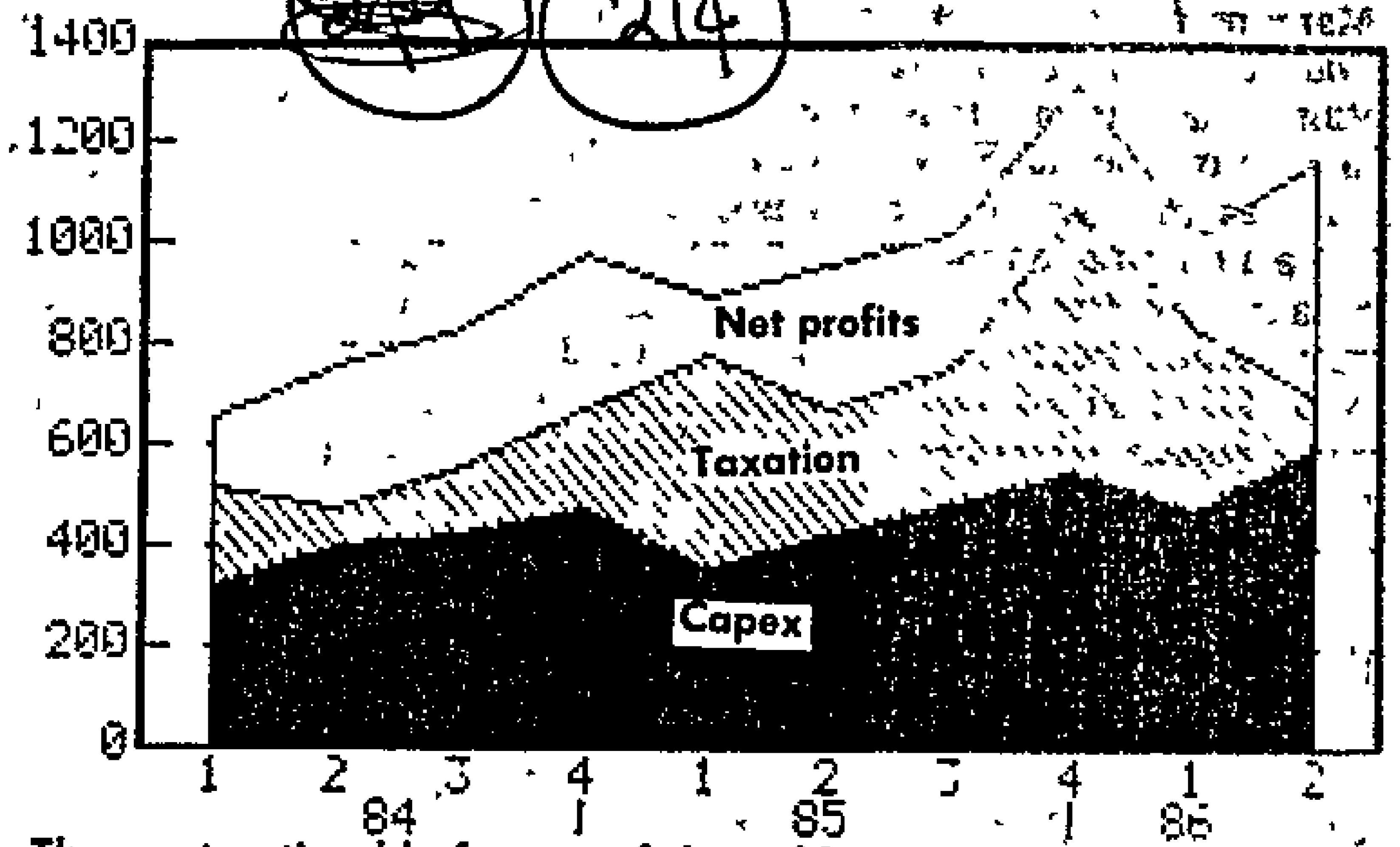
Anglovaal with R26 480 and Rand Mines with R25 805 were the only groups to record an above average gold price

In the Anglovaal group all mines reported increased grades and a gold price above R26 000/kg, which worked through to strong bottom line results, while Rand Mines ascribed their 18 percent increase in net profits to beneficial gold hedging and a low increase in working costs

JCI recorded the lowest gold price at R23 678, but it seems that the groups major mine, Randfontein, will ride gold price fluctuations until it feels it is time to secure a good price

While analysts regarded the the overall performance of Gencor and Anglo American mines as good, they said that Freegold, the world's largest gold mine, had shown disappointing financial results

Despite an increase in gold production, revenue from gold declined by R23,5 million to R653,3 million, largely as a result of a drop in grade from 5,1g/t to 4,9g/t.



The most noticeable feature of the gold mining results for the quarter ending June 1986, was a substantial R120 million increase in capital expenditure to R590 million and the subsequent cut in taxation as a result of tax benefits for new investments. The provisions for taxation were down from R850 million for the quarter ending March to R712 million for this quarter Net profits increased by R150 million to R1 176 million.

GFSA is target in Britain

LONDON — The Anti-Apartheid Movement has launched a major campaign to try to force the giant British mining finance house, Consolidated Gold Fields PLC, to "get out of South Africa"

The CGF group is to become the non-stop target of demonstrations and "exposures" of its role in South Africa in a bid to cause maximum embarrassment to the group and the British Government

A wing of the Anti-Apartheid Movement, the Counter Information Services (Cis), has started the process by publishing a booklet titled Consolidated Gold Fields — Partner in Apartheid

The Cis accuses CGF of making "massive profits" through Gold Fields of South Africa while absolving itself of "responsibility for GFSA's employment practices"

The Cis publication claims GFSA employs 72,000 black mineworkers on its group-administered gold mines, making it the largest foreign employer of black labour in South Africa

The Cis alleges that the GFSA minimum wage for underground black mineworkers in 1985 was half the minimum living level and that in spite of record earnings, the company had refused to yield to the National Union of Mineworkers' demands for an additional four per cent increase over and above that negotiated with the Chamber of Mines — DDC

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DD 1986/7/3

SA on verge of a new gold boom

20/7/86

214

New technology promises to uncover gold that has been missed so far by Witwatersrand prospectors on conventional explorations

Mr Phil Ward, researcher at the stockbroker firm of Menell, Jack Hyman, Rosenberg and Company, reveals that at least 90 new hi-tech rigs have been swung into action in the Witwatersrand basin — which stretches from Johannesburg across to Klerksdorp and down to Welkom — to find unexplored gaps and possible extensions to known gold mining areas

"The new techniques look like extending the life of the South African gold mining industry, possibly for decades longer than we have been envisaging so far", he says

"The mining houses are holding their cards close to their chests so it's difficult to prejudge exploration results But with deeper mining methods, the potential for new mining areas must be impressive"

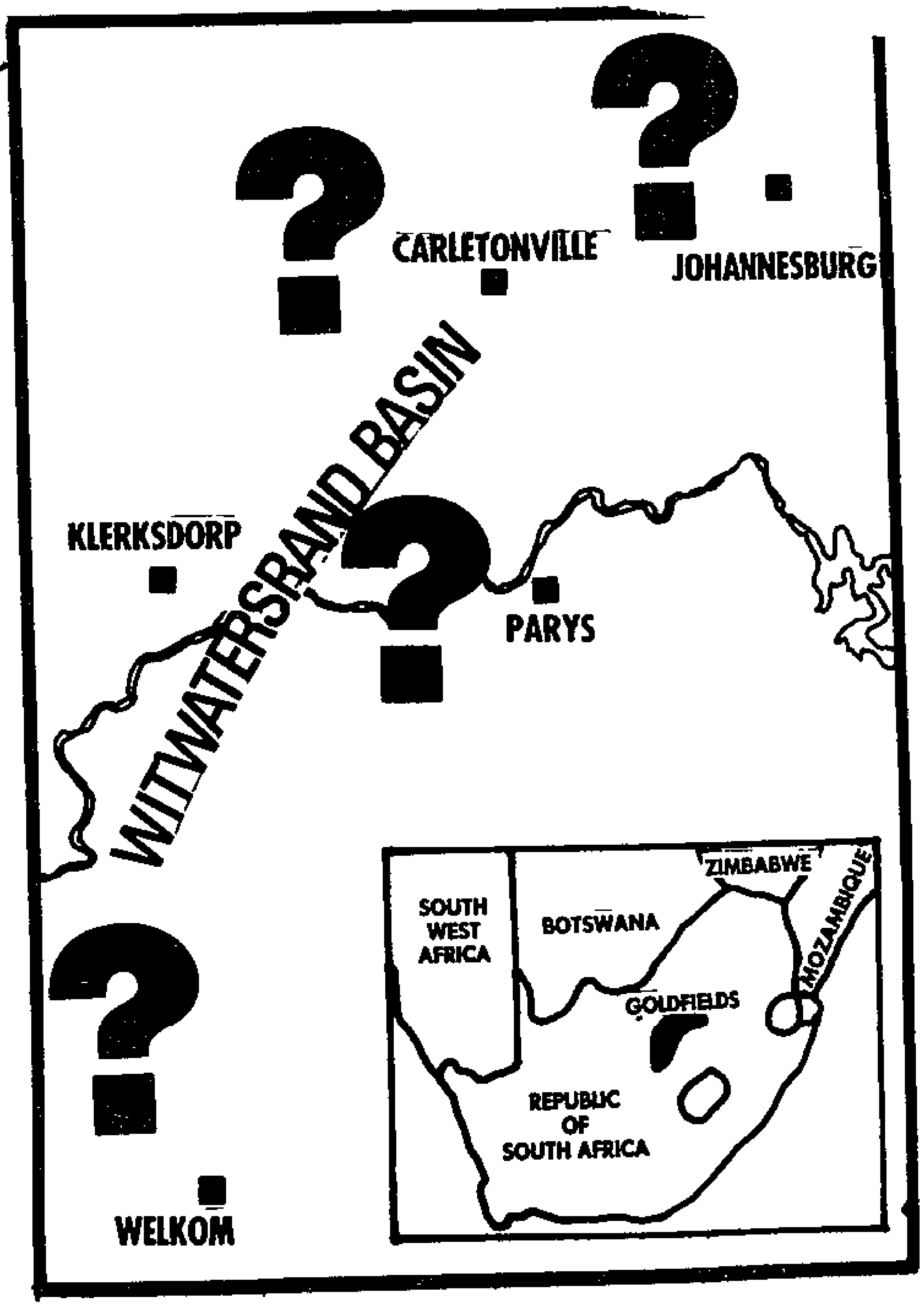
ANOTHER INTRIGUING POSSIBILITY

He says there are still large areas yet to be fully explored, particularly between the West Wits and Klerksdorp gold fields and between Klerksdorp and Allanridge in the Orange Free State

New interest may also focus on faulting caused by the up-thrust of what is known as the Vredefort dome, which may provide new gold finds south-east of Southvaal and Buffelsfontein

Another intriguing possibility may be exploitation of overfolded strata, evidence of which has emerged in the western section of the Orange Free State gold field

"Even after 100 years of exploration, there is still much to be learned about the full geological structure of the Witwatersrand basin", says Mr Ward



Operating income hit at Egoli

21/7/88

214

By Gareth Costa

Egoli Consolidated Mines slipped in the June quarter, and operating income dropped R1 million to R3,6 million, while at West Wits Gold Mine attributable income climbed 68 percent to R1,1 million

Waverly, the other Johannesburg Mining and Finance Corporation Group mine, showed reduced earnings, with pretax profits down at R274 000 from R355 000 after production fell 35kg to 50kg

West Wits treated 20 000 tons less ore at 251 000 tons, and gold production of 262kg was down from 281kg after grades remained virtually unchanged at 1,05g/ton An average gold price of R26 551/kg for the quarter, up from R22 641/kg helped offset the lower production Working costs were up from R17 892/kg to R20 975/kg

Gold revenue of R7 million was up from R6,4 million, while net income be fore tax was R1,4 million, up from R1 million

Egoli's gold production rose 25kg to 149kg after tonnage treated increased by more than 50 percent at 182 000 tons and grades dropped from 1,04g/ton to 0,82g/ton Working costs increased from R17 691/kg to R19 822/kg while the gold price received was R300/kg up at R24 797/kg Working profit of R741 000 was down from R2,4 million at March end, while pre-tax income was R716 000 (previous quarter R11,7 million) after including R9,3 million assets sale.

21/7/86 STAR

214 ~~280~~

One hour could change SA

The Star Bureau

LONDON — The most effective sanction against South Africa would be to threaten to cut the world price of gold — and to ban dealings with the cartel which controls diamonds

This was suggested by *The Economist* in an editorial headed "Go for Gold".

It said that if Sir Geoffrey Howe's mission to Pretoria drew its expected blank, governments in North America, the European Community and the Commonwealth should stop shouting at each other and consider whether to issue some communique like:

"'Unless Mr Nelson Mandela is released by September 30, the central banks signing this statement will start to sell gold from their vaults, with the object of slashing gold's market price.'

"This would make a large cut in South Africa's earnings within one hour, because private hoarders from Bombay to Brittany would be rushing to sell their gold at crashing prices before the central bank selling began."

The paper points out that at present South Africa's annual 21 million ounces of newly mined gold fetch around $350 (about R875) an ounce simply because 950 million ounces of existing gold are held out of the market, in central bank vaults.

America owns 263 million ounces, and a dozen other rich countries own more than 10 million ounces each. Holland, which favours strong sanctions, holds 44 million ounces. Some of the gold is still valued in central banks' mendacious balance sheets at the old "official" price of $35 an ounce.

On diamonds — which could be "anti-apartheid's second-best friend" — the paper says these are marketed through a ring that keeps prices at a huge multiple of cost.

"Free countries could say that any of their nationals who operate in cahoots with this ring, will be prosecuted under restrictive trade practice Acts.

"They would be hitting at South Africa's vitals, without doing great and unpopular harm to the many more of their own businesses that would be affected by a policy of generalised sanctions..."

The paper says first sales of central bank gold should be decided by whether Mr Mandela was released by September 30 Later threats could be graded to any terms Mr Botha offered to him and other black lead[illegible]rs.

When the terms became [illegible] that Mr Mandela would be un[illegible] reasonable to refuse, the cen[illegible] tral banks could start buying back gold.

"A gold bust could show, as conclusively as man knows how, whether economic pressure has any influence on South Africa's unfolding tragedy Nobody can be sure that it would work, but it might.

"Britain abandoned the invasion of Suez in 1956 when Eisenhower's muttered ultimatum threatened a collapse of sterling. This was more tactful and effective than threatening that the American Second Fleet would blockade the Isle of Wight so as to ban Scotch whisky exports from Glasgow."

22/7/86 BUSDAY

R14

Gold mines pay out R108m to Basotho mineworkers

MASERU — Gold mines paid out more than R108m in deferred pay remittances and other payments to Basotho mineworkers in the first half of this year, Employment Bureau of Africa (Teba) statistics show

They also show that the volume of deferred payments from January to June amounted to R59,5m and remittance payments totalled R44,2m for the same period

The figures are 15% higher than for same time last year — the amount of deferred pay in the first half of last year was R55,3m and remittances totalled R38,4m.

Teba also reported an increase of 3,4% in the number of Basotho mineworkers who left for SA gold mines in the first six months of this year compared to last year

There has also been a slight increase in the average number of Basotho men employed on gold mines The figure indicated that 105 105 Basotho mineworkers were employed on the gold mines at the end of this May as against 98 340 in May 1985 — Sapa

Upward movement possible

Dealers say the...

Flotations

LONDON — The London stock market, still near the top of its long-running rally, could be weighed down by a formidable liquidity problem in...

R108-m bonanza for miners

SOAR

22/7/88

The Star's African News Service

MASERU — The South African gold mines paid out a bonanza of more than R108 million in deferred, remittance and other payments to Basuto mine workers in the first six months of this year

This is an increase of R12 million from the R96 million recorded last year

The Employment Bureau of Africa (Teba) in Maseru, which recruits Basuto mine workers, said the value of deferred payments had increased from about R55 million recorded last year to about R59 million in the first six months of this year

There had been a 15 percent increase in remittances from about R38 million in the first six months of last year to about R44 million in the same period this year

The Lesotho manager of Teba, Mr Jock Germond, said the increase in deferred payments and remittances was due to the more remunerative wage structure in the South African gold mines

23/7/86

Bus Day

214

Sub Nigel prepares for a listing on JSE

BRIAN ZLOTNICK

THE shares of Sub Nigel, a gold mine near Nigel, are to be listed on the JSE on Wednesday August 20 after a private placing of 5-million shares at 180c each

They are being placed through sponsoring brokers, Ivor Jones and Simpson Frater, a parcel with Sub Nigel's associates and 1-million with London brokers, James Capel

According to the prospectus published in today's edition of *Business Day* the issue is not being underwritten

In total there will be 22,1-million shares initially listed and a further 4-million — currently 15% convertible debentures that were placed in October with James Capel — within the next two years

Rhombus, the manager of Sub Nigel, which owns just over 13-million shares, is controlled by MD Les Holmes (90% stake) and financial director Rob Still (10%)

The balance of the Sub Nigel shares, 4,1-million, are owned by former Rhombus shareholders.

For the general investor, among some of the critical questions are what price he should be prepared to pay stags and will there be a proper market for the shares

Still says he expects Sub Nigel to have at least 600 shareholders after the placing and estimates that about 2,5-million shares will be traded within the first few months of its listing and later another 2,5-million shares to come onto the market from former Rhombus shareholders

Sub Nigel already has an infrastructure in place as it was a major producer until it was closed in 1969 and is expected to swing into full production by 1990.

In 1990 the mine is expected to have available for distribution, at a gold price of R26 000/kg, and an exchange rate of $0,435 to R1, about R8,4m or 40c each year thereafter for another 14 years.

This compares with a current gold price of about R28 500/kg and an exchange rate of $0,40 to R1.

Even so the mine is not that highly geared to the gold price with full production at 480 000 tons per annum, gold produced 2 162kg and costs amounting to R10 500/kg or R52 per ton milled (432 000 tons milled)

Total ore reserves are estimated at 15Mt, at an average in situ grade of 5,6g/t

However, 9Mt are classified as possible so erring on the side of being conservative the mine is expected to only have a life of 14 years from 1990 onwards

To reach full capacity capex is put at R24m in current money terms

Profits and money available for distribution will rise sharply from the R567 000 in the nine months to March 1986, as the mine moves towards full production

Some investors might grumble that Rhombus, which to date has only received R250 000 in management fees, is to be paid for its services 2% of annual revenue received by Sub Nigel from the sale of gold and silver and 4% of gross capex

In 1990, in today's money terms, Sub Nigel's revenue is estimated to be at least R50m with Rhombus receiving R1m per annum, and furthermore Rhombus will receive a minimum of R60 000 per month from April 1 of this year

The management contract is less onerous than on most other mines but seems to compare less favourably with Southgo, an adjacent mine whose shares are currently on offer

More to the point is what is Sub Nigel's debut price expected to be and around what price should investors be prepared to pay for shares offloaded by stags

Using a paradigm based on expected dividends, a conservative mine life of 14 years from 1990, a gold price of R26 000/kg and working costs in constant rands, and a "real" discount rate of 8% — equal to a discount rate of 25% — the shares are presently worth about R3 each

This rough guide suggests that the shares could hit the market at about 225c and investors probably should not rush out and buy the stock at a price of more than 250c

Of course, the paradigm does not take into account the fact that this low cost producer's life might extend well beyond the year 2004 and that the gold price will hold at present levels, in today's money terms

Gold shares on balance are probably now discounting a gold price of about R750 an ounce rather than the current R880 even though the JSE gold index is at an all-time high

23/7/86
BUSDAY (214)

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They are being placed through sponsoring brokers, Ivor Jones and Simpson Frater, a parcel with Sub Nigel's associates and 1-million with London brokers, James Capel

According to the prospectus published in today's edition of *Business Day* the issue is not being underwritten

In total there will be 22,1-million shares initially listed and a further 4-million — currently 15% convertible debentures that were placed in October with James Capel — within the next two years

Rhombus, the manager of Sub Nigel, which owns just over 13-million shares, is controlled by MD Les Holmes (90% stake) and financial director Rob Still (10%)

The balance of the Sub Nigel shares, 4,1-million, are owned by former Rhombus shareholders

For the general investor, among some of the critical questions are what price he should be prepared to pay stags and will there be a proper market for the shares.

Still says he expects Sub Nigel to have at least 600 shareholders after the placing and estimates that about 2,5-million shares will be traded within the first few months of its listing and later another 2,5-million shares to come onto the market from former Rhombus shareholders

Sub Nigel already has an infrastructure in place as it was a major producer until it was closed in 1969 and is expected to swing into full production by 1990.

In 1990 the mine is expected to have available for distribution, at a gold price of R26 000/kg, and an exchange rate of $0,435 to R1, about R8,4m or 40c each year thereafter for another 14 years

This compares with a current gold price of about R28 500/kg and an exchange rate of $0,40 to R1

Even so the mine is not that highly geared to the gold price with full production at 480 000 tons per annum, gold produced 2 162kg and costs amounting to R10 500/kg or R52 per ton milled (432 000 tons milled)

Total ore reserves are estimated at 15Mt, at an average in situ grade of 5,6g/t

However, 9Mt are classified as possible so erring on the side of being conservative the mine is expected to only have a life of 14 years from 1990 onwards

To reach full capacity capex is put at R24m in current money terms

Profits and money available for distribution will rise sharply from the R567 000 in the nine months to March 1986, as the mine moves towards full production

Some investors might grumble that Rhombus, which to date has only received R250 000 in management fees, is to be paid for its services 2% of annual revenue received by Sub Nigel from the sale of gold and silver and 4% of gross capex

In 1990, in today's money terms, Sub Nigel's revenue is estimated to be at least R50m with Rhombus receiving R1m per annum, and furthermore Rhombus will receive a minimum of R60 000 per month from April 1 of this year.

The management contract is less onerous than on most other mines but seems to compare less favourably with Southgo, an adjacent mine whose shares are currently on offer

More to the point is what is Sub Nigel's debut price expected to be and around what price should investors be prepared to pay for shares offloaded by stags

Using a paradigm based on expected dividends, a conservative mine life of 14 years from 1990, a gold price of R26 000/kg and working costs in constant rands, and a "real" discount rate of 8% — equal to a discount rate of 25% — the shares are presently worth about R3 each

This rough guide suggests that the shares could hit the market at about 225c and investors probably should not rush out and buy the stock at a price of more than 250c

Of course, the paradigm does not take into account the fact that this low cost producer's life might extend well beyond the year 2004 and that the gold price will hold at present levels, in today's money terms

Gold shares on balance are probably now discounting a gold price of about R750 an ounce rather than the current R880 even though the JSE gold index is at an all-time high

That is now history What of this year?

The first point to note is that, while June gold sales revenues were up on March, antimony sales fell To some extent this no doubt reflects timing differences on sales shipments Total sales revenue was some R400 000 up on March With the weak rand, revenue should at least be maintained So too could pre-tax profit, given that costs are being fairly well held down

If the rand is one imponderable, the other remains capex The June quarterly report cites capital commitments of only R188 000, but this is a meaningless figure Of the R14,5m commitments mentioned in the last annual report (largely on the Monarch shaft), some R5m remains, allow for other lesser items, and we could be looking at a total this year around R6,5m That would equate to a tax charge around R2m, and leave R2,5m available for dividends — exactly what a repetition of 60c would cost

One must, of course, beware of such glib projections, especially for a company with as much power to surprise as Cons Murch But they do confirm that, in framing last year's dividend policy, the board may have had in mind what could be paid this year after the capex hump was passed

It seems to me that unchanged payment of 60c is the best estimate that can be made at this stage That would yield 6,5% at the current 920c I have been consistently bearish of the stock — justifiably, as it has fallen 25% this year — but if the rand stays weak, it could soon regain interest as a speculative currency hedge *Michael Coulson*

FIN MAIL 25/7/86

JUNE QUARTERLIES

A new scenario?

The June quarter reports have been published at a time when mining analysts are mulling over the potential effects of an emerging scenario of higher dollar gold prices, a steady rand, and lower inflation

If this situation lasts, as is to be hoped, a number of marginal gold producers will have to be re-evaluated Investors have been advised to avoid these mines previously, as rising cost structures have bumped against revenues depressed by a combination of a static dollar gold price and stronger rand

Gold at $355/oz and the rand at US40c mean a gold price of R28 500/kg compared with mine revenues in the June quarter ranging between about R24 000/kg-R25 000/kg

The quarter was marked also by a number of hefty working cost increases, with worse to come in September, when the full effect of recent wage increases to white and black mineworkers will be felt In June, most mines reflected only one month of black wage increases, with effect from June 1, and about two months of white wage increases awarded during May

Quarter on quarter, cost increases ranged up to 14%, while year-on-year figures for some in the Gold Fields of South Africa (GFSA) stable went over 20% — severe for a house with a good record of controlling costs

Some investors have been assessing gold shares on the basis of a 20% annual escalation in working costs On this basis, those to buy are heavily taxed, bluechip mines such as Vaal Reefs, Driefontein and Kloof

The advantage of paying tax at 70%-plus is that the Receiver of Revenue pays for the same proportion of cost increases when these are offset against revenue Not so a marginal producer working on a hand-to-mouth basis, paying between zero and about 15% tax Cost increases on these mines hit the bottom line hard

The latest inflation figures show a drop to 16,7% for the 12 months to June, from 17,5% for the 12 months to May, in turn down from the April figure If that trend is maintained, cost pressures on mines must ease, and a number of mines previously largely ignored

GOLD QUARTERLIES

	Gold											Uranium				Profit	
	Produced kg		Cost R/kg	$/oz*†		Revenue R/kg	$/oz†	Milled 000 t*		Recovery g/t*		Milled 000 t*		Recovery kg/t*		Gold R'000	Uranium & other R'000
ANGLO AMERICAN																	
Elandsrand	3 084	(2 727)	11 211	157	(175)	24 687	344	499	(462)	6 2	(5,9)					39 901	3 074
Ergo	2 089	(2 249)				24 209	339	5 974	(5 275)	0,4	(0 4)	5 974	(5 275)	0 07	(0 08)	22 506	
Freegold	27 324	(26 856)	15 316	214	(221)	24 571	342	5 594	(5 293)	4 9	(5,1)					234 808	18 212
Vaal Reefs	20 761	(21 036)	10 607	149	(147)	24 661	342	2 881	(2 908)	7 2	(7 3)	2 328	(2 276)	0,21	(0,22)	273 312	94 775
Western Deep	9 203	(9 508)	11 020	154	(149)	24 598	341	1 359	(1 270)	6,8	(7,6)					126 342	6 877
ANGLOVAAL																	
ET Cons	807,39	(848,56)	11 457	160	(149)	26 827	376	84	(90)	9 6	(9 5)					12 410	1 306
Hartebeestfontein	7 560,41	(7 505,00)	9 934	139	(139)	26 132	366	773	(790)	9,8	(9 5)	773	(790)	0,15	(0,14)	122 465	14 809
Loraine	2 267,88	(2 105,52)	17 081	239	(259)	26 758	375	398	(390)	5 7	(5,4)					21 945	2 773
GENCOR																	
Bracken	764	(806)	16 952	237	(227)	23 486	347	225	(237)	3,4	(3 4)					5 532	916
Buffelsfontein	6 089	(6 026)	13 814	193	(201)	24 505	346	751	(704)	8 1	(8 6)	751	(704)	0,18	(0,23)	64 897	11 682
Grootvlei	1 367	(1 482)	19 713	276	(257)	24 027	344	445	(440)	3 1	(3 4)					6 380	272
Kinross	3 179	(3 296)	11 187	157	(145)	23 799	345	525	(535)	6 1	(6 2)					40 556	2 533
Leslie	850	(900)	19 973	280	(263)	23 903	346	350	(346)	2 4	(2 6)					4 067	353
Marievale	253	(251)	20 423	286	(343)	23 248	343	86	(88)	2,9	(2,9)					819	67
St Helena	2 610	(2 842)	15 888	222	(194)	24 598	341	580	(580)	4,5	(4 9)					23 124	3 969
Stilfontein	2 254	(2 270)	19 712	276	(269)	24 363	338	426	(417)	5 3	(5 4)	558	(546)	0 11	(0,11)	10 618	−1 370
Unisel	2 401	(2 381)	8 402	118	(116)	24 455	341	348	(335)	6 9	(7,1)					39 716	488
WR Cons	1 001	(1 000)	22 984	322	(319)	24 138	351	520	(510)	1 9	(2 0)					1 208	406
Winkelhaak	3 462	(3 203)	10 325	146	(148)	23 714	346	602	(567)	5,8	(5,6)					47 671	2 326
GFSA																	
Deelkraal	1 912,5	(1 912,5)	15 222	213	(212)	23 035	322	375	(375)	5 1	(5,1)					15 022	3 195
Doornfontein	2 195,2	(2 220 4)	17 411	244	(240)	23 722	332	366	(366)	6 0	(6,1)					13 927	3 447
Drie Cons	14 686,0	(14 835 0)	8 882	124	(117)	24 115	338	1 425	(1 425)	10 4	(10,4)	223	(186)	0 10	(0 10)	223 714	3 830
Kloof	7 023,0	(7 020 0)	8 241	115	(111)	23 342	327	540	(540)	13 0	(13,0)					106 374	11 542
Libanon	2 435,6	(2 305 5)	13 705	192	(199)	23 130	324	435	(435)	5 6	(5 3)					23 032	3 851
Venterspost	1 442 7	(1 315 5)	21 807	305	(336)	24 168	338	390	(390)	3,7	(3 4)					3 456	1 509
Vlakfontein	255,6	(252,0)	12 727	178	(198)	24 493	343	210	(210)	1 2	(1,2)					868	699
JCI																	
Randfontein	7 005	(6 456)	11 933	167	(175)	22 462	314	1 592	(1 614)	4 4	(4,0)	822	(801)	0 18	(0 19)	74 950	1 330
Western Areas	4 150	(4 028)	21 303	298	(293)	24 895	348	988	(959)	4,2	(4,2)	182	(162)	0,37	(0 43)	16 113	8 713
RAND MINES																	
Blyvoor	3 622 0	(3 087 6)	13 660	191	(212)	25 700	360	589	(498)	6 2	(6 2)					43 613	−1 418
Durban Deep	1 938,4	(1 884 2)	22 817	319	(334)	25 005	350	602	(583)	3,2	(3,2)					4 241	971
ERPM	2 235 7	(2 325,3)	29 379	411	(403)	25 530	357	664	(656)	3,4	(3 6)					−8 606	‡9 677
Harmony	7 309	(7 184)				26 154	366	2 076	(2 017)	3 5	(3,6)	1 377	(1 386)	0 07	(0 08)	62 712	
INDEPENDENT																	
Cons Modder	802,5	(813,5)	10 992	150	(149)	25 039	342	152	(153)	5 3	(5 3)					11 280	846
South Rood	347,7	(357,9)	15 738	228	(195)	23 569	341	84	(84)	4 1	(4 2)					2 723	368

* Figures in parentheses refer to previous quarter † Calculated at R1=US$0,45c when dollar figure not given by mine

§ Deliveries to Joint Metallurgical Scheme

‡ Includes State Assistance

as investments could be worth a careful look

One is Anglovaal's **Loraine**, which reported an excellent quarter. Grade rising to 5,7 g/t from 5,4 g/t in March, coupled with a slight increase in throughput, pushed up gold production to 2 267 kg (March: 2 105 kg).

The mine started paying tax in the December quarter. For the nine months to June 30 its tax bill is R24,7m, an example of the benefits of the State Assistance programme, without which the mine could have been forced to close. The programme has now been scrapped, and replaced with an ad hoc arrangement where mines can apply for financial help provided they make out a good enough case to the Department of Mineral and Energy Affairs and the Receiver of Revenue

Hartebeestfontein, Anglovaal's major producer, is feeling the capex pinch stemming from its new 120 000 t a month gold recovery plant. The cost, estimated at some R135m, is being met from internal funds, with Harties holding back earnings. For the year to June it held back R16m (14,3c a share)

Both these mines, as well as Anglovaal's other producers, **Eastern Transvaal Consolidated** and **Village Main**, have closed out all forward exchange and gold hedging contracts. This has been forced by the Reserve Bank's decision to stop mines receiving dollars directly. Rand Mines producers have also wound down their hedging programme, but JCI's **Western Areas** continues to hedge the bulk of gold sales

In the Golden Dumps stable, **Consolidated Modderfontein** has published significant development results showing that the rich Black Reef, mined extensively from NEP Shaft, has also been picked up at the new No 1 Circular shaft. The results show Black Reef at 7,9 g/t over a channel width of 117 cm to give 924 cm g/t, not yet as good as at NEP shaft (1 525 cm g/t in March), but still encouraging The mine also paid tax for the first time. R245 000 for non-mining tax and lease payments. It should begin to pay mining tax this year

At **South Roodepoort**, working costs jumped 14%, mainly reflecting wage increases. Golden Dumps is not a member of the Chamber of Mines, and introduced wage increases with effect from May ranging from 30% for novice mineworkers to 13,5% for management

In the Gencor group, **Buffelsfontein** appears to be getting into deeper trouble, with geological problems at the Strathmore shaft severely affecting ore reserves Grade dropped to 8,1 g/t (8,6 g/t) and underground production fell to 176 000 centares (194 000 centares) although mill throughput increased. A number of mining analysts have cut life-of-mine forecasts on Buffels from 20 years to 12 years, because of the Strathmore shaft problems.

Beatrix, however, is looking better and better, grade rising to 5,7 g/t from 5,4 g/t, and mill throughput rising steadily to reach 511 000 t (448 000 t).

Grootvlei disappointed with a drop in grade to 3,1 g/t (3,4 g/t), but is getting some financial relief for dewatering operations, which benefit the whole East Rand basin Ergo paid Grootvlei R934 000 (R785 000) for water from the pumping operations at SA Land No 1 shaft, which Grootvlei funds

Kinross also disappointed with its third successive grade drop to 6,1 g/t, from 6,5 g/t in December, as well as a slight drop in mill throughput

Stilfontein received R4,8m — 46% of total taxed income of R10,4m — via an interim dividend from its 80%-held subsidiary, Chemwes uranium treatment plant This source of income was expected to drop because of lower uranium sales, but the quarterly report notes the main customer has agreed not to defer deliveries for the time being

At Rand Mines, a solid performance came from **Durban Roodepoort Deep**, another to watch in a lower inflation-higher gold price scenario. The mine had only a marginal slip in grade to 3,22 g/t (3,23 g/t) and increased mill production to 602 000 t (583 000 t), which gave gold production a nice push to 1 938,4 kg (1 884,2 kg)

East Rand Proprietary Mines (ERPM), on the other hand, battled with a heavy grade dip to 3,37 g/t (3,56 g/t) because of increased seismic activity in the K shaft area Murphy's Law (anything that can go wrong will) is relevant to ERPM, as the highest grade area (K shaft) also gets the most rockbursts.

Operations at **Blyvooruitzicht** got back to normal after a one-week wildcat strike in March, which cost 44 000 t lost production. Mill throughput was 589 000 t (498 000 t) — the best since September 1984

Harmony more than offset a slight drop in grade to 3,52 g/t (3,56 g/t) by increasing production to 2,076m tons milled (2,017m)

At Anglo's **Freegold** — the world's largest gold mine — there was an all-round operating improvement, with an increase in area mined and tonnage milled, but overall grade took a dip to 4,88 g/t (5,07 g/t) The new President Brand gold plant is suffering a problem common to all new plant — a lock-up of gold The problem is expected to continue this quarter, at a diminishing rate

Turning to Anglo's Transvaal mines, **Western Deep Levels** also suffered from lock-up in the new No 1 shaft gold plant, and overall yield dropped to 6,77 g/t from 7,49 g/t

Elandsrand showed a further improvement

GOLD EARNINGS

	Year end	*EPS(c) Mar	*EPS(c) Jun	**Accumulated Earnings	(c) +Declared
ANGLO AMERICAN					
Elandsrand	Dec	23,8	26,7	50,5	55
Ergo	March	(0,8)	17,4	17,4	—
Freegold	Sep	66,8	55,0	217,8	160
Vaal Reefs	Dec	441,5	545,2	986,7	900
Western Deep	Dec	92,2	130,7	222,9	255
ANGLOVAAL					
ET Cons	June	64,7	42 8	281,2	250
Hartebeestfontein	June	32,1	32 3	125,1	110
Loraine	Sep	32,8	65,8	166,1	—
GENCOR					
Bracken	Sep	20,9	18,4	68,1	50
Buffelsfontein	June	204,5	219,7	1017 0	1000
Grootvlei	Dec	34,7	26 1	60,8	60
Kinross	Sep	85 2	66,9	267,4	190
Leslie	Sep	15,7	13,4	49,9	30
Marievale	Dec	8,5	12,7	21,2	25
St Helena	Dec	106,9	78,1	185 0	160
Stilfontein	Dec	39,1	63,7	102,8	115
Unisel	Sep	44,2	45 1	144,0	90
WR Cons	Dec	28,0	22,4	50,4	30
Winkelhaak	Sep	110,1	104,1	359,4	245
GFSA					
Deelkraal	June	20,1	7,9	57,7	55
Doornfontein	June	69,2	29,8	272,9	255
Drie Cons	June	77,0	70,0	345,0	335
Kloof	June	29,4	18,0	115,4	125
Libanon	June	119,3	109,7	471,7	415
Venterspost	June	47,3	67,8	232,6	200
Vlakfontein	June	15,4	13,8	66,4	60
JCI					
Randfontein	June	234,8	240,0	1363,5	1700
Western Areas	June	9,5	1,9	41,8	40
RAND MINES					
Blyvoor	June	38,7	57,1	203,0	200
Durban Deep	Dec	(5,0)	86,6	81,7	—
ERPM	Dec	(91,3)	(165,2)	(256,6)	—
Harmony	June	44,9	67,7	266	—
INDEPENDENT					
Cons Modder	June	26,4	19,9	130,8	125
South Rood	June	80,3	60,4	315,2	60

* = Earnings after tax and capital expenditure ** = Distributable earnings for the mine's financial year to date + = Total dividends declared to date

WESTERN DEEP LEVELS

25/7/86 F IN MAIL (214)

A giant's first steps

This week's official opening of the South No 1 shaft system at the world's deepest gold mine, Western Deep Levels (WDL) near Carletonville, is a milestone both for the mine and the gold mining industry

For WDL it signifies the start of a shift to the southern regions of its lease area, as mine planners look 20 years into the future to replace an expected production fall-off from the existing No 2 and No 3 shafts

No 1 shaft will eventually mine down to a depth of 4 km — now the technological limit for gold mining — through a sub-vertical shaft system However, research and development work on No 1 shaft continually focuses planners' attention on the key question of just how deep mining operations can safely be taken

The gold-bearing Ventersdorp Contact (VCR) and Carbon Leader (CL) reefs continue to depths beyond 5 km south of WDL in the Western Ultra Deep Levels area For the industry, this is the most expensive mining project yet to come on stream, with the first stage expected to come in on budget — no mean feat against burgeoning inflation — at R693m

The shaft system is also one of the first to be fully committed to a mechanised mining method, using rubber-tyred equipment This revolutionises materials-handling operations in deep-level mines for getting blasted ore from the mining faces to the hoists

Total estimated cost to completion of the full shaft system is R1,1 billion

No 1 shaft started hoisting on schedule in April, and production is running at a mill rate of 70 000 t/month The shaft is expected to hit initial planned mill production rate of 160 000 t/month in 1989

However, when the second Blair multi-rope winder is commissioned in December, No 1 main shaft will have capacity to hoist 400 000 t/month which, allowing for waste rock hoisted along with the reef, could support a milling rate of 240 000 t/month if management decided to expand operations

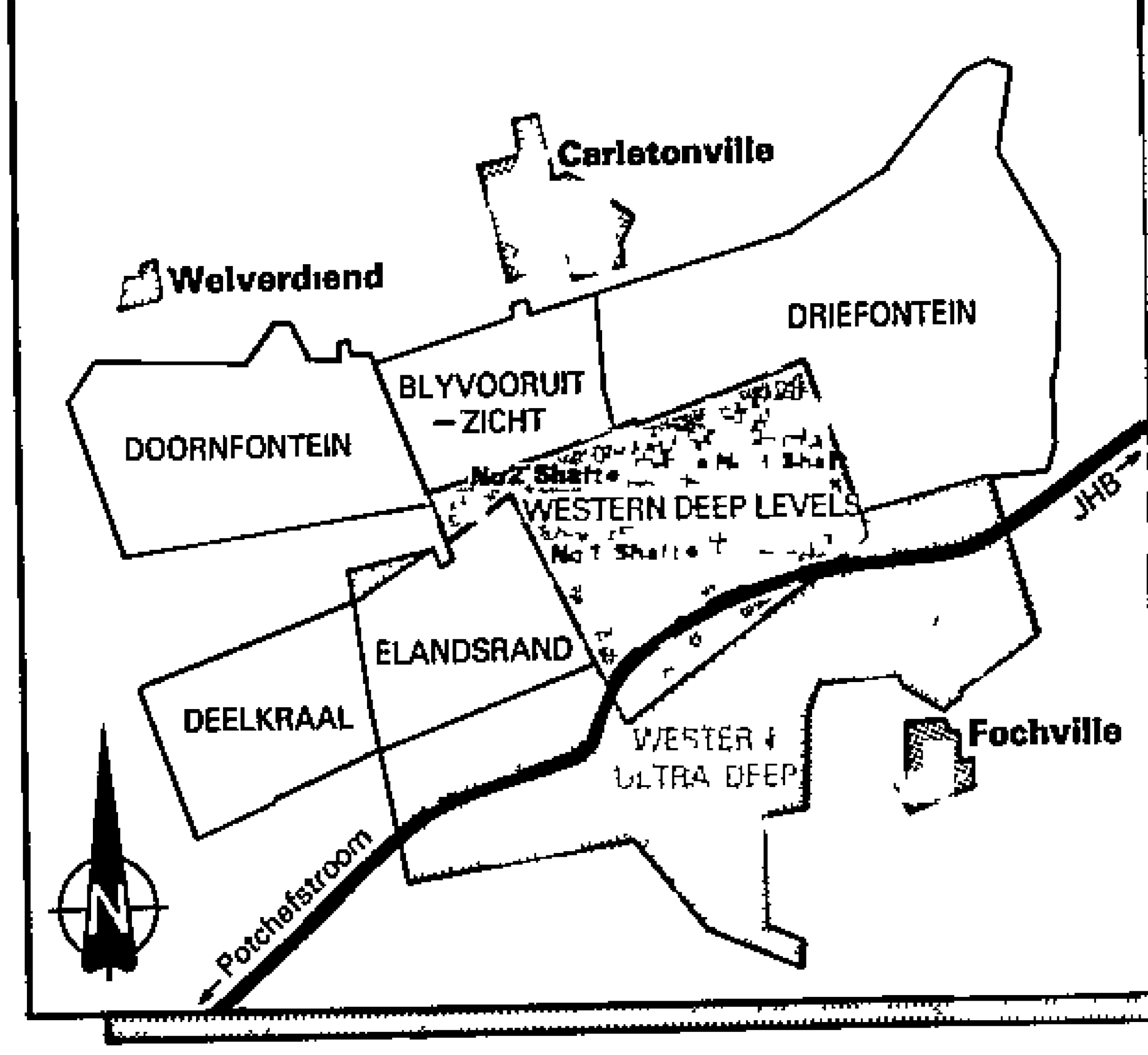
Seen in perspective at 160 000 t/month (1,9 Mt a year) No 1 shaft system by itself produces almost as much as entire mines such as Blyvooruitzicht and Elandsrand At 240 000 t/month (2,9 Mt a year) No 1 shaft would produce more than ERPM and almost the same as Hartebeestfontein

Production from existing Nos 2 and 3 shafts plus the dump retreatment operation currently runs at about 4 Mt a year

A decision to push up No 1 shaft's output would entail mining the CL reef horizon, departing from the original plan to mine only VCR WDL South manager Humphrey Hobday says available ore reserves are being assessed This in turn affects the design of the sub-shaft system to take mining operations to 4 000 m from the bottom of the main shaft at 2 300 m

A key factor is whether shaft pillars around the sub-vertical shaft can be mined Pillars are left to protect shafts from underground movements caused by mining operations, but the deeper the shaft, the larger the pillar becomes, and the more extensive the lock-up of ore reserves

Going deep



On No 1 sub-vertical shaft estimates are that 1m centares of reef — equivalent to about 4,5 Mt of ore — will be locked up on each of the VCR and CL reefs if a shaft pillar is left Assuming 80% extraction, that is equivalent to 7,2 Mt of milled ore, nearly four years of production at 160 000 t/month

In order to mine these pillars, WDL's staff have to overcome the rock mechanics problems caused by underground movements, which occur when surrounding rock closes in on old stoping areas where gold-bearing reefs have been mined out Countering these stresses involves methods like backfilling for better underground support, and also designing shafts and shaft steelwork to handle expected movements

The outcome of planning on the No 1 shaft system's eventual production rate has important implications for other shaft systems which planners may be considering for the exploitation of the remaining sections of the extensive southern region of the lease area

There is a lot of life left in the existing No 2 and 3 shafts, depending of course on the gold price Operations at No 3 shaft seem set to start winding down within 15-20 years, and No 2 shaft after that

Gold production started dropping after 1979, when yield began to dip sharply In 1979 yield was 14,78 g/t and gold production 47,9 t, this fell to 10,08 g/t and 36 t in 1984

The only answer is to increase the rate of production, and last year WDL converted its remaining uranium plant to produce gold from surface dump material as a result, mill production picked up to 4,1 Mt, from around 3,5 Mt since 1982 — which more than offset the further drop in grade to 9,19 g/t, and pushed gold production up to 37,5t

No 1 shaft system will further raise total gold output, adding around 13 t of gold a year from 1989, when it hits output of 160 000 t/month, assuming an average recovery grade of 7 g/t

Hobday says recovered grade at No 1 shaft is running around only 5 g/t Low initial recoveries are to be expected, though, because gold is locked up in the milling and carbon-in-pulp circuits of the new treatment plant He expects the yield to reach 7 g/t by December

No 1 gold plant has been designed on a modular basis to handle the gradual increase in output from the shaft system Two modules capable of treating 120 000t/month have been installed A third 60 000t/month module will be installed to handle the balance of forecast production, but the plant will have to be further expanded if a decision is taken to mill 240 000 t/month

Long lead-ins

Huge mining projects such as No 1 shaft have long lead-in times From official go-ahead, it has taken six years for No 1 shaft to get this far And it could take another 6-10 years for the sub-vertical shaft to get down to the 4 000 m level

WDL is a long-life mine and, provided Anglo's mining men continue to cope with the technical problems of mining at such great depths, as they have in the past, the share should remain a top-quality gold investment *Brendan Ryan*

Hi-tech now helps geologists explore 10 km into earth

Hopes for gold bonanza

214 28/7/86 SMK

By Michael Chester

Space-age technology has triggered a dramatic surge in exploration for gold and the Chamber of Mines expects it will result in the launch of at least 15 — perhaps as many as 20 — new mining projects across the Witwatersrand in the next 15 years.

Mr Tom Main, assistant general manager at the chamber, estimates that each of the new ventures will have the potential to produce between five and 15 tons of gold a year

He calculates that their combined production will hoist overall annual South African gold output from the 671-ton level to which it sank last year, to about 750 tons — even allowing for the exhaustion of several existing mines

Costs of sinking the new mines may be formidable The chamber calculates that it now takes R800 million to R1 500 million to bring a new mine into production

But measured by current world gold price levels of about $350 an ounce, and an exchange rate of about R2,50 to the dollar, the boost to production promises to increase gold income by more than R2 200 million a year

Wits theory

Anglo American Corporation confirms that new hi-tech methods of exploration now allow geologists to probe no less than 10 km below the ground — three times deeper than the deepest of the present generation of mines

The new gold searches begin with satellite picture surveys, which are interpreted by computer

The results are then pursued in detail by hi-tech diamond drilling rigs which use radical vibroseismic techniques to scan areas never yet explored

Results are expected to test theories of the Department of Geology at the University of the Witwatersrand that there may be a totally new goldfield hidden deep below the Rand — underneath existing mines

● See Page 13

COMPANIES 30/7/86 BUS DAY (214)

Wit Nigel optimistic after quarter setback

CHERILYN IRETON

WIT NIGEL'S short-lived profitability came to an abrupt halt in the June quarter when it ran into a loss of R229 000 (March quarter R901 000 profit)

A sharp improvement in both the gold recovery yield to 2,93g/t from 2,5g/t, and the gold price received of R25 230/kg (R23 450/kg), failed to offset serious production problems

A cave-in disrupted production and lifted costs-a-ton-milled by almost 50% to R76,73 (R52,39), with tons milled falling to 104 000 (124 000) and gold production down 10kg at 305kg

This resulted in a loss of R2,74 (profit R7,06) a ton milled

After incurring capital expenditure of R700 000 (R588 000), the loss for the quarter was R929 000 (distributable profit R313 000)

So, with the mine moving into the red, chairman Peter George's decision to abandon, for the time being, the proposal to tithe 10% of the company's pre-tax profits seems to have been well motivated

Production costs were aggravated by wage increases, which became effective during the quarter, and the hiring of an extra 500 labourers.

After the dismal performance in the June quarter, George nevertheless expects Wit Nigel to return to profitability in the current quarter

The swing back into profits will be aided by the gold price, currently more than R28 000/kg, and plant operating more efficiently

George said the June quarter had been unexpectedly difficult and that damage had extended well into July

1/8/86

PGA has the lure of the 'Potch Gap' promise

'BUSDAY' (214.)

THE private placing of 400 000 units in exploration company Potchefstroom Gold Areas has been completed.

PGA's 25,1-million shares are due to be listed on the Johannesburg Stock Exchange next Thursday

As most of the shares have been placed with major institutions, trading after the listing will be tight.

Analysts expect them to open at between 200c and 230c — a 40% premium on the issue price of 150c

The prospectus published today says the net asset value of the share, excluding the options issued with them, is 168c. This is calculated on a gold price of R20 000/kg or R622/oz, compared with the current price of R918/oz

At the current gold price, the net asset value of the share would be considerably higher.

According to Winston Floquet, a director of sponsoring broker Martin and Co, the private placing was enthusiastically received by institutions

Floquet said the institutions were taken with the prospect of investing in an exploration company holding extensive participation rights in the "Potch Gap"

"There has been an upsurge in investor interest in companies with mineral rights in view of improved prospecting techniques (which have

Investment Staff

reduced the level of risk) and due to the growing realisation by the mining houses that they will have to replace their steadily diminishing gold reserves

"The fact that PGA has rights over a sizeable 57 000 hectares in an area which looks promising had particular appeal for institutional fund managers.

"Exploration companies tend to reward their shareholders, not with dividends but rather with the opportunity to invest in new ventures should the company strike it rich

"These shares are naturally speculative, but in the past many exploration companies have rewarded their shareholders handsomely

"It has been difficult in recent years for investors to buy into exploration companies as the major mining houses have tended to internalise their exploration activities"

The private placing of the 400 000 linked units, comprising 10 ordinary PGA shares and three share options, raised R6m

An analyst said of PGA "The performance of New Central Wits on the JSE indicates the optimism about the area between the West Wits line and Klerksdorp

"The share has risen from R41 to R66 in the past seven weeks because of drilling results on the farm Gerhardminnebron"

This farm adjoins the northern boundary of the Mooirivier area where PGA has a 10% subscription right — enabling PGA to get a free ride with Anglo American Corporation if it finds or exploits reefs there

The borehole MGM1 had a value of 21,24g/t or 1 756cm g/t at a depth of 3 184m

A 3g/t recovered grade or a value of 500cm g/t is usually considered the cut-off pay limit But this would vary according to depth.

Several reefs have been intersected by drilling in areas where PGA has rights — the Bird (Vaal) Reef, the Livingstone Reefs, the Main Reef and the Carbon Leader

One geological theory is that the discovery of so many reefs in the area could indicate an entry point to the Witwatersrand Basin

The prospectus says three boreholes are being drilled on the farm Gerhardminnebron. New Central Wits has announced that phase one of this programme will involve the drilling by Anglo American Prospecting Services (AAPS) of eight boreholes on a portion of the farm

Five holes are also being drilled in the Mooirivier area, three by AAPS and two by another mining houses

Another area of interest is Vyfhoek, where the sums raised by the PGA private placing will be spent on exploration with Anglo American.

The northern part of Vyfhoek is a natural extension to the Mooirivier venture and PGA has a 20% contributory right at Vyfhoek

Drilling has already begun at Vyfhoek

FIN MAIL 1/6/86

SUB NIGEL

Dividend in June

The prospectus indicates that Sub Nigel gold mine intends paying a dividend in June, at the end of its current financial year Forecasts based on average gold prices over this period of R22 000/kg and R24 000/kg indicate total distributable profit of R2m and R2,6m respectively for this, its first financial year as a listed company, a dividend of about 11,8c a share is forecast, which would absorb R2,6m on the post-issue capital of 22,1m shares

Based on R24 000/kg, projected profits after tax and capital expenditure are about R9,5m a year at current money values, when full production is reached in 1991 That works out to 36,5c a share on fully diluted issued capital, which will reach 26m shares over the next two years as 1,75m debentures, issued last year to raise R3,5m, convert into 3,9m ordinaries

Sub Nigel is raising R9m through a private placing of 5m shares at 180c each The closing date for the placing is August 7

The adjacent Southgo, whose public offer of shares was 22 times over-subscribed, is forecasting distributable profits of R1,457m for the 10 months to December, R3,325m for the year to December 1987, and R8,19m for 1988 The Southgo prospectus does not specify when dividends will start, but indicates the company intends declaring 80% of the amount available for distribution as a dividend, which raises the possibility of a 3c dividend in December

Brendan Ryan

Mining analysts give Sub-Nigel thumbs up

4/8/86 (214) SMK

By Gareth Costa

Mining analysts have given a clear thumbs-up verdict to new listing Sub-Nigel, but in the same breath express major reservations about the mine's next-door neighbour — South East Gold Holdings (Southgo) — which comes to the JSE this week

Both of the new gold mines will be relatively small operations and join the JSE in fierce competition with one another But the analysts are backing the ex-Goldfields' management team at Sub—Nigel, due to be listed in two weeks time, to win investors' favour

Frankel Kruger analyst, Mr Keith Goode says "It's not a case of chalk and cheese, it's chalk and champagne

"For starters, Southgo has stated ore reserves of 5,9 million tons at a grade of 4,25g/ton, while Sub-Nigel has 15 million tons at 4,85g/ton This is a massive discrepancy when compared with their similar market capitalisations"

He adds that Southgo's foreign investment exposure is also an area of major concern The mine is 42 percent held by Morjo Holdings in Guernsey and 13 percent in Switzerland Southgo MD Mr Glen Laing and deputy chairman, Mr Roy Flowerday are both Morjo directors

"If there is a foreign sellout, it could really harm the company Rand Explorations was heavily exposed overseas and look how its price dropped when the foreign investors sold out," says Mr Goode

It has also been notedthat according to Southgo's prospectus, two directors, stockbroker Mr Norman Lowenthal and attorney Mr Gerald Rubenstein, who are both advisers to the mine in their professional capacities, do not hold shares in the operation

Looking at another area, Davis Borkum Hare analyst Mr Dave Giese expressed doubts over the Southgo's ore reserve estimates

He adds that not only are Sub-Nigel's figures more realistic, but the mine's surface area is in much better condition The only work that needs to be done on the mine is the laying down of tracks, pipes and cables

Mr Goode claims the underground conditions at Southgo are worse than those at Sub Nigel, while their capital expenditure forecasts are also optimistic

The plan is to build a plant capable of handling just over 30 000 tons a month as well as buildings for the price of R2 million, while Sub—Nigel will spend R5 million on the two-phase construction of the plant alone

But while many analysts have been exceptionally critical of Southgo, there is tremendous respect in the industry for key figure Mr Laing who will be expected to do much of the work himself as there are few senior backup staff

Another leading analyst says "Sub-Nigel has better grades, more tonnage and in my opinion, better management The management is a good Goldfield's old boys team, and my only criticism is that they placed the shares privately"

Both companies will have similar market capitalisations, with Southgo listing 40 million shares at 100c each, and Sub-Nigel initially listing 22 million shares, with the 5 million privately placed shares being offered at 180c each Capitalisations are R40 million for Southgo and R39,6 million for Sub-Nigel

The Southgo issue of 5 million public shares was 22 times oversubscribed, and the private placing of another 5 million was reportedly well received Some analysts are predicting that the shares will come on to the gold board at about 150c, but others say that it will reach only 120c

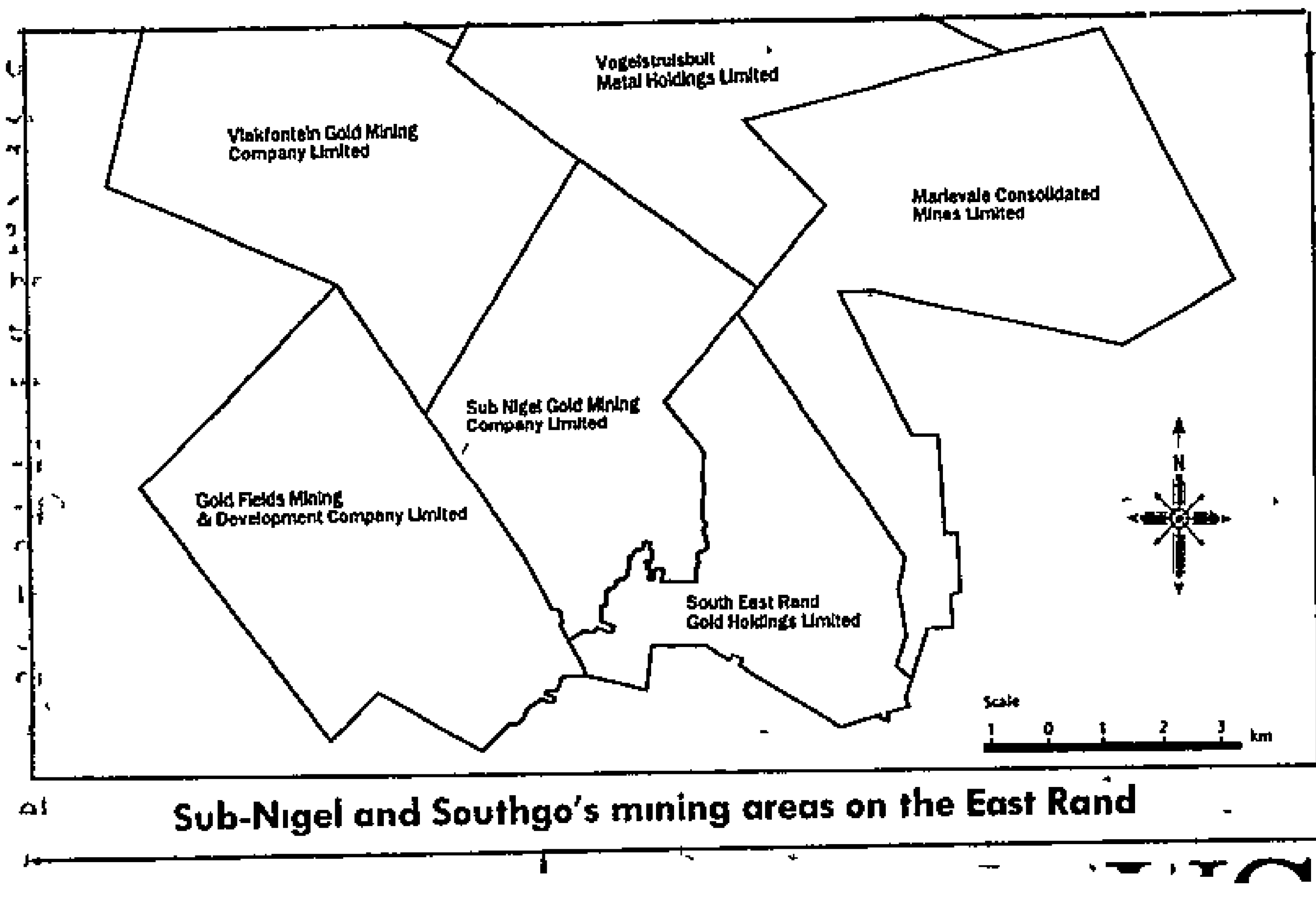
"After the 150c level is reached, however, I expect the price to start coming back I am recommending my clients to stag," says an analyst A view echoed by most brokers contacted

Sub-Nigel is expected to open at between 250c and 300c, and thereafter continue climbing

Mr Goode is critical of the grades which the Southgo hopes to achieve, since he does not believe that the 40 percent sorting level which the mine is talking about will work

"Wits Nigel is currently sorting between 12 and 14 percent of the rock, Sub-Nigel intends sorting 10 percent I think a 40 percent sorting expectation is ludicrous"

With all these points in its favour, investors would be well advised to invest in Sub-Nigel "up to at least 250c", with prospects for higher prices



Sub-Nigel and Southgo's mining areas on the East Rand

Biggest boom in gold exploration

BUSDAY · 214 · 6/8/86

Investment Staff

THE greatest gold exploration boom in the history of South African mining is now under way with expenditure of about R150m a year for the first time

The boom has reached such proportions that up to R8m in cash — the highest price ever — has been paid for a farm to gain the mineral and mining rights in the Potchefstroom area.

Because of the programme of drilling, there is a severe shortage of drills As soon as drills are available from one area, they are moved at speed to another.

About a third of this activity has been south of the Free State mines; another third is in the area between Klerksdorp and Randfontein.

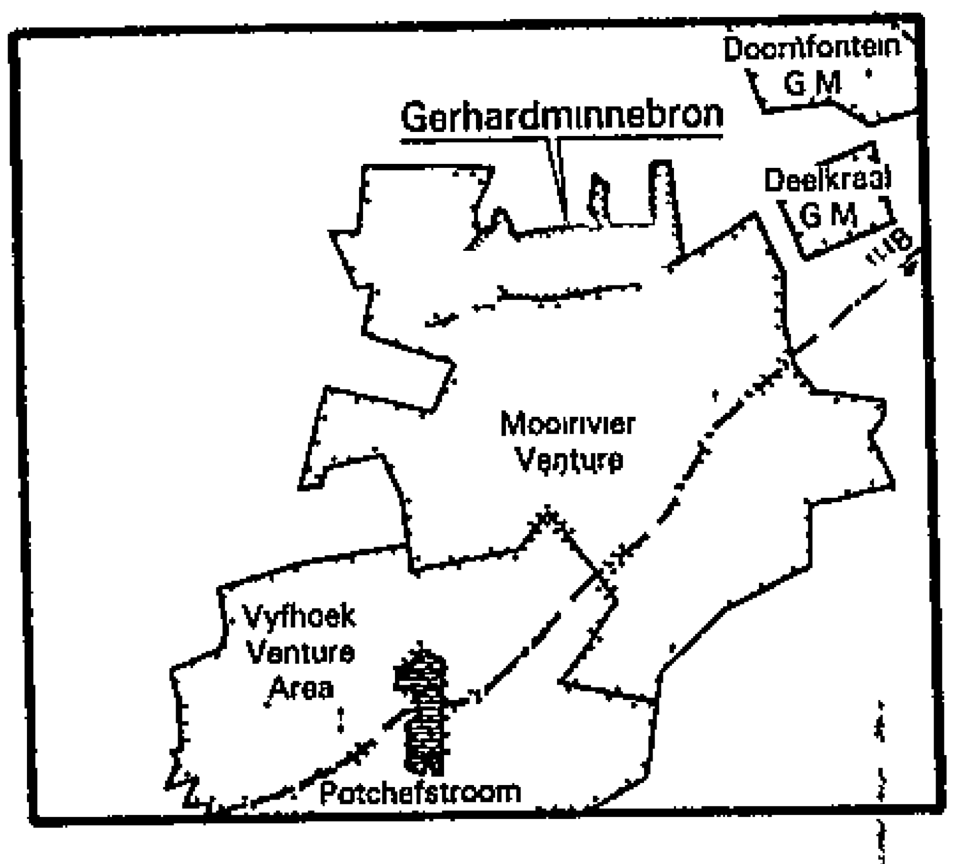
The remaining third is throughout the Witwatersrand Basin, including areas close to the Evander gold mines, south of Johannesburg in the Crown Mines lease area; also to the south of Nigel and between Soweto and Randfontein Estates mine.

The drilling to the south of the Free State goldfields led to the establishment of the Beatrix, Beisa and Joel mines and extensions to older mines are expected to be undertaken.

These extensions would be south of President Brand mine and to the southwest of Harmony mine.

Anglo American is likely to establish a mine north of Joel mine in the Welgelegen area and possibly another mine 10km east of Joel in the Biddulph area

There are no mines between Deelkraal mine at the western end of the West



Wits Line and the Klerksdorp goldfield

An important drive is now taking place to try discover payable reefs in this gap

A similar drive on a smaller scale is taking place in the gap between the Klerksdorp and Free State goldfields.

The Gold Arc of the Witwatersrand Basin stretches from Evander in the east to the Free State in the south Geologists are attempting to find mines in the gaps

New techniques have been adopted, including the vibroseis method of transmitting shocks into the ground and measuring their reflections, by which method complex geological structures previously difficult to interpret can be identified.

Mining circles are confident that a ~~new deep-level mine~~ will be ~~established~~ by JCI south-west of Western Areas gold

● To Page 2

Gold exploration boom

BUSDAY · 214 · 6/8/86

● From Page 1

mine.

Further west in the Potchefstroom district, drilling on the farm Gerhardminnebron by Anglo American's associated company, New Central Wits, resulted in core assaying 1 756 cm/gt.

There are reports that another core of much higher value has been assayed from another borehole in the same area

Geologists predict that after further intensive drilling, at least two mines or possibly three will eventually be established in the Potchefstroom gap between the Deelkraal mine and Potchefstroom

The principal mineral rights are held by Anglo American and New Central Wits and companies within the Gold Fields of South Africa stable

Drills have been sunk to depths of 3,5km and 4km.

There are at least 21 big rigs drilling between the Western Areas mine and Potchefstroom — a distance of about 60km.

Behind the enthusiasm for exploration in the Potchefstroom area is a theory held by several geologists that gold-bearing sediments were discharged billions of years ago into the Witwatersrand Basin at a point north of Potchefstroom

This would be the seventh known entry point into the basin, the others being at Evander, the East Rand, the Central Rand, the West Wits Line, Klerksdorp and the Free State.

Gold mining getting a chance to show off

BUSDAY 7/8/86

(214)

CHERILYN IRETON

THE gold mining industry will show off its achievements in hard-rock and deep-level mining at an international congress to mark its 100 years on the Witwatersrand

The high-powered Gold 100 conference to be hosted in Johannesburg next month will encompass the technical and financial aspects of gold

An important focal point will be the SA mining houses' success in deep-mining techniques, according to former Chamber of Mines president George Nisbet

Other topics to be discussed include the economics and marketing of gold, its industrial use, and its extractive metallurgy

More than 600 delegates from the international mining and investment community are expected to attend the four-day conference

Among speakers are London Gold Market chairman Robert Guy, of N M Rothschild and Sons, George Milling-Stanely of Consolidated Goldfields, Prof Miklos Salamon of the Colorado School of Mines, Minister of Finance Barend Du Plessis, Jack Holmes of Anglo American Corporation, and Prof Nic Wiehahn of Unisa School of Business Leadership

Joint organisers are the Chamber of Mines, Mintek and the Unisa School of Business Leadership

Overseas delegates will have a chance to view mining equipment at the Electa Mining show

The most sophisticated equipment will be on display, along with cheaper, locally manufactured equipment

"It will be an ideal forum for locally manufactured alternatives," says De Beers Advanced Mining Technology (Amtec) MD Dennis Haywood

"We know we can produce many types of equipment to the same standard, or better, than imported versions"

Gold, platinum boom

SUN TIMES

SUNDAY TIMES
FOREIGN DESK

214

10/8/86

GOLD and platinum — South Africa's precious metal money-spinners — rode the crest of a trading boom yesterday

Ironically the crisis in SA contributed to the heavy buying

In New York, platinum led the surge, rising 25 dollars an ounce — the maximum allowed — to its highest level in five years, closing at 514,50 dollars an ounce The last time it passed the 500-dollar-mark was in 1981

Gold jumped 13 dollars to close at 375,60 dollars — its highest level since June 1984

Several factors sparked the rally, New York analysts said

These included fears that South African turmoil would disrupt platinum supplies, and concern about President Reagan's health

It was announced yesterday the President would undergo urological tests today He has a history of bladder ailments, but it is believed there is nothing seriously wrong

US Treasury, IMF pooh-pooh gold and platinum embargo

214 SUNTIMES

Sanctions drive would turn into dangerous boomerang for West

By Jim Srodes: Washington

THE forces behind the drive to impose an American economic blockade on South African have run into a frustrating truth — their plan may not work against those two linchpins of SA's economy: gold and platinum group metals.

One of the more popular plans of action against the SA economy — a sell-off of American and International Monetary Fund gold stocks — has been shot down by the US Treasury and IMF economists They say in a private memorandum to liberal congressional leaders that when the Treasury and the IMF were involved in substantial gold sales 10 years ago the price rocketed to $830 an ounce — at least in part because of the market stimulation caused by the auctions

Consequences

The political objective now contemplated is to drive the gold price to virtually nothing and thus beggar SA

But the joint memorandum argues that it would produce a catch 22 state of affairs which could wreck efforts to solve the Third World debt crisis

The Treasury and the IMF say "There is a strong case to be made that a massive offloading of bullion on the world market would initially produce a lower price but at the same time produce such a revival of interest in gold that the price would rebound as supplies were quickly bought up.

"Alternatively, if the price of gold on world markets were to remain at perceived 'bargain' levels for very long there is the risk that nations which could ill afford it might divert considerable sums of their current export earnings into gold purchases in an effort to build foreign reserve stocks

"In either scenario, the unforeseen but broader consequences of a sudden effort to destabilise the gold markets present risks that far outweigh any political objectives that such a sale might produce"

In fact, the IMF has ruled out any gold sale and this leaves the Reagan Administration in an embarrassing position

Trade row

By the kind of coincidence that makes delicious irony, the Japanese Government will mint a gold coin — the Hirohito — in October. It has been stockpiling most of the 6-million ounces of gold (worth about $2-billion) in the US — more than half of it in the vaults of the New York Federal Reserve Bank of New York

Nearly all of this gold is from SA and was bought in Europe and shipped to New York where it is officially recorded as a gold import by the US By arrangement with the State Department, the Japanese intend to ship the gold out as an official export to Japan, so winning a $2-billion reduction of the record $12-billion trade surplus it is running with America and which has aroused violent protectionist pressures in Washington

Platinum group metals provided $584-million for SA from exports to the US last year Another US Government report warns that the Soviet Union would be the only beneficiary of a metals embargo on SA

Worse, the report argues that such an embargo could touch off a trade war with Europe over its car exports to America

The Commerce Department has begun to circulate an analysis of strategic minerals trade with SA — a hot debating point The report says America must get 90% of its platinum and rhodium from SA not only for pollution-control devices that are required on new cars but as an essential part of the petroleum-refining industry

A total embargo of platinum group metals from SA would result in more than $475-million in hard-currency purchases being made from the Soviet Union, which in the case of rhodium would probably have to fill its contracts with metal laundered from SA

Expensive

Equally nasty would be the impact on European car-makers They would be forced to add hundreds of dollars to the prices of their Mercedes and Jaguars to pay for pollution equipment to meet American standards either by competing for Russian platium and rhodium or by coming up with more expensive technology

Such a move could be considered a non-tariff barrier under the General Agreement on Tariffs and Trade, says the Commerce Department

Gold, platinum soar in JSE rush

214 BUSDAY 12/8/86.

JOHN BATTERSBY
and LIZ ROUSE

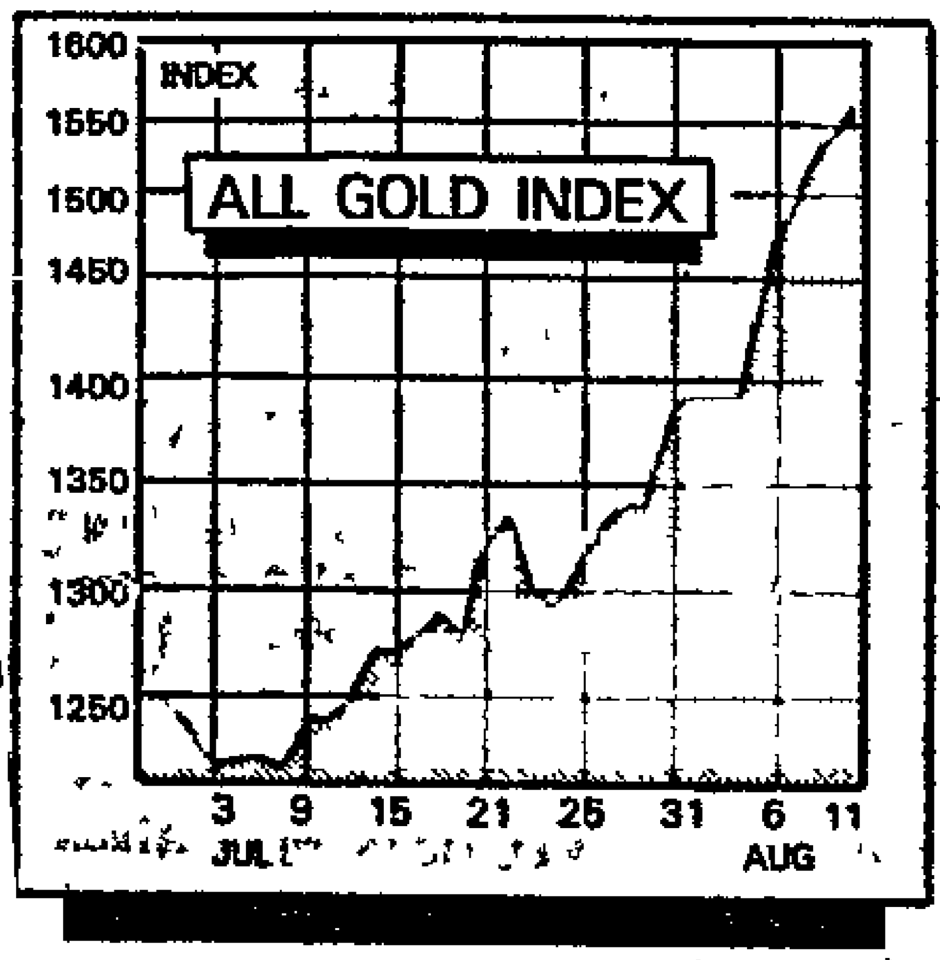
THE gold price rocketed yesterday on European markets.

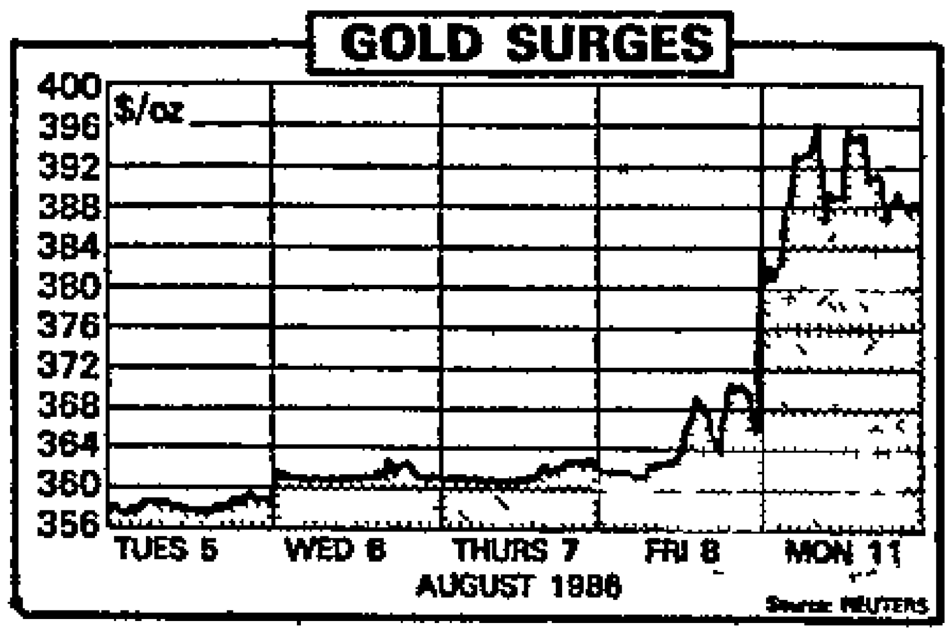
It soared to a peak last reached in 1984 and shattered records on the Johannesburg Stock Exchange.

The metal touched $398/oz in London, easing under profit-taking to an afternoon fix of $388 JSE turnover reached a new peak of R109m, of which mining shares accounted for R90,5m.

With platinum as the leader, the surging prices of the two noble metals have been sparked off by fears of SA retaliation to sanctions and growing anxiety about deflation in the world economy, London analysts said yesterday.

"Platinum is the leader and gold is following. It seems the US has suddenly woken up to the likelihood of platinum supplies being disrupted by SA counter-measures and continued troubles in that country," said Stephen Briggs, a researcher from London metals brokers Shearson Lehman Brothers.





He added that there had been hints for several weeks that gold and platinum would take off, "but the US markets had not been taking it seriously until today".

The *Wall Street Journal* published a prominent report yesterday morning linking the platinum price rise to the possibility of SA retaliation. It predicted the price would continue to rise sharply in coming weeks.

The implications for gold yesterday were immediate.

After closing at just below $370 on Friday, the London gold price soared to $398 yesterday before being fixed at $388 yesterday afternoon, 5% up on the day.

"As stock markets are seen to be peaking, people are looking for something else to invest in — and gold is the obvious thing," Briggs said.

Anxiety about the world economy — and particularly fears of a pending recession in the US — could send gold on

● To Page 2

JSE turnover at new peak

214 BUSDAY 12/8/86

● From Page 1

an upwards spiral

Platinum jumped more than $50 to $555 in London yesterday, falling back to $538,50 in the afternoon, still 7% up on the day.

The metal has been climbing steadily in recent months and is now at a five-and-a-half-year high because of industrial and investment demand outstripping new market supplies

In the past 12 months platinum has shot up by 86%, and by 11% in the last week alone — well ahead of the gold price after lagging behind for years

Some analysts warned that the platinum market was heavily overbought and due for profit-taking

Others were sceptical that sanctions and counter-sanctions would lead to disruptions in supply

"We don't share the view that platinum supplies will be cut off by unrest in SA," said Ted Arnold, metals specialist of a leading London metals dealer.

"The price already carries a very large SA premium," he said

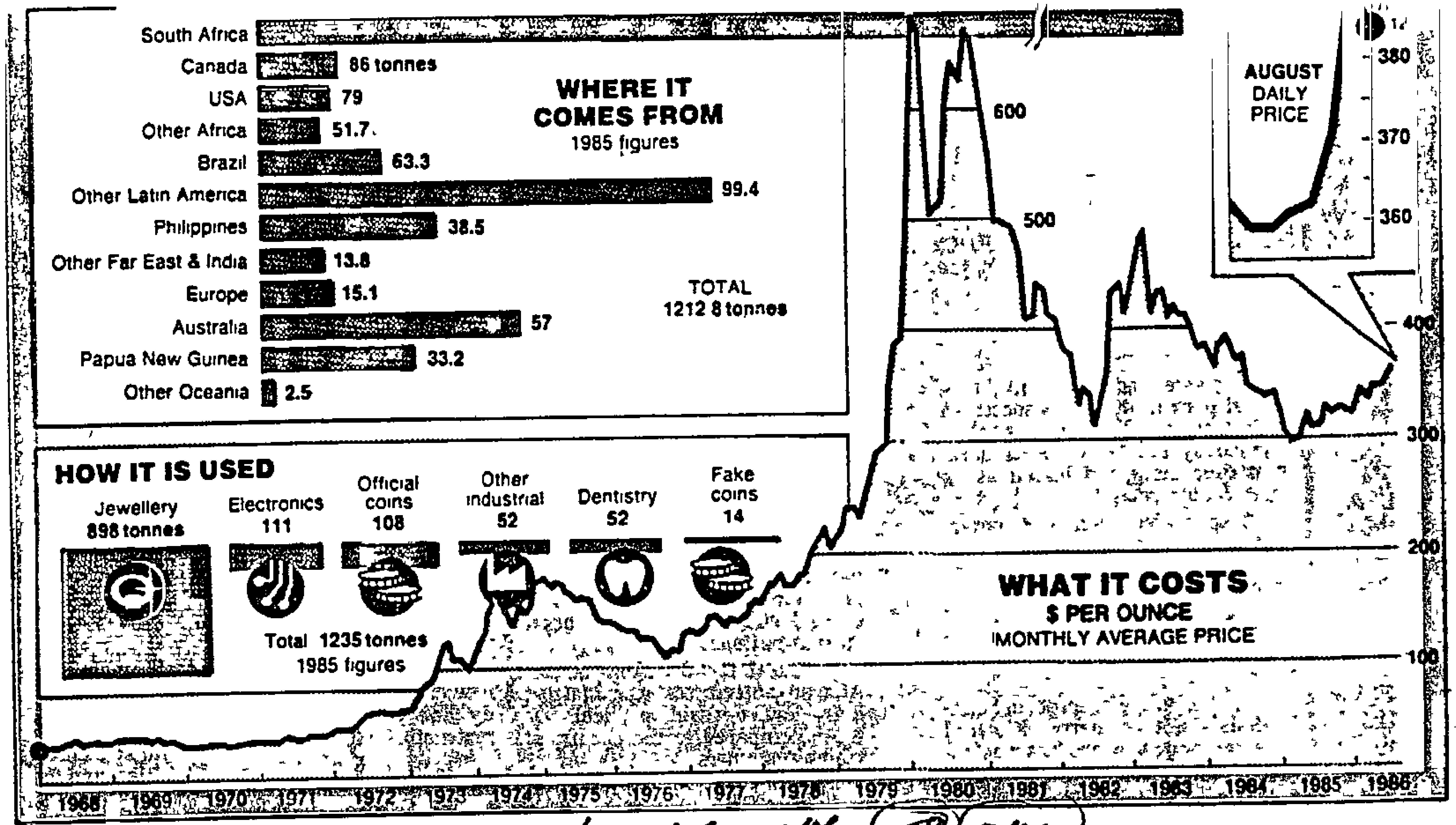
But mounting pressure for sanctions in the US is likely to strengthen the perception that supplies could be disrupted.

Some bullion dealers have played down the likelihood of counter-sanctions, pointing out that SA stands to lose more in export earnings from counter-sanctions than it stands to gain in diplomatic leverage

There were already indications last week of a major move by investors into platinum, when volumes for the two-day period of Thursday and Friday reached 60% of the volume for the entire month of July.

The JSE opened in high gear yesterday. It was the bull market for which gold and stock market analysts had been waiting

Johannesburg brokers said the inevitable correction in the gold price to $387,70 was not expected to stem the bull run on shares, because their books were crammed with unfulfilled orders.



w/G ARGUS 18/8/86 2/64

Gold rush: The metal men kill for . . .

LONDON — Gold is the one thing everybody wants This week's surge in the gold price illustrates perfectly that the yellow metal continues to keep the central place in the world's system of values which it has held since the start of history

People began buying more because they feared there might be less Dealers and speculators, fearing that South Africa, the Western world's major supplier, might retaliate against international sanctions by restricted gold exports, began a frenzy of buying which sent the price soaring

It exercises a dominion over men's minds which is unchanging, and the lore and legends surrounding gold account for much of its fascination

Men kill for it Man and wife unite with it. The medieval alchemists founded chemistry by trying to reproduce it Benvenuto Cellini, wanting to make his patron, who had seen everything the Italian renaissance could offer, for once stand back and gasp, made a salt cellar out of it

But its true hold is its universal acceptability It is the one substance everyone will accept as a means of exchange, no matter how troubled the times, and in this the governor of a modern central bank and an Assyrian king or a Minoan merchant are not one whit different Gold is safe

If Russia invades Afghanistan, watch the gold price If America tries to rescue hostages from Iran, and fails, watch it climb Euro-bonds? Not today, thank you.

Although it has kept its residual strength as an investment, in recent years gold has lost some of its public glitter and has passed from being the underpinner of the world's currency system to one more metal being traded on the exchanges Until 1914 Britain was on a full gold standard and anyone could walk into a bank with 20 shillings and come out with a gold sovereign

The strains of trying to keep the depression economy tied to a renewed gold standard proved too much between the wars and Britain abandoned it for good in 1931 But in 1945 gold became the fixed basis for the international exchange rate system established by the Bretton Woods conference For more than 20 years the price of gold remained where it had been fixed by Roosevelt in 1934, at $35 an ounce, and currencies hovered around it.

To Page 3

214 Bus Day 19/9/86.

Good prospects from Harties' drilling

CHERILYN IRETON

HARTEBEESTFONTEIN Gold Mining Company (Harties) has completed a drilling programme which has indicated a potential for increased mineable ground in the south-western portion of the lease area

In addition, geological investigations on the Townlands property — to the west of the lease area — indicate the possible existence of other viable reefs

The preliminary drilling programme will continue in the current year to assess the potential of these reefs as a supplementary source of ore to the mine, chairman Basil Hersov says in his annual report Anglovaal manager Rob Wilson says the reefs on Townlands are sporadic and mostly low grade

However, Harties is expected to complete construction of the new R135m low-grade-ore mill late next year The new mill will treat low-grade ore from surface stockpiles and is expected to have an annual throughput of 120 000 tons a month

Wilson says increased dividend payments this year will depend on whether the gold price received averages more than R25 000/kg and whether cost escalation can be kept below the consumer price index In the year to June, the average gold price received was R24 925/kg

20/8/86

214 BUS DAY

COMPANIES

GFSA ends year with glittering results

LIZ ROUSE

GOLD FIELDS of SA (GFSA) has achieved record year-end results with earnings and the final dividend higher than market expectations

Earnings for the year to June were up almost 30% at 319c a share (246c a share), against an estimated 310c a share

The final dividend has been raised to 105c (95c estimate) from 80c, lifting the year's total distribution by 33,3% to 160c from last year's 120c

Results are in line with projections by GFSA directors who said, at the interim stage, that year-end profits should show a satisfactory increase, although not at the same level as that achieved in the first six months.

GFSA's interim earnings jumped 44% to 137c a share and the interim dividend was raised by 37,5% to 55c (40c)

Investment income increased by more than 26% to R265,2m (R210m) and income from fees, interest and other sources rose by over 25% to R105,9m (R84,6m), boosting total income to a record R371,2m (R294,6m)

GFSA's growth track record has been erratic as the group deals predominantly in gold whereas other mining houses are more diversified However, its performance in the past two years has been excellent.

June quarterly results for its gold mines were disappointing as the producers missed out on a higher gold price and only high capital expenditure and lower tax made the figures look better. The jewel in the crown, Driefontein, paid a lower final but the high interim compensated for the cut.

However, all the mining investment companies did well and raised their dividends in the past year

Market comment yesterday was that the figures should please investors At yesterday's market price of R49, dividend yield is 3,26% compared with Anglo American's historic yield of 3,2% and the mining house sector's average yield of 3,7%

GFSA shares have consistently outperformed Amgold's, with its gold-dominated portfolio

Analysts made only one qualification on the results — that dividend cover had dropped to just below two times from last year's 2,05 times One said it looked as if Consolidated Gold Fields (which holds 48% of GFSA) had exerted some pressure on distribution being kept high

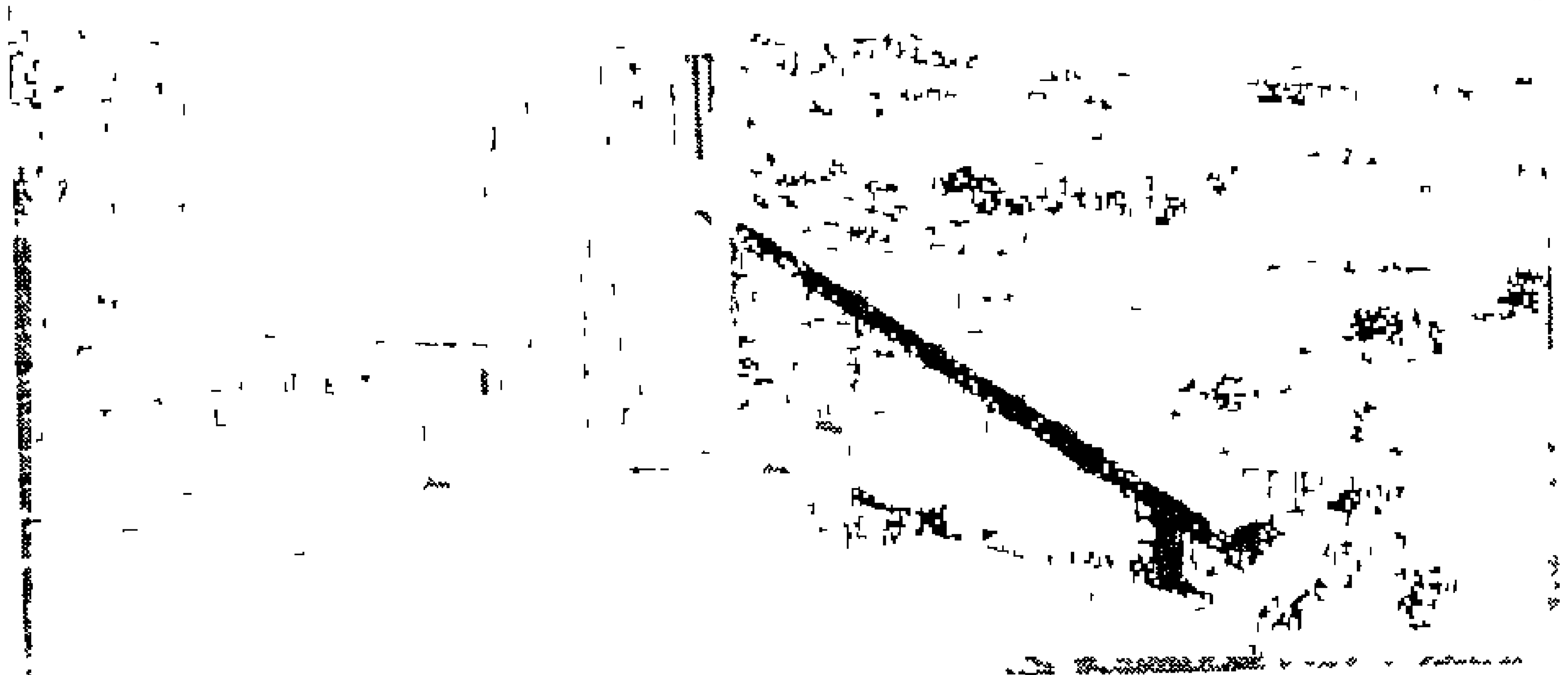
2018/86
SPAA

BUSINESS (214)

Western Deep scores a world first

The metallurgical project team at Western Deep Levels gold mine, near Carletonville, has engineered a world first — the conversion of a uranium plant into a gold processing plant.

Owners Anglo American Corporation said that when uranium production was discontinued at WDL in 1985, owing to the depressed market and falling grades, the metallurgical project team investigated the possibilities of an alternate use for the uranium plant process stages.



Western Deep Level's new milling plant near Carletonville.

On their recommendation the leaching, counter-current decantation (CCD) and clarification stages were changes into gold processing stages

A final recovery stage, incorporating carbon absorbtion elution and regeneration was added The changes and additions were done relatively easily and inexpensively, says Anglo

The WDL No 3 shaft waste-rock dump is now being processed for the recovery of gold Over the next 11 years about 16 million tons of waste material, expected to yield 21 tons of gold, will be treated at a monthly rate of 120 000 tons

Conveyors for dump reclamation, a jaw-crusher for the reduction of rock size to 150mm, two 60 000 tons-per-month mills with feed silos and two dewatering thickeners have been provided at No 3 shaft

Slurry is pumped from the thickeners to the cyanidation stage, a distance of 2,5km, by five pumps in series.

After the cyanidation stage, liquid/solids separation take place in the CCD process where a wash solution picks up the dissolved gold moving counter current through six stages

The gold-bearing solution is clarified and passed through activated carbon columns where the gold is absorbed.

Absorbed gold is removed by an elution process using hot caustic soda and cyanide.

A relatively small amount of concentrated gold solution is pumped into the normal zinc precipitation circuit for final gold recovery.

The two mills will be moved to the new No 1 shaft complex when the waste reserves are exhausted.

In the event of a significant improvement in the uranium market, it will be possible to re-convert the treatment plant for the recovery of uranium.

EFFICIENT

The design throughput of 120 000 tons per month is being achieved and the CCD process in particular is proving to be highly efficient, says Anglo

The total cost of the project was about R40 million, of which R3,5 million was used to convert the uranium plant — Sapa

Rock fall puts an end to gold rush fever as 11 die in mine horror

214

Sun Times 24/8/86

IT took a horrific rock fall this week to end the gold fever which has gripped thousands of people in Natal and the Transvaal.

At least 11 bodies, all women, are believed to have been recovered from a collapsed, makeshift tunnel on the banks of the Insuze River in rural northern Natal which caved in on Wednesday night.

By SHAUN HARRIS

But mining engineers and police, working frantically round the clock this weekend at the scene of the disaster, expect to recover more bodies

The gold rush reached a fever pitch last weekend as thousands of black people from all over Natal and the Transvaal, ignoring repeated warnings that the treasure they hoped to find was only worthless "fool's gold", converged on the isolated valley

Earlier this week a contingent of KwaZulu police, worried that the haphazard mining techniques which had already claimed two lives could lead to more danger, arrived at the open-face mine

Boulder

"But they were chased away by the angry miners, who accused them of wanting to steal their gold," said local trader Mr Eric Shimwell

Then on Wednesday night disaster struck

"From what I heard from local people, a group of miners had tunnelled deep into the rockface The tunnel caved in, with a huge boulder blocking the entrance to the cave," Mr Shimwell said

Next day senior KwaZulu police officers and three mining engineers arrived by helicopter to help recover people trapped inside

"The problem is that the area is so isolated it's impossible to bring in heavy mining equipment Police had to use the miners' tools and dig by hand to try and recover the victims," said Brigadier Andries Laas, KwaZulu Commissioner of Police

He said the official death toll stood at seven, but added that reports were irregular because the area was so isolated

"It seems certain that there are more bodies inside there. The problem is we don't know how many," Brig Laas said

According to Mr Shimwell, who lives about 25km from the fool's gold mine, local reports were that 11 bodies had been recovered.

Heard

"One of them is believed to have been a mother of six children A small child was also injured

"I'm sure there won't be any survivors by now But on Thursday morning it seems that people were still alive in there According to reports I heard people could be heard inside the collapsed tunnel hours after the rock fall," Mr Shimwell said.

Brig Laas said nearly all the treasure-hunters had now left the mining site

"We tried to warn them, but they were extremely hostile. It's sad that something like this had to happen to stop the gold rush"

But the gold fever is not quite over

This week a second fool's-gold site was discovered about 10km down the river.

Sowetan 25/8/88

Four more bodies found

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FOUR more people have died in the fool's gold rush bringing to 15 the number of people recovered from a makeshift tunnel which caved in last week on the banks of the Insuze River in northern Natal

About 11 bodies, all women, were recovered from the tunnel after it caved in last Wednesday Mining engineers and police are working at the scene of the disaster hoping to recover more bodies

Brigadier Andries Laas, KwaZulu Commissioner of Police, said that it, seemed certain that there were more bodies there He could not say how many, but said the problem was that it was impossible to bring heavy rescue equipment

MINING

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Mine safety, productivity 'have to improve'

CHERILYN IRETON

IF GOLD mines were to meet the challenges of deep-level mining, safety and productivity had to be improved, the newly elected SA Institute of Mining and Metallurgy (SAIMM) president, Horst Wagner, said in Johannesburg last week.

Wagner, research director for the Chamber of Mines, told SAIMM members that mining and stope facing technology would have to be improved to enable a higher output from each metre of stope face mined

● WAGNER

The industry should accept that rising labour costs must be matched by increases in overall productivity

He said "Developments aimed purely at improving labour productivity without an accompanying improvement in production a length of face will fall short of achieving the goals of the industry

"The low level of face utilisation is the major stumbling block for progress in deep level mining."

Recognising that mechanisation remained a key to higher productivity, Wagner said large scale mechanisation of deep level stoping operations would only be possible if the rockburst problems were eliminated

The use of stabilising pillars and backfill would improve underground safety, and backfill would also contribute to a more favourable underground thermal environment

Wagner said Deep level mining has a relatively low level of mechanisation, a low degree of face utilisation and is labour intensive.

"This will have to be changed if the industry is to meet the challenges of the changing socio-economic and political environment"

To accommodate mechanised mining techniques, rock fracturing and hazardous mining conditions would have to be controlled through the use of elaborate support measures.

Until now the restricted mining height in the stopes, together with the hard and abrasive nature of the rock that had to be mined in hot and humid conditions, had prevented any large scale mechanisation of stoping operations

Other hurdles had been the depths at which the ore-bearing reefs were situated and the irregular distribution of gold

That had made mine planning and grade control difficult, resulting in mines favouring mining methods with a high degree of flexibility.

Another problem had been that transport and communication lines increase with depth, resulting in high costs and a loss of effective working time.

Wagner said the key to many of those problems remained an improvement in productivity.

He said "Nearly 50% of working costs are labour related Demands for higher wages can, in the long run, be met only by a higher output by the worker."

And while labour costs were the mine's major cost component, their economic viability remained highly dependent on wages and wage demands.

Stoping was the most obvious area for productivity improvement Wagner said "Nearly half the total underground labour force is employed in stoping where the level of mechanisation is low"

However, in the past poor environmental conditions had prevented the introduction of mechanisation on the stope faces

Corrosion caused by the hot humid environment and the high proportion of dissolved solids in the mine water had stood in the way of mechanisation Abrasion from the rock hardness and the high quartz content in deep mines had also been a problem

However, through the Chamber of Mines, the industry was continuing to search for suitable materials for use underground

"Two approaches are being followed to overcome this problem The one is through the treatment of the mine water and the other is to develop materials that are both corrosion and abrasion-resistant."

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ERPM devises strategy to improve profitability

By Stan Kennedy

Faced with closure because of changes to the Gold Mines Assistance Act, the grandaddy of Reef gold mines, East Rand Proprietray Mines (ERPM) — established 93 years ago — has had to develop a strategy that could improve profitability

It is somewhat ironic that the oldest mine is rapidly becoming one of the industry's innovators once again

The mine's latest adventures in really deep level mining could well pave the way for other operations closer to central Johannesburg as ultra deep reef horizons begin to look feasible for mining

In 1960, the mine experienced financial difficulties but aid in terms of the Act allowed it to remain in production

In planning a strategy to survive, it became apparent that if it could develop the Far East Vertical (FEV) shaft complex, the mine could become prosperous again Total cost of implementing and commissioning the FEV shaft system is estimated at almost R200 million

Commissioning of the complex in 1990 will give access to higher grade ore, increase the milling capacity and generate considerable savings in unit costs of production

Among planning and design objectives of the FEV project are an increase in milling capacity to 330 000 tons a month, provide additional stope face in higher grade areas, design shaft systems that satisfy the required airflow, logistical and geotechnical parameters, and use existing surplus hoisting capacity at Central and South East primary shafts

Using the considerable volume of historical valuation and other data acquired over the years, together with information on its limited mining operations in the Far East area, sophisticated digital computer techniques have been used to define anticipated gold distribution trends

From such analyses, it is predicted with confidence that values of 5 g/t and greater will be recovered from the area to be served by the FEV system

Because of the combined effects of auto compression and heat pick-up from the rock surfaces, the temperature of the air in the working faces will be cooled by a novel technique Ice will be manufactured on surface and transferred to un ice-to-water heat exchanger dams from where it will be pumped to stope water-to-air heat exchangers and bulk air cooling installations

By mining in the Far East area and making extensions to the metallurgical plant, it is estimated that the tonnage milled can be increased from the current level of 2,8 million tons a year to four million tons a year by 1990

The increased capacity of the plant can be achieved at a relatively low capital cost and will involve the installation of two autogenous milling units and other minor ancillary equipment

The mine and others are now obviously becoming more profitable with the gold price trading at current levels, as can be witnessed by the growing number of once dormant gold mines that are being reopened

DURBAN DEEP

(214) FIN MAIL 29/8/86

FEATURE

Expansion prospects

Rand Mines' Durban Deep has to walk a financial tightrope as it positions itself to move into the western and southern parts of its lease area.

Rand Mines' marginal gold producer Durban Roodepoort is in an important transitional phase as the bulk of its mining operations swing from the steeply sloping reefs on the eastern boundary of the lease area to the flatter reefs on the west At the same time, mine management is looking east, west and, particularly, south to find additional ore reserves New reserves are needed to ensure the continued life of the mine which started milling in 1898.

MD Gordon Mosenthal believes extensive ore reserves at attractive grades lie in the south of the lease area But the mine has to walk a financial tightrope to generate revenue needed to fund developments to the west, and to position itself for the move south, this could involve a call to shareholders for funds through a rights issue

The greatest challenge is to control working costs, which have soared over the last six months and are coming under further pressure because of the change in the mining methods forced by the swing from the east to the west of the lease area On the eastern side, the Kimberley Reef dips at angles between 60° and 90°, compared with the flatter dip of between 5° and 35° on the west

Through long experience, the staff has developed the mining of the steep reefs into a fine art Once working levels have been established, the stopes go up the dip of the reef Each day, workers drill and blast the roof, broken ore is drawn off through gravity feeding at the haulage level below to clear sufficient space for the shift to get in again, then the miners stand on the floor which consists of broken ore, and drill the roof again

Little support is required and there is no need for conventional scraper and gulley winches to drag the reef out of the stopes and into the haulage ways. This makes the mining method relatively cheap, and GM Bill Berry says mining costs on the vertical stopes are about R40/t compared with R50/t from the conventional stopes. However, the mine is rapidly running out of ore on the eastern side, and the switch to the west has involved the purchase of new equipment such as winches, locos and hoppers This, with the materials and labour needed to install required support packs, is boosting working costs.

The compensating factor is that the mine's recovery grade should improve, because there will be flexibility to make mining operations more selective. "We've halted the decline in grade and we should be able to get back up from 3,1 g/t to 3,2 g/t, maybe 3,3 g/t That doesn't sound like much, but in terms of profits, we will really have achieved something," says Berry

The mine's geologists will play a key role Because of the uniformity of the gold-bearing reefs, geologists in the South African mining game have traditionally taken a back seat in mine operations to production people But that's changing as the shallower ore bodies are worked out and miners find the geology of deeper ore bodies gets more complicated

"You used to be able to just put in raises, get into the orebody, then mine flat out in every direction, taking what came No longer, we are studying the sedimentology of the reefs as never before to pinpoint the original channels and sandbanks," says Berry "I can see the time coming when the geologists will tell us precisely where to mine The whole emphasis will be on the quality of the mining, as measured by the cost per kilogram of gold produced, rather than the volume of ore shifted, as measured by the cost per ton milled "

Durban Deep has developed into the tribute area on the farm Vlakfontein 238IQ over which it negotiated from JCI in 1984 the rights to mine the Main Reef The Kimberley and South Reefs are to be mined by Randfontein Estates Doornkop section

"If the results are good enough, we may sink a sub-vertical shaft at a cost of about R19m to mine the area Ore would be brought out on the main haulages on 17 and 30 levels to our No 6 vertical shaft system where it will be hoisted to surface We'll reach a decision on this in about a year Results so far have been encouraging but we have too little information for predictions Production from the area would run at about 20 000 t/month," Mosenthal says

The 1985 annual report gave values from the initial sampling of 7,1 g/t over an average channel width of 117 cm to give 831 cm g/t This is attractive in terms of the mine's other ore reserves, but the cream will be skimmed off by the tributing payments to JCI Mosenthal reckons Durban Deep could fund the R19m required for a shaft in the JCI area from internal funds given current rand gold prices and working costs, and provided the relationship between costs and revenues is maintained

However, it is the large untouched areas in the south of the lease area where he sees the greatest potential "We have a syncline formation here The reefs dip north to south then bottom out and start coming up again, dipping south to north, which means the workings will be fairly shallow once more," he says "We are putting down another two boreholes in the area and will also develop on reef into it It will take us about two years to check it all out thoroughly, at which point we will decide what to do

"Depending on how the exploration results pan out there are two viewpoints on the mining of the southern lease areas The first is to treat it as replacement tonnage, which means we maintain our treatment capacity at the present 200 000 t/month and haul the ore back along 17 and 30 levels for hoisting through our existing main shaft systems

"The second approach — if the values are good enough, and our assessment so far is that the values there are better than we are getting on the rest of the mine — is to increase Durban Deep's overall output We would then have to sink two more shafts and build another treatment plant to handle an additional 100 000 t/month We obviously can't fund that internally, so it means a rights issue, or an ERPM-type excercise looking for help from the State in the form of guaranteed loans plus a rights issue," says Mosenthal

The one hope for continued operations in the east of the mine is for Durban Deep to negotiate a tributing deal with Steen Severin's neighbouring Rand Leases mine over the deeper reefs, which do not form part of Severin's plans in re-opening Rand Leases. These would be easily mined from Durban Deep's No 7 incline shaft

Another possible source of revenue, however insignificant, could be through allowing Cyril Heever's fledgling Roodepoort gold mine (the old Wilford mine) to tribute the worked out sectors of Durban Deep's northern lease which surrounds Wilford on three sides Mosenthal confirms negotiations are underway with both Heever and Severin

At current prices around R34,50, Durban Deep yields 2,9% and the share looks near fully priced for a marginal producer

Brendan Ryan

Australia chases us in world gold stakes

weeklymail 29/8/86 214

By GRAEME DOBELL
Canberra

BY the end of the decade Australia could be the world's second largest gold producer behind South Africa. And the possibility of attracting investments withdrawn from South Africa adds to its gold mining industry's "buoyant" future.

It was gold which gave Australia its first great economic surge last century The gold rush brought in people from all over the world, and gave a major boost to the convict colony.

And now, nearly a century and a half on, gold may again become an unexpected prop for the Australian economy The precious metal is the one bright spot for a country which still relies on agriculture and minerals for its export income.

Five years ago Australia was producing only 18 tonnes of gold annually Last year production hit 57 tonnes. According to some estimates, Australia could be producing 110 tonnes by the end of the decade

That would make it the world's second largest producer behind South Africa, which mines about half the Western world's ouput of 1 200 tonnes each year.

New mines are opening in Western Australia, Queensland and Victoria This year Western Australia is to issue gold coins called "nuggets", to compete with the South African Krugerrand The Perth mint thinks sales of the coins will be launched by the time of the America's Cup yacht races, to be held in the waters off Perth next year

The National Australia Bank says gold mining has a "buoyant" future "Some of the gold investment money withdrawn from South Africa for moral or political reasons could end up in Australia there are profits to be made in Australian gold shares, but the task of picking the shares with the best potential is far from easy

"The scope is wide — there are around 250 companies listed on Australian stock exchanges which have interests in gold mining or exploration"

The surge in gold production throughout the country owes much to new technology, as well as rising prices. Many of the new mines are open cut rather than underground

Low cost techniques have been developed to treat poor grade ore bodies Portable treatment plants have been built, allowing even small ore deposits to be mined profitably.

Such small plants can be used to win gold from "tailing dumps" — the picked-over mounds of ore left by earlier miners. — Gemini News

Fewer gold mine deaths

SOWETAN 5/9/90 P14

The gold mines' accidental death rate has fallen below one for every 1 000 employees, according to a statement from the Johannesburg Chamber of Mines. The figure referred to the first half of the year.

The figure projected over a year of 0,88/1 000 was an improvement of almost 40 percent over 10 years.

Mr C T Fenton, the chamber's mine safety division chairman, said: "We have achieved a major goal."

He said the industry was making a concerted drive to reduce accidents and the figures were the result of dedicated effort in research and development, safety management and education and training.

CITE Times 5/9/86 (214)

Amgold boosts profits

JOHANNESBURG — Anglo American Gold Investment Co (Amgold) has increased its interim dividend from 625c to 700c, after boosting tax profits by 14,7% to R168,5m (768c a share) in the six months to August 31

The directors say the improvement is attributable to increased dividends received on investments in the gold mining industry, reflecting the higher proceeds, in rand terms, of gold sales in the first half of 1986, offset to some extent by increased mining costs and capital expenditure

In the period, the average dollar price of gold rose by 11% to $343 an ounce, compared with $310 in the first half of 1985

The rand price, however, increased by 22%, from R622 to R758 an ounce, the currency having continued to weaken against the dollar

They say the results for the second half will depend largely on the rand gold price prevailing — Sapa

Gold fever to keep JSE on the boil?

BDM 8/9/86 (214)

LIZ ROUSE

GOLD fever is expected to keep the JSE on the boil, after one of the most hectic weeks in its history which saw turnover rise to more than R379m

Gold prices shot up to three-year highs on Friday as international operators were unwilling to leave short positions over the weekend

However, spreads of precious metals prices widened and the London afternoon fixing was unusually prolonged, reflecting uncertainty about gold's direction

The London pm fixing of $420,80 was immediately surpassed in Zurich, where the spread was between $422,25 and $424,24 The price touched $425 in New York on Friday night, but later opened at $422,50 in Hong Kong where the spread was between $422 and $424

The platinum-price spread also widened to $667/$675.

The gold sector went from boom on Wednesday to bust on Thursday and back to boom on Friday. The all-gold index recorded one of its best week's gains of 8,6% at 1 839, the mining finance index firmed 6,5%, the industrial index rose 5,2% and the overall market index was up 5,4% at 1 962, seemingly set for the 2 000 mark

Friday's sharp gold price rise was attributed in some quarters to the Pan Am hijack, presumably indicating the metal had regained its role as a pacesetter on political factors

But Johannesburg metal experts and other foreign commentators said that precious metals' price jumps reflected fears about rekindled inflation and a poor outlook for the world economy

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Cape

Steep 330% rise in Freddies share value

JOHANNESBURG — The total value per share of Free State Development and Investment Corporation (Freddies) rose from R15 to R70,50 (more than 330%) between the June year-end in 1985 and mid-August this year, says the chairman, V G Bray, in his annual review for the latest financial year to end-June.

The steep rise mainly followed the major restructuring of Freddies in which the investment and exploration assets were separated, the investment portfolio going to a new company, DAB Investments (DABI), in return for R8,183m in cash paid to the exploration company.

Since Freddies chairman arrived at the August total value per Freddies share by adding the value at the time per Freddies share (R15) to the equivalent value of a DABI share (R70,50), clearly the main beneficiaries of the restructuring were those who held Freddies shares at the time, took up the offer to also acquire the first listed shares in DABI, and have held on to their shares in both companies.

In the period concerned the gold mines index rose by 50%.

Comparisons of the current and previous year's profits "are not really valid," says the chairman, because of the major changes in the latest year.

Investment income in the first half of the year relates to the portfolio sold to DABI and "should really be looked at in relation to that company's performance."

Dividend

The interim (first-half) dividend of 35c "represented the bulk of the income earned on the investment portfolio before its sale to DABI" but "the whole structure of the company's income has now changed and dividends will in future depend on the turning to account of mineral rights."

It is thus anticipated that the company will not in normal circumstances be able to pay a dividend for several years.

However, the chairman points out that the restructuring has left the company with R8,1m in cash and that the acquisition of Potchefstroom Gold Areas shares has further increased liquidity. — Sapa

Freddev forecasts mine development

9/9/86 BUS DAY

214

LIZ ROUSE

FREE State Development & Investment Corporation (Freddev) — hived off as a mineral exploration company last year — foresees the development of a fair-sized new gold mine in the President Brand area

Joint exploration with Free State Consolidated Gold Mines Operations (Freegold Ops) of the farms Du Preezleger and Jonkersrust is the most important development in sight at this stage

However, Freddev has other developments in sight, in particular a project headed by Johnnies and Western Areas Gold Mining Company south of Western Areas gold mine, where drilling programmes have yielded encouraging results

The company also has development possibilities in the Free State gold fields where Harmony has discovered significant quantities of low grade ore, which could be exploited given a very high gold price

Chairman Vaughan Bray says in the annual report he believes exploitation of Freddev's mineral rights and participation interests will result in significant benefits accruing to shareholders in the future

Whenever possible, the company will pass on these benefits directly to shareholders

Freddev has a portfolio of mineral participation rights with good prospects of exploitation in the medium term The most important development in the past year was the agreement with Freegold to jointly exploit 1 130ha next to the President Brand lease area Freegold Ops and Freddev will be responsible for 55% and 45% respectively of the net cost of developing the area

Mining will, in the early years, be undertaken from the President Brand No 5 shaft Full access will be had to the Brand plant and infra-structure, at no additional cost, for the treatment of ore

At a later stage, it may become necessary for a new shaft system to be established in the southern part of the farms, and Freddev would have to meet its share of the cost The company would also have to refund R2,5m past exploration costs to Freegold Ops

Bray says the development is an exciting one as it represents a 45% stake in what is in essence a fair-sized new gold mine at a modest incremental capital cost The board is examining the best means of providing finance for this venture

The company contributed R1,8m in the past year to the exploration in the project south of Western Areas mine It is responsible for 20% of costs and will be entitled to 16% of any benefit if a new mining venture is established

Current drilling has confirmed the encouraging results of the earlier drilling programme Johnnies also holds a prospecting lease over portion 9 of the farm Waterpan, adjoining lease areas of Randfontein and Western Areas

This is currently being examined from development drives from Western Areas and while it does not contain the potential for a stand-alone gold mine, could well be exploited by one of the two neighbouring mines

If the Harmony low-grade gold project comes off, Freddev will participate in 7,5% of profits, while Harmony amortises its risk capital Thereafter profits will be equally shared

In the past year Freddev acquired Southern Holdings, which has a portfolio of mineral participation rights in adjoining areas and mineral participation rights from the Southern Prospecting Group in the Klerksdorp and Bothaville districts It also holds shares in newly listed Potchefstroom Gold Areas, which could be sold to raise funds

Bray, who is also chairman of DAB Investments, which took over the old Freddev share portfolio, expects the rand to remain weak even if the gold price breaks out of its current price range

Prospects of the continuing firm rand-gold price implies maintained profits for DAB, and a dividend payment of 85c in 1987 seems assured

8 000 miners on strike

10/9/86 STAR (214)

About 8 000 mineworkers at Gencor's Beatrix Gold Mine in the Free State have been on strike since Monday.

Gencor's Gold and Uranium Division chief executive, Mr Bruce Evans, said negotiations with representatives of the National Union of Mineworkers and employee representatives were in progress to establish the cause of the stoppage and to resolve the matter

He described the situation at the mine as peaceful.

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11/9/86 BUS DAY

Gencor gold mine workers agree to return to work

LINDA ENSOR

ABOUT 8 000 workers on strike at Gencor's Beatrix gold mine near Theunissen in the Free State undertook to return to work as from the 9pm shift last night, a mine spokesman said yesterday

He confirmed the strike by approximately 8 000 workers arose from a shooting incident on Sunday evening

National Union of Mineworkers (NUM) Press officer Marcel Golding said mine security guards had shot at workers returning from a union meeting on Sunday An unknown number were injured and some had to go to hospital, Golding said

The mine spokesman said the shooting incident occurred because no control had been exercised over the workers, as promised by NUM

Workers failed to turn up for the midnight shift on Sunday and the strike continued yesterday while NUM representatives held talks with the strikers Management undertook to investigate their grievances

Bruce Evans, CE of Gencor's gold and uranium division, did not believe the three-day strike would affect the mine's quarterly gold production figures as it had drawn on its strategic stockpile

● Matla Colliery has retrenched 130 workers as a result of the closure of the No 3 Mine, Gencor Coal Division acting CE J C J van Rensburg said yesterday The closure of the mine, to keep production costs down, was announced on April 15, he said Nearly half the affected workers were placed at other group mines, although it was not possible to find additional employment for everyone The retrenchments were unrelated to the sanctions issue as Matla Colliery supplied coal to the adjacent Matla 3 600MW power station, he said

Earnings rocket at revived Gencor

12/9/86 STAR (214)

By Gareth Costa

Freed from crippling finance payments and huge industrial losses, Gencor sprang to life and recorded a 51 percent increase in attributable income to R230 million for the six months to end-June

After earnings of 242c a capital unit, the interim dividend has been raised to 80c Management says that the increase is also attributable to a narrowing of the difference between the interim and final dividends

Analysts point out that the direction of newly apointed chief executive Mr Derek Keys is already evident, as dividend cover was increased to 2,6 times from 2,23 times and various accounting practices were also changed

With the industrial division still R200 000 into the red, Mr Keys says that the bugbear is Darling & Hodgson He says that the company will have to be refinanced and details are expected when the company's results are released in the near future

When asked whether there were any plans to sell off some the industrial companies, he responded by saying that they had "fattened up some of the thin cows in the group", and in his mind there was a price for everything.

RIDING THE CREST

Finance charges were nearly R100 million down at R136 million, while gearing is down at 55 percent of investments at book value Mr Keys noted that if valued at market ratings, gearing would be below 30 percent.

Mostly with the help of Samancor, income from the base metals and minerals division — which at 40 percent of group income was the largest contribution — rocketed from R48 million in the comparable six months last year to R92 million

Mr Keys says that Samancor is still riding the crest of the wave and no serious sanctions threats have been directed at the company.

On the platinum side, Impala did not increase its dividend, so the contribution was the same at R8,5 million Mr Keys says that the mine is preparing for a capacity increase, but he would not be specific as to how large it would be or when it would begin

Gold's contribution was R10 million up at R43 million, making up 19 percent of group income On expansions in the gold division, Mr Keys says that he would be extremely disappointed if nothing came to fruition within the next six months

Coal added an extra R3 million at R20 million, but percentage wise the contribution was down from 11 percent to 8,8 percent The sanctions threat are as yet unclear, and the belief is that the present six months could pass undisturbed

CONSERVATIVE

The financial and services division saw a sharp drop in income from R61,7 million to R49,3 million The division now includes property and townships arms, which Mr Keys says have an extremely conservative profit record, but it did not have much to do with the sector decline The reason for the drop is that last year the division had a number of "coups" which made for an exceptional year, while this year the performance was more pedestrian

Sappi, which stands as a separate division, added R16,7 million or 7,2 percent of income compared with a negative contribution of R5,2 million of the same period last year

With the money just flowing into Impala's coffers with the surge in the price of platinum and no strikes costing R45 million, a massive increase from this division is likely at the year end Gold has also risen sharply

Coupled with this is the coal rationalisations, the R200 million Sappi rights issue, a stronger industrial division and a well structured and directioned management team, which should add up to a further increases by year end

SBDC bonds

By Financial Staff

The government has finally given its approval to a scheme which will empower the Small Business Development Corporation (SBDC) to issue al rounds of ammunition had been found in the house.

The man who fired at the detectives has not been arrested. — Sapa.

Welkom gold mine hit by strike

By Mike Siluma

Anglo American's Geduld gold mine in Welkom was hit by a protest strike yesterday

Mineworkers were protesting over an official who carried a gun underground, said the National Union of Mineworkers (NUM)

A NUM statement said workers demanded the removal of the shift boss Talks with management were continuing

But an Anglo American spokesman said management had no knowlege of allegations that an overseer went underground with a gun

Such an act, if true, would be viewed in a "very serious light"

SECTION

The spokesman said 500 of the 3 500 workers at the mine's No 1 shaft had worked a short shift, but only one section of the shaft was affected

He said yesterday's events followed a similar action last month when the union made allegations and demanded an overseer's removal

After a disciplinary inquiry and the suspension of the overseer, management had decided there was no substantial reason to remove him

The union was informed and the overseer returned yesterday

● About 600 workers at Gold Fields' Zincor mine have gone on strike over the dismissal of a colleague, the company has confirmed

Negotiations are in progress

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Accident rate among lowest in world

The South African mining industry is steadily improving its safety performance despite the difficulties associated with the increasing depths and scale of operations

This is highlighted in the latest accident figures released by the Chamber of Mines Following the record safety achievements of 1985, the fatality and reportable injury rates for Chamber member mines in the first six months of this year reached new lows

A notable achievement was the reduction in the fatality rate for the gold mines to below one percent per 1 000 workers for the first time The actual figure of 0,88 was 14,6 percent better than the previous low of 1,00 set in the first half of last year

The reportable injury rate, which has been halved over the past 10 years, was reduced by a further 13 percent to 18,81 per 1 000.

These improvments are all the more creditable in view of the many challenges facing the industry

Mining tends, by its very nature, to be more hazardous than any other industry For instance, mining is carried out in a continuously changing environment, with changes often being abrupt and difficult to predict

Because of the changing environment and advancing working places, safety measures are often of a temporary nature

In gold mining, the obstacles to be surmounted in achieving optimum safety are compounded by the extreme depth — with its attendant problems of heat and pressure — coupled with the vast extent and labour intensiveness of the operation

Every year, about 1 000 km of tunnels, raises and orepasses have to be developed to allow for the extraction of gold-bearing reefs In stoping operations, 300 km of stope face have to be advanced by some 60 m a year to mine 100 million tons of gold-bearing rock

Apart from providing safe working conditions in the newly mined areas, mine managements have to ensure that the existing infrastructure, involving thousands of kilometres of tunnels and shafts is maintained

From this it is clear that the difficulties faced by the goldmining industry have no comparable equivalents anywhere in the world How then can one measure the South African industry's safety performance against those of other mining countries?

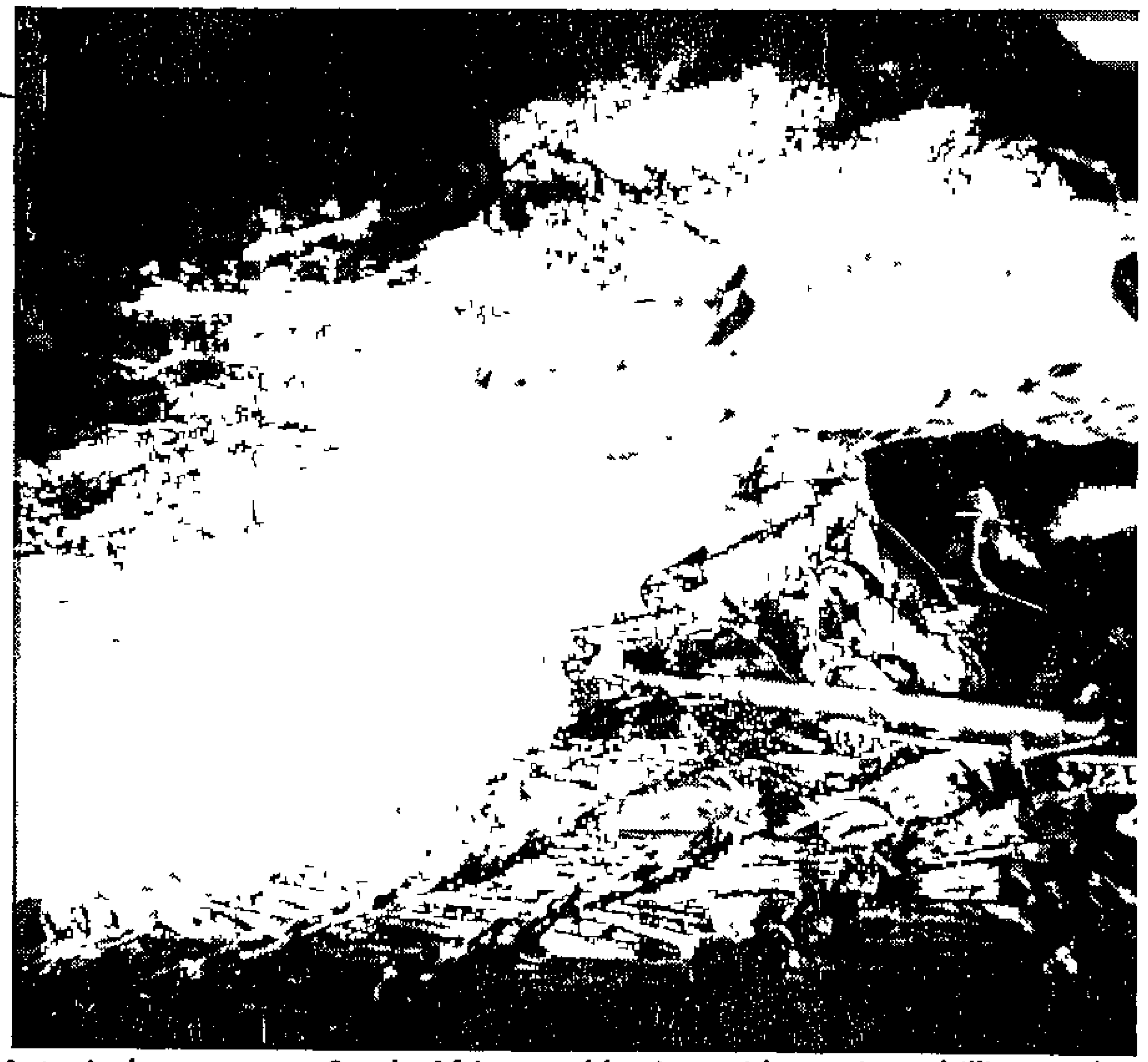
An area where a comparison is possible is coal mining, an industry that has grown into a R5 billion-a-year giant with some of the most modern and efficient operations in the world

In 1985, the 0,39 fatality rate per 1 000 workers on US coal mines was marginally better than the 0,42 per 1 000 on South African coal mines However, the picture changed somewhat in the first six months of this year with Chamber member collieries, which account for 70 percent of the total, achieving a rate of 0,30

The Chamber figures are shown in a better light if one considers that 60 percent of US coal production comes from surface operations against 30 percent in South Africa Of the 67 deaths in US coal mines last year, 46 or 70 percent occurred underground

Various technological breakthroughs have helped to lessen the inherent hazards of mining Among these have been improvements in the design of deep mines, utilising computer simulation Through such design aids, mining layouts can be planned so as to minimise rock pressure and reduce the incidence of seismic events or rockbursts

Other have been the development of rapid-yielding props which reduce the effects of rockburst on underground workings and the use of chilled service water and ice as cooling techniques



A typical scene in a South African gold mine with a miner drilling underground at Free State Geduld.

From earliest times twists of fate spelt doom to the industry

A series of dramatic expansions into new gold fields have been a dominant feature of the history of the South African gold mining industry

Today, more than 30 large gold mines are in operation along a 480 km arc spreading east and west from Johannesburg to as far a field as Welkom in the Orange Free State

It is interesting to note that this arc of gold mines was foreseen as long ago as 1903 in a Chamber of Mines report compfled by mining house consulting engineers for presentation to Mr Joseph Chamberlain, the British Colonial Secretary, when he visited Johannesburg in that year

The South African gold mining industry has, at crucial times in its history, also had a fair amount of good fortune, Mr Willie Malan, vice-president of the Chamber, told delegates to the Gold 100 Conference in Johannesburg yesterday

"From the earliest times there have been economic crises which seemed to spell doom for the mines but these were always resolved by a twist of economic fate

Refractory

"In 1889, for example, the viability of the industry was threatened by metallurgical problems It was discovered that the gold reef at depth was refractory and would not yield a critical proportion of the gold content to the recovery method then available — the mercury amalgam process

"This prevented the industry from exploiting deeper ores which led to financial pessimism and a temporary stock exchange collapse

"However, just as the gold boom seemed finished, independent researchers in Scotland found a new way of releasing gold from ore The application of the McArthur-Forrest process, employing cyanide in the separation of gold, gave the industry a new lease of life"

As the industry enters into its second 100 years, mining houses are continuing their never-ending search for new deposits and extensions to existing gold fields

The recent introduction of the vibro-seismic geophysical exploration technique appears likely to assist geologists in their attempts to unravel the complicated geological structures often associated with gold deposits

It could also assist them to search for favourable new structures which could depict new "basin" formations in the overall Witwatersrand geological basin system

"The achievements of the industry have been truly remarkable," said Mr Malan, "both from a national and international perspective when one considers that the 40 000 tons of gold mined from the basin accounts for 32 percent of all gold ever mined

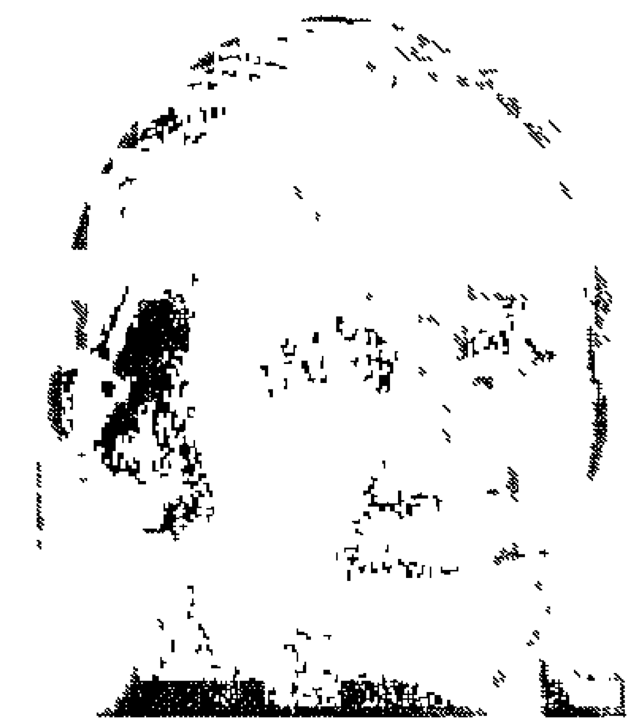
SA's share

"South Africa also accounts for half the gold mined this century, while its share of the Western world's annual production is 56 percent"

The mining houses have also been largely responsible for the development of the country's minerals industry, making it the most important and reliable supplier of minerals to the Western world

Mining companies associated with the Chamber account for 65 percent of the country's mineral production which, last year, was worth more than R26 billion Total investment in the industry now stands at R47,6 billion

The "group system" in the industry, in which the majority of individual mines, though completely independent legal entities, have administrative and financial ties with one or other of the major



Mr William Malan

mining finance houses, represents a unique financial and management structure founded on the principle of private enterprise

The system closely links more than 100 mines financially and administratively to one or other of the mining houses They are further linked through their membership of the Chamber

Mr Malan said the main characteristic of the industry was its strong cohesiveness which has facilitated a degree of co-operation unmatched by any other private sector in the world

This co-operation is made possible by the fact that gold producers can neither control the price of the end-product nor compete with each other to produce a higher quality precious metal

The co-operative basis of the industry's structure enhances profitability and reduces or maintains operating costs at manageable levels by sharing services and, in some instances, human resources

"With the uncertainties of a fluctuating gold price, the ever-present need for more advanced technology and the pressure of inflation, co-operation between gold mining companies is as important today as it was in the pioneering days" Mr Malan said

The Star Tuesday September 16 1986

Research improves gold use

A large amount of money and time is spent on research into new applications for gold

Mr G Gafner of Intergold, based in Johannesburg, said evidence of this was the publication of some 500 scientific papers and 200 patents annually.

One important way of increasing gold offtake in jewellery is to obtain an alloy with a high gold content which also was durable

The alloying of simply one percent by weight of titanium in gold fulfilled this requirement

Its colour is good and resistance to wear is good or better than that of all standard alloys against which it has been tested to date

This development has opened up an exciting new high gold value jewellery sector

As far as developing methods for detecting counterfeit gold, Mr Gafner said much work was currently in the pipeline

Most counterfeit gold and high gold content alloy coins and bars which have surfaced to date can best be described as "low technology", and consist of a relatively cheap metal such as brass or copper which can be stamped and gilded easily to give the appearance of gold

Such counterfeits, however, are not difficult to detect as they are always underweight

One new detection system uses a frequency set to the resonance of authentic items to distinguish between fake and genuine metal A display lights up if the metal is genuine

The time taken to test a coin or bar is about 20 seconds, so the instrument is thus able to handle only relatively small numbers of coins

The STAR TUESDAY September 16 1986

(214)

Compiled by
STAN KENNEDY

JOHANNESBURG SOUTH AFRICA
GOLD
100
SEPTEMBER
1986
1886 – 1986

The way ahead for the gold mining industry

CONT

The future of South Africa's gold mining industry would, to a greater extent, depend on its ability to develop a more co-operative productive society along with its willingness to move away from the autocratic and paternalistic systems of the past

This was said by Mr Peter Gush, president of the Chamber of Mines, in his opening address yesterday at the International Conference on Gold in Johannesburg

"Greater worker involvement will more often bring to question poor management, just as management will bring a focus on the lack of productivity on the part of the workforce," he said

"Management should be prepared to accept and act on such criticism and not just oppose union movements on principle"

Referring to the impact of black trade unionism, he said this could only be of benefit to the gold mining industry in the long run, but warned that there is, at present, within the movement an "unhealthy element of intimidation"

Political issues

"An involvement in non-work related political issues is dangerous and a refusal to accept responsibility and accountability for the actions of the movement's members and office bearers is unacceptable," he told a crowded conference room

"If this is true and these practices continue, the unions might well find that the organisational structures which they enjoy in the workplace will be increasingly curtailed or denied"

On the other hand, the Chamber president has no doubt that much new legislation, whether by statute or by precedent, will be required to create an environment for sound labour relations and to prevent the abuse of the system and "unreasonable behaviour by either side"

Referring to the heavily discounted price of South African gold shares on the world's leading exchanges, reflecting the attitude of the international investors to this country and its policies, Mr Gush, while having no doubt that many of the interventions by foreign governments are "hypocritical and ill-advised", believes it is also time that the policies put forward by the South African Government were "clear and unambiguous"

Looking at the spiralling working costs on gold mines caused in part by substantial wage rises to black workers, the Chamber president said this had not been matched by productivity improvements

"We must be extremely concerned about building up a high cost base in our operations which may not seem dangerous now but which could be so very quickly, either if the gold price dropped or the rand appreciated," he said

"Such a situation could cripple this great industry of ours by making us less competitive than other producers"

The increasing competition is seen in the active encouragement of gold mining by the authorities of developing countries "desperate for hard currencies", as well as the increasing sales of gold from the communist countries

"Over the past decade, gold mine production in the Western world has risen by 28 percent from 946 tons in 1975 to 1 213 tons last year," said Mr Gush

"South Africa's share has declined from 713 tons or 75 percent of the total in 1975 to 673 tons or 55 percent last year and it is thus, the other producers, both small and large, spurred on by higher dollar prices who have increased production"

"Ironically, while higher prices have encouraged increased output elsewhere, the reverse is true in South Africa where the mines, operating to pay limits, worked lower grade ores as the rand price rose and so reduced output

"The past 10 years has thus seen the increased output from the rest of the world offset by a reduction from South Africa

The future of our production will probably stay at, or slightly above, current levels but this does not take into account a further lowering of grade if high gold prices persist

"The outlook is thus for a rising trend of production from both the Western world and increasing sales from the communist bloc"

Mr Gush has no doubt, however, that the future of gold is assured particularly in the light of a tensions and strife throughout the world and the edginess of investors

It seems certain that these investors, in their desire to find a safe haven, will sooner, rather than later, turn to gold for a larger proportion of their portfolios.

"There are already signs of this beginning to happen," said Mr Gush

The conference has attracted delegates worldwide and there was "standing room only" when it opened yesterday which must have pleased Mr George Nesbit (left), chairman of the organising committee, seen here in company with the Minister of Finance, Mr Barend du Plessis, and the president of the Chamber of Mines, Mr Peter Gush, who officially opened the conference.

Conference details

Gold 100, the most comprehensive international conference to be held on gold anywhere in the world, opened in Johannesburg yesterday.

It marks the discovery 100 years ago of a tiny outcrop of gold-bearing pebbles in the semi-arid highveld, from which has sprung the city of Johannesburg and the most sophisticated gold mining industry in the world.

The conference is being organised by four leading South African institutions — Chamber of Mines of SA, Council for Mineral Technology, SA Institute of Mining & Metallurgy and UNISA's School of Business Leadership.

Because of the wide scope of the conference, most of the sessions will be held in parallel. The first day began with the opening address by the Minister of Finance, Mr Barend du Plessis, who spoke on the importance of gold to the South African economy.

Today, tomorrow and Thursday parallel sessions will be held at Johannesburg Sun and Carlton hotels, enabling delegates to choose their speakers, according to their specific area of interest.

In-depth sessions will be held on the supply of gold, labour developments in the industry, the demand for gold, gold mining shares, the marketing of gold, the operation of the gold market — an area being covered in depth for the first time at any gold conference — and two full sessions on aspects related to the gold price.

About 1 000 delegates are attending, including 600 from overseas and more than 110 national and international experts will address the conference

Being the first time that an international conference on gold will cover both marketing and technical aspects, the conference offers an outstanding opportunity for bankers, institutional fund managers, investment advisers, economists and gold dealers, as well as mine managers, engineers, extractive matallurgists and industrial users of gold, to increase their knowledge of gold and the industry.

US is urged to provide financial leadership, return to gold standard

The international monetary system can only benefit from reverting to an international gold standard, Professor Antal Fekete from Newfoundland University in Canada, told the Gold 100 Conference in Johannesburg yesterday

"A gold standard is not designed to stabilise either individual prices or price indices, but it does influence market speculation in such a way as to dampen price disturbances from whatever cause

"Under a gold standard speculators resist price swings," Professor Fekete told the delegates

He added that the United States is the only country in the world which could provide the monetary leadership, in leading the world back to a gold standard, as the international monetary system could currently "hardly have a shakier foundation than the battered dollar which is now ripe for another self-inflicted debasement"

"The world must currently accept the nominal monetary unit of the leading commercial and financial power, without regard to the dollars metallic content, if any, of that unit This avant-gardist philosophy still underpins our present international monetary arrangement," Professor Fekete said

"In that respect the best method of resumption would be to target prices, which aims at restoring the price level that prevailed before suspension, while leaving interest rates alone, and it involves an increase in the metallic content of the monetary unit"

Historically, most resumptions were of this type, causing economic contraction

As a result, many observers concluded that the gold standard was contraction prone, as it was the common standard, before the introduction of the free-floating system pushed the American dollar to the forefront

However, argues Professor Fekete, nothing could be further from the truth, if price targeting was reintroduced "Prices and wages would be left alone, and interest rates would be reduced overnight to 2-2,5 percent This would be accomplished by converting the debt of the US government to long-term gold guaranteed debt"

"Bondholders would be eager to surrender their paper bonds in exchange for gold bonds and the subsequent reduction in the rate of interest would be amply compensated for by the gold guarantee," he said

"If the US led the world back to a gold standard, by fixing the gold content of the dollar, that would be her 'finest hour'"

According to Professor Fekete, the most powerful argument in favour of a gold standard is that it alone can make

Antel Fekete

the rate of interest low and stable so that all those who are eager to earn wages can find gainful employment, and so that capital can not only be accumulated but also adequately maintained

"The alternative is a credit collapse followed by world depression, far more devastating and unsettling than the one that shook the world half a century ago"

Elaborating on the influence of a fixed gold standard on interest rates, Professor Fekete said "Gold furnishes the mechanisms whereby bondholders can validate their time preferences, as bondholders will keep selling their bonds when interest rates fall and stay invested in gold until the rate of interest returns to more attractive levels"

"As interest rates are but a mirror image of bond prices, the chill-fever syndrome of the bond market is mirrored by domestic interest rates — they have never been so volatile"

He added that gold is also the ultimate distinguisher of debt, "as it is the only asset that is not at the same time the liability of someone else"

"Without gold, debt can be shifted but not extinguished The removal of gold from the international monetary system threw the debt markets into chaos," Professor Fekete said

"Gold has kept credit and debt within limits and its withdrawal has produced the predictable clinical results the quality of debt is diluted and a cancerous growth of debt is under way which may ultimately destroy the world economy, as the free-floating currency system is unable to sort out sound from unsound debt"

He added "The role of gold in the monetary system is to ferret out and liquidate unsound debt before it starts to grow It limits banks in their power to shelter and hide uneconomic debt in their balance sheet Depositors could, by withdrawing the ultimate bank reserve, gold, force the bankers to maintain the highest standards of liquidity and solvency"

The STAR September 16 1986

West Wits Line was breakthrough

Although many geologists felt at the turn of the century that there remained a large portion of the Witwatersrand basin to be discovered, it was to take another 46 years before the discovery of the first new goldfields, the West Wits Line.

Its discovery demonstrates the fundamental role played by geologists, geophysicists and mining engineers and epitomises the science of economic geology

The discovery of the West Wits Line focussed attention on the great value of conceptual geological methods These were developed by painstaking work, mainly on the East and West Rand goldfields and on the Central Rand as

"Above all, the use of geophysics and, in particular, the magnetic method of exploration in tracing the magnetite bearing marker beds of the West Rand group, which were the basis for the discovery," says Mr Richard Viljoen, consulting geologist, Gold Fields of SA

The West Wits goldfield ranks as one of the major geological/geophysical discoveries of all time, he says

To date, some 250 major surface boreholes, with a total combined length of core of more than 530 m, have been drilled and used in unravelling the geology of the goldfield

In 1985, the West Wits goldfield, comprising 11 operating mines, produced 189,4 tons of gold or 28 percent of South Africa's total This accounted for about 16 percent of Western world production.

Dividends of more than R912 million were paid to shareholders last year and 22 712 million tons of ore were milled

The lease areas of the mines are managed by Gold Fields of SA, Anglo American Corporation and Rand Mines

Ever since Krahmann's historic magnetometer traverses, geophysics has been used on the West Wits never, however, with such spectacular results as in the case of the original work

The magnetic method has been considerably refined over the years and is used extensively for structural studies together with gravity data which is useful in assessing more regional tectonic features

Remote sensing data in the form of airborne and satellite imagery has been used effectively over the past several years to aid in structural investigations, while the Vibroseis seismic method has been used extensively since 1983

Dr Viljoen says the seismic results have been "most encouraging" in providing some of the important structural clues regarding downdip and strike extensions of the West Wits Line

"Although the West Wits Line has an assured future, at least to 2020, vigorous exploration is continuing

"Downdip extensions to a number of the operating mines are in progress or are planned and the present maximum mining limit of 4 000 m could be extended to 5 000 m by early in the next century"

Dr Viljoen says the model established for the West Wits goldfields will be the basis for exploration programmes in the future and it is possible that further Witwatersrand goldfields will be found.

Aussies develop 70 new gold mines in 3 years

By Stan Kennedy

More than A$400 million has been raised as equity from 1983 to June this year for the establishment of about 70 new gold mining and exploration companies in Australia

In addition, financing for new developments has been supplemented by gold loans which have become a feature of many Australian projects over recent years

Mr Donald Morley, director of finance, Western Mining Corporation, Melbourne, told the Gold 100 Conference in Johannesburg today that an important feature in encouraging exploration and mining was that income earned from working mining properties for the recovery of gold was exempt from tax

"The momentum built up in the past three or four years in new equity capital and reinvestment of earnings into gold exploration and gold mine development, together with the extremely favourable gold prices in Australian dollars, must inevitably lead to increased gold production

"Technological developments enabling economic open cut mining over a relatively short mine life — as short as two or three years — will add further impetus to gold production"

He estimates that Australian production in 1990 will be 110 tons of gold Other factors making gold production economic are the application of earth-moving equipment which enable surface ores to be mined selectively at low cost, particularly highly oxidised surface ores which are common throughout Western Australia

The carbon-in-pulp (CIP) process has also enabled the treatment of highly oxidised ore, with a high clay content, which previously could not be treated except by high-cost plant

"In many goldmining areas in Australia there is a limited availability of good quality water CIP plants, however, can operate using poor quality and highly saline water which is not generally applicable to alternative treatment processes

"It is not surprising, then, that exploration has focused on new reserves around old established mining areas even at relatively short mine lives of two to three years, in some cases"

An analysis of gold production in Australia last year indicates that about 65 percent came from open cut, heap leach or tails dump retreatment and 35 percent from underground Only 10 percent came from open cut operation before 1980

He said gold mine production in the rest of the world, outside North America, South Africa and Communist countries, had increased significantly over the past few years and was set to show further increases in the next few years

The rest of the world almost doubled production from 16 percent of world production in 1975 to 31 percent in 1985

Between 1985 and 1990, gold production in the rest of the world is expected to grow by 16 percent from 375 tonnes to 438 tonnes, with Australia's share being around 110 tonnes

Gold demand likely to weaken in a few years

STAR 16/9/86 (214)

By Sven Lunsche

For the first half year of 1986 the worldwide demand for gold outstripped supply but this could change drastically in the next few years

Addressing the Gold 100 conference Mr George Miling-Stanley, a researcher with Gold Fields, said that by the end of the decade, annual world gold production could reach 1 400 tons, compared with 1 000 tons in 1981 and "it is doubtful whether the market can absorb this output"

While South Africa's output increases by a reasonable average of 50 tons a year, the combined output of Canada, Australia and the US has more than trebled within less then a decade and stands at 300 tons

"In addition to these countries, the communist countries have also increased their sales to the West in order to earn hard currency for required food imports," Mr Miling-Stanley said

Most of the increase has been absorbed by Japan's increased purchases, in order to mint the Hirohito coins and to satisfy the demand of the jewellery industry and purchases by several Reserve Banks of debt-ridden countries to move off a dollar base to gold.

"But demand from these sources will not last for more than two or three years and the we could see supplies outpacing the fundamental demands in the gold market," Mr Miling-Stanley said

"In addition to this, there has been a change of mood in the American and European market Investors have moved away from equities and other investments into gold, while at the same time there has been a flood of gold sales from the Middle East and the Far East to Europe"

This has led to more speculative buying in the gold market, but Mr Miling-Stanley does not regard this as a healthy development in the long run

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Capex programmes likely to reach R2,3-bn this year

The unprecedented rise in the gold price from $36 an ounce in 1970 to more than $600 in the early 1980s, together with the substantial depreciation of the rand against the dollar has brought a period of remarkable profitability and expansion for South Africa's goldmining industry.

It has resulted in a significant physical expansion of gold mines both in terms of additions to exist ing mines and the opening of new ones says Mr Tom Main assistance general manager of the Chamber of Mines.

These developments have come despite the economic circumstances in the world as a whole in the past few years which have been relatively unfavourable to the gold price.

South African gold mines account for some 70 percent of total free world gold production employs about 514 000 and is the basis for much of the economic activity of the other sectors.

Its share of the gross domestic product has risen from an average nine percent in the 1950s to an average of 11 percent in the last five years.

They have provided a major boost to local industry through substantial purchases of goods and services. In 1984 for example the industry bill was R3 7 bill on.

With an accumulated total of about 40 215 tons of gold mined since the industry began up to the end of last year South Africa has dominated the world supply situation.

Gold output reached its peak of

Tom Main

1 000 tons in 1970 when the South African gold mines received an average R26 an ounce. Production has fallen each year since then and last year it was only 672 tons.

This decline in output was the result of a generally rising gold price and reduced grades of ore mined as previously uneconomic mines became profitable. Grades fell from an average 13,28 g in 1970 to 6 1 g in 1985.

Capital expenditure in the gold and uranium mines rose from R290 million in 1975 to R1 9 billion last year reflecting the high cost of mining as operations moved to deeper levels to lengthen the lives of the mines.

Gold mining revenue in recent years has been effectively protected by the depreciation of the rand against the dollar and many mines are investing capital at increasing rates to exploit new ore reserves.

A recent survey by the Chamber shows that capital expenditure is projected to rise steeply to R2 3 billion this year from R1,9 billion last year. It is expected to remain above R2 billion until 1989 and then decline to R1,8 billion in 1991.

The figures suggest that capital expenditure is sensitive to the anticipated gold price and that the industry is cautious about the prospects of the development in the price of gold certainly over the next five years.

Mining currently accounts for 67 percent of South Africa's exports with gold's contribution around 46 percent.

It is the only industry in which South Africa demonstrates a clear competitive advantage over other countries and Mr Main warns that a failure to maintain a tax system which ensures continued investment will have serious economic consequences for South Africa in the long term.

He says the present tax imposed on the gold mining industry is adversely affecting future expansion.

"The tax system is so onerous that it is no longer possible to develop a separate new deep-level mine at a rate of less than 7 5 g/t.

At present only 40 percent of our gold output comes from mines with grades higher than 7 5 g/t. New mines are likely to be low grade and deep and therefore costly.

A further problem is the discrimination whereby a tax surcharge of 25 percent is applied to gold mining companies.

New technology at President Brand

President Brand's new gold plant, built at a cost of of R160 million, will be commissioned this year and is very much an example of modern South African gold metallurgical technology.

When the No 3 Shaft complex starts producing ore the plant will work at its full 330 000 t m capacity says the Chamber of Mines in its latest Newsletter. The old plant, with a 270 000 t m capacity will not be taken off stream and will be used instead to process waste material.

The mine which is in the Orange Free State and part of the south region of Anglo American's Freegold mega mine first produced gold in 1954.

Now a re-estimate of its working life has led to the birth of the world's largest underground processing plant.

Built from scratch the new gold plant is based on the recently implemented technology of the carbon in pulp process. Construction started in 1984 and all the design work and construction management has been done in-house by Anglo American Corporation.

The process works on the principle that gold dissolved in a cyanide solution will readily attach itself to certain types of carbon surfaces. Such activated carbon acts almost as a sponge to gold, which can be subsequently washed free and precipitated into solid form by the conventional zinc precipitation process.

New technology improves recovery

Despite the high efficiency and some of the most modern technology a lot of gold is lost or left unmined with current mining techniques.

Optimal exploitation of the reserves is not possible because the gold distribution within the reefs is not known with sufficient precision to permit planning on a mine-wide or regional scale.

During mining considerable dilution of the ore takes place and there are extensive low grade areas. For this reason techniques are needed to improve the profitability of mining.

Gold extraction is further compromised by the difficult mining conditions arising from the geology of the Witwatersrand basin and the depth of mining.

The Chamber of Mines research organisation in work sponsored by gold producers is pursuing three strategies to gain more knowledge on gold distribution and to tackle the extraction problem.

The first strategy valuation is aimed at developing reliable methods of predicting the gold content and distribution in ground to be mined. The second strategy upgrading ore is to devise techniques that will make it possible to mine a lower grade of ore and the third backfilling, is a method for improving gold extraction under difficult mining conditions.

The main thrust in the valuation strategy is to identify geochemically or sedimentologically defined regions of the reef and to develop techniques for predicting gold distribution patterns. To improve the precision of valuation a portable gold analyser is being developed for in situ gold concentration measurements.

Work on the analyser has been going on for some years. Recent improvements in the instrument's voltage supply circuitry have greatly increased its stability and have eliminated the discrepancy which existed between surface and underground measurements.

The significant effect pyrites has on the readings has been identified and the analysers under test have been modified. The effects of other elements such as iron, lead, uranium and carbon have been quantified and studied in terms of their effect on the energy spectrum which is analysed by the instrument.

Sufficient waste is available in most ores for a significant upgrading to be achieved by sorting.

Until recently sorting waste from ore was restricted to radiometric and simple photometric techniques. A new photometric sorter is now capable of sorting most ores where the gold is associated with rocks containing quartz pebbles.

Work by the research organisation on backfilling is being broadened to address the many problems associated with the many backfilling methods which are possible.

Backfilling may be done by mines for different reasons. These include reduced pillar requirements an increased mining rate, improved strata control and improved support. The common feature is that they all contribute directly or indirectly towards improved gold extraction.

A typical miners' camp in the 1880s

Outcrop of stone changed history

By Professor
Desmond Pretorius
Economic Geology Research
Unit University of
the Witwatersrand

An outcrop no higher than the short grass behind it no longer than a man's stride stained red and speckled with white quartz pebbles changed the course of his tory of a small republic a country a subcontinent.

As the summer of 1886 started fading into autumn George Harrison and George Walker itinerant prospectors with nothing to their names but hard times and ill luck found the Main Reef Leader. It was an inconspicuous conglomerate on the southern slopes of the Witwatersrand the Ridge of White Waters.

Within six months of the discovery the continuity of the Main Reef group of banket beds had been traced along 80 km of strike and hope had evolved into conviction that what was emerging was going to prove "the greatest of the world's goldfields".

In terms of the worth of metal recovered the Witwatersrand fields must qualify as the most valuable mineral deposit yet found.

A century of exploitation has seen the rise of 150 mines some no bigger than a few claims along a weathered and worn away outcrop others giants of underground excavation reaching to depths of 3 900 m.

First indications

The annual output of one such mine equals the total yearly production of the whole of Canada the second most important source of gold in the Western world.

Indications of gold on the Witwatersrand are believed to have been first observed in 1834. Fifty years were to elapse however before prospectors turned their attention to the ridges of quartzite hills forming the southern rim of the all important 40 km diameter uplift of Archean granites and greenstones known as the Johannesburg Dome.

The findings of the gold bearing conglomerates of the Rand has its origin in the discovery of gold in the Sabie area of the eastern Transvaal 300 km east north-east of Johannesburg in February 1873.

Fred Struben's finding of the Dana Reef a gold bearing quartz vein in 1884 represents the first authenticated discovery of gold on the Witwatersrand.

However recognition must be given to David Wardrop for being the first person to reveal the presence of gold in Witwatersrand strata. On July 19 1878 he panned gold from a quartz vein in shales of the Hospital Hill sub-group.

For two years after his Sterkfontein discovery Fred Struben persevered on the northern slopes of the Witwatersrand his promising find being the Confidence Reef on Wilgespruit farm in September 1884.

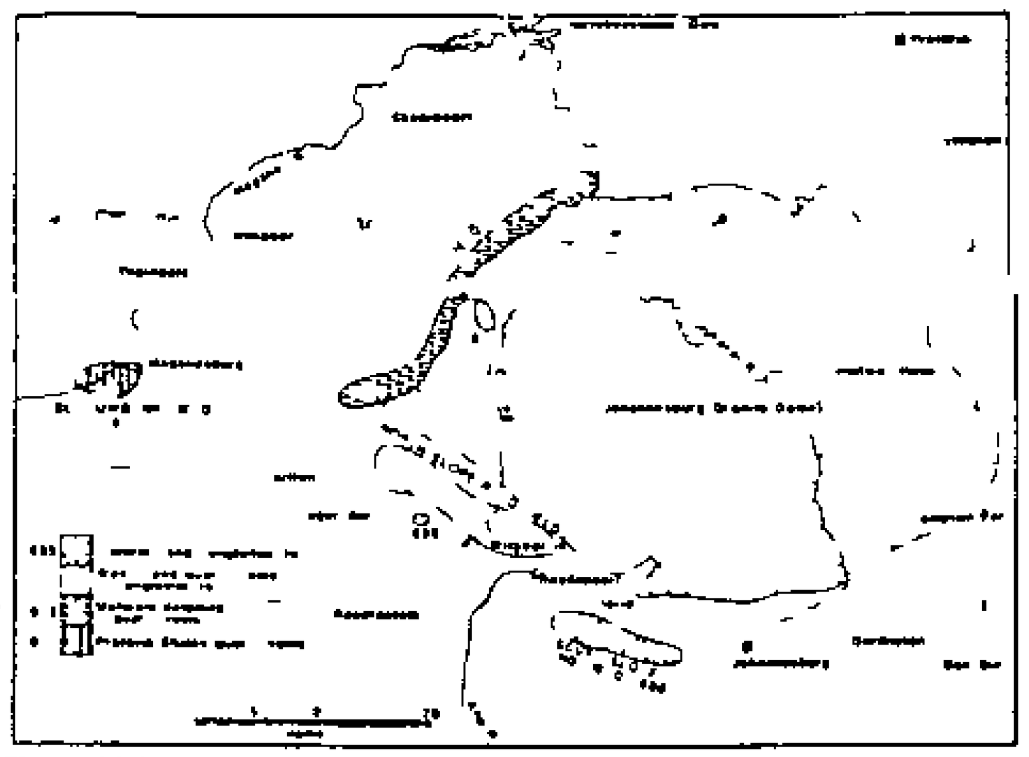
A little more than a year later he started milling quartz vein material with a five-stamp mill. To assist in the construction of the first crusher on the Witwatersrand he employed George Walker who in the company of George Harrison was walking from Kroonstad to the Barberton gold fields. Harrison went to build a house on Langlaagte farm.

While at the mill Walker witnessed the crushing of 20 tonnes of Government Reef conglomerates which returned 3 g t and 45 tonnes of Bird Reef which yielded 9 g t.

Shortly after crushing Walker joined Harrison on Langlaagte. Probably what followed was that Walker identified some of the rock which Harrison had used in building the houseas potential gold bearing conglomerate.

Harrison then showed Walker where the rock had come from and panning of the weathered and oxidised material revealed a long tail of gold and the rich Main Reef Leader.

(This article which has been abridged was presented at the recent Geocongress 86 in Johannesburg)



The gold bearing areas on the western flank of the Johannesburg dome which were prospected and mined to a very limited extent in the period between 1874 and 1886

Fatality rate up in past 6 months

Safety records kept over the last decade indicate that the Kinross gold mine generally compared favourably with the rest of the gold mining industry. However, certain of the most recent statistics give cause for concern. As far as injury rates are concerned, only in 1985 did Kinross records show that the injury rate (29,32) was higher than that for the gold mining industry generally (25,14). Significantly, the statistics show that the reportable injury rate for the last six months is the highest for the last decade — 39,87. As far as fatality rates are concerned only in 1978 and significantly in the last six months, has the Kinross average fatality rate exceeded the average for the mining industry as a whole. In the period September 1985 to August 1986 the fatality rate at Kinross was 0,96 workers for every 1 000 workers underground. The industry rate was 0,88.

Kinross toll up prior to disaster

214

By Sheryl Raine

The Kinross gold mine had recorded ~~a significant~~ significant increase in deaths and injuries in the months immediately prior to this week's disaster

Records show that the latest reportable injury rate on the mine is the highest in 10 years

The mine, which lost two of its five stars after a rating on the advanced International Mine Safety Rating System in June this year, boasts an impressive safety record (see graphic)

But, an examination of the records shows that, during the period September 1985 to August 1986, the average fatality rate for every 1 000 underground workers on the mine had jumped to 0,96 — higher than the gold mining industry average for the same period of 0,88

Kinross for years recorded an average reportable injury rate well below the industry average, but spoiled its record in 1985

The injury rate again rose in the first half of this year Latest injury statistics are higher than at any time in the past 10 years (see graphic)

Records show that the injury rate for 1985 was 29,32 for every 1 000 underground workers This figure is higher than the 25,14 average for the gold mining industry generally The figure for 1986 so far is 39,87 which is higher than the Kinross mine's 1978 high of 39,40

The rating system was first implemented at Kinross in 1980 when the mine was awarded three stars on the advanced schedule By 1981 it had won four stars and kept its rating for 1982 and 1983 In June 1984 it was awarded five but in June this year was down-graded to three

● A reportable injury is one in which a limb is lost or a person incapacitated for 14 days or longer

Apartheid blamed for high fatality rate

The Star Bureau

LONDON — South African mines have a "disastrous record," says the South African Congress of Trade Unions (Sactu)

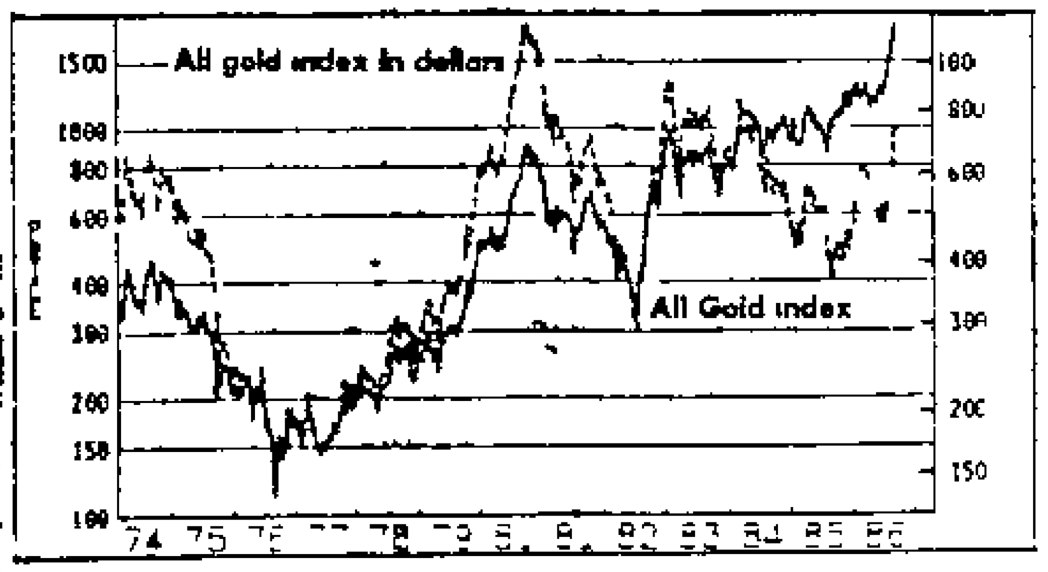
In a statement from Lusaka, it claims that an average of almost two miners are killed and 10 injured every day in accidents on gold mines

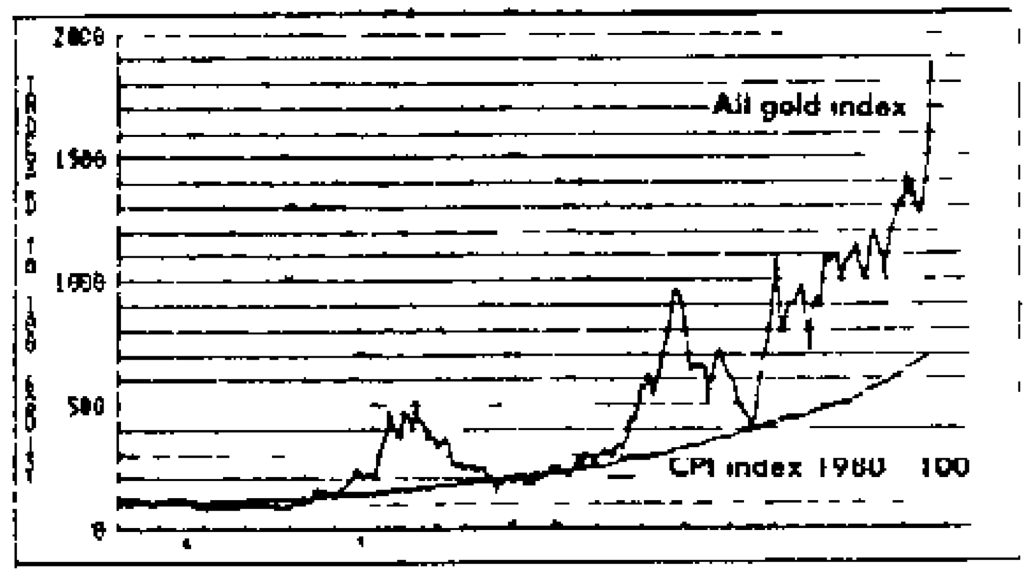
"This high fatality and injury rate stems from apartheid It is the racist and exploitative conditions in the pursuit of super-profits that makes mining in South Africa one of the most dangerous occupations in the world "

Sactu condemns Gencor, saying its health and safety record is "among the worst in the international rating system"

It calls on all miners to demand recognition of the National Union of Mineworkers at their workplace as the first step towards ensuring adequate health and safety standards

JSE's gold investments unique





By Rodney Yaldwin
gold analyst for stockbrokers
Simpson Frater Stein and Strong

The South African gold share market offers investors worldwide an unparalleled spread of gold producing companies There are 64 shares listed on the Gold Board of the Johannesburg Stock Exchange (JSE) ranging from some of the highest grade mines in the world through to developing mines and even a curtailed operation

Apart from the large range of gold shares, investors have in addition a number of Mining Financial companies to chose from some of which have a spread of gold shares as their only asset while others are much more diversified

The market capitalisation of the gold sector of the JSE as at June 1986 was R42 6 billion roughly 23 percent of the total market capitalisation while Mining Financials were worth R47 7 billion at the same date contributed a further 26 percent Thus nearly 50 percent of the total market capitalisation of the JSE comprises gold or gold related shares

Investment in gold shares is sometimes considered risky due to the nature of the business However gold shares have historically proved to be a safe if at times volatile area to invest in and the All Gold index has outperformed the inflation rate over time (Graph 1

As the gold sector of the JSE covers a wide spectrum of mines a detailed knowledge of the different characteristics of each mine should be considered before purchasing shares For instance a speculator prepared to take higher than average risk could justify buying ERPM (or any other marginal mines) while a pensioner would do better buying Vaal Reefs of Kloof for instance

An alternative of course would be to invest in the Standard Bank Gold Fund which is managed by experts and contains a good spread of better quality mines

Most of the listed gold shares have foreign shareholders and indeed many of the companies are listed on foreign stock exchanges Consequently the prices of South African shares are often greatly influenced by foreign investor sentiment towards South Africa

Perhaps even more significant to local investors is the substantial stake that the huge USA gold funds have in many of our gold shares It is obvious that share prices locally could greatly be affected by the whim of one of these giants

Foreign investors have found that to invest in South African gold shares is indeed a risky business For them the behaviour of the financial rand has of late been particular positive (Graph 2).

For local investors, however the risk attached to gold shares is greatly minimised by the importance gold plays in the South African economy

In revenue terms gold is by far our greatest export commodity and the industry will, for many years to come remain protected

However investors should concentrate on the better quality low cost producers Although the shares of many of these mines are out of reach of the man on the street recent share splits have made some of them affordable (for example Kloof Hartebeestontein and Zandpan).

Tabulated below is a list of most of the mines, sorted into cost of production categories

There are in addition several mines (see below) at various stages of development, which have recently been listed on the JSE The risks in investing in them are obviously greater than investing in a fully operating mine

Mine	Managed by
Joel	JCI
West Wits	Egoli Consolidated Mines
Springs Dagga	Golden Dumps
Modder B	C Heever
Southgo	G Laing & R Flowerday
Rand Leases	Severin Mining & Development Company
Sub Nigel	Rhombus Mining (Pty) Ltd

	Approx Life (years)	Mine	Issued Shares	Cost of Production excluding capex (R/oz)	(\$/oz)	Gearing	Other Comments
TOP QUALITY	20+	Kloof	120960	256	115	2,83	"Blue chip" mine.
	15-20	Unisel	28000	261	118	2,91	Unexciting but steady producer
	20+	Drie Cons	102000	275	124	2,71	"Blue chip" mine. Grades should continue declining
	20+	S'vaal	26000	288	130	2,84	"Blue chip" mine. Production increasing
	20+	Hartes	112000	300	298	2,63	Currently building a plant to treat surface material
	20+	Winkels	12180	318	150	2,30	Quality mine Capex high due to expansion project
	20+	Vaal Reefs	18000	330	148	2,33	"Blue chip" mine. Currently expanding production
	20+	Cons Mod	31440	342	150	2,28	Small producer but tonnage rising
	20+	West Deep	25350	343	154	2,25	"Blue chip" mine expanding production
	20+	Kinross	18000	343	1[illegible]	2,13	Good quality medium sized mine
	20+	Elandsr	96820	348	1[illegible]	2,20	Developing mine Grades should improve but tax will reduce dividends in 1988
	20+	ET Cons	4317	356	160	2,35	Small but high grade. Expanding production
	20+	R'fonts	8114	371	180	1,88	Low to medium grade mine presently opening up the Doornkop Sector
MEDIUM QUALITY	8	Bulfon	9183	377	170	2,01	Dump retreatment operation.
	5	Vlaks	8000	401	181	1,83	Dump retreatment operation
	20	Blyvoor	24000	425	191	1,88	Declining grades and shortish life rates the share a sell
	20+	Libanon	7937	420	192	1,89	Medium grade mine with limited expansion prospects.
	10-15	Buffels	11000	430	194	1,77	High grade but major geological problems may exist
	15-20	Beatrix	85000	431	185	1,82	Developing mine but dividends restricted over next 4 years due to loans
	15-20	St Helena	9875	448	202	1,71	Production moving towards new low grade area.
	20+	Deelkraal	88540	473	213	1,51	Developing mine Grades should rise and tonnage could increase
	20	Freegold	118179	477	200	1,80	Low to medium grade mine with good mining flexibility Expanding production
	10-15	Sth Rood	1000	489	225	1,50	Low grade mine with little or no prospect of expanding production
	<5	Bracken	14000	527	253	1,39	Short life with almost no prospect of lengthening it
MARGINAL MINES	15-20	Lorraine	16367	531	239	1,57	Low grade producer but capex may rise due to possibility of expansion programme
	15-20	Doorns	10000	541	244	1,36	Capex should decline in 18 months time once new shaft is completed
	15-20	Harmony	26885	606	272	1,34	Low grade but expanding production
	10-15	Grootvlei	11439	608	280	1,22	Low grade with as yet no intention of expanding production
	15-20	Ergo	42079	611	232	1,25	Same dump operation. Earnings should benefit from expected drop in capex last yea
	8-12	Stilfonts	13083	612	275	1,24	Short life and grades should continue falling
	5-10	Leslie	18000	629	295	1,20	Low grade producer
	5	Marievale	4500	644	303	1,14	Low grade mine but production may be stopped a
	20+	W Areas	40307	663	298	1,17	Capex very high due to dewatering and wide ore body projects.
	5-15	Dbn Deep	2325	710	319	1,10	Now very profitable but capex could rise sharply in future
	5-15	WR Cons	4250	724	333	1,05	Half dump half underground operation
	5-15	Venters	5050	753	339	1,00	Grades should improve but a speculative share
	5-15	ERPM	11088	813	411	0,8	Huge capex programme will preclude dividends [illegible]

Jewellery offtake offsets decline in hoarding in 1985

In 1985, gold demand remained steady with higher jewellery offtake serving to offset a slight decline in bar hoarding.

The market was strong enough to absorb higher mine production helped by a change of attitude on the part of the official sector which gave rise to net central bank buying for the first time for three years.

This apparent stability for the year as a whole says Consolidated Gold Fields PLC in its *Gold 1986* should not be allowed to obscure the fact that in many countries the bulk of the demand came during the first three months when the gold price was at its weakest Demand virtually disappeared once the price began to rise in March.

Main features of the market last year were:

- The supply of new gold to the private sector in 1985 fell for the first time since 1980
- Mine production increased by 64 tons a faster rate of expansion than in 1984 while sales from the Communist bloc were virtually unchanged

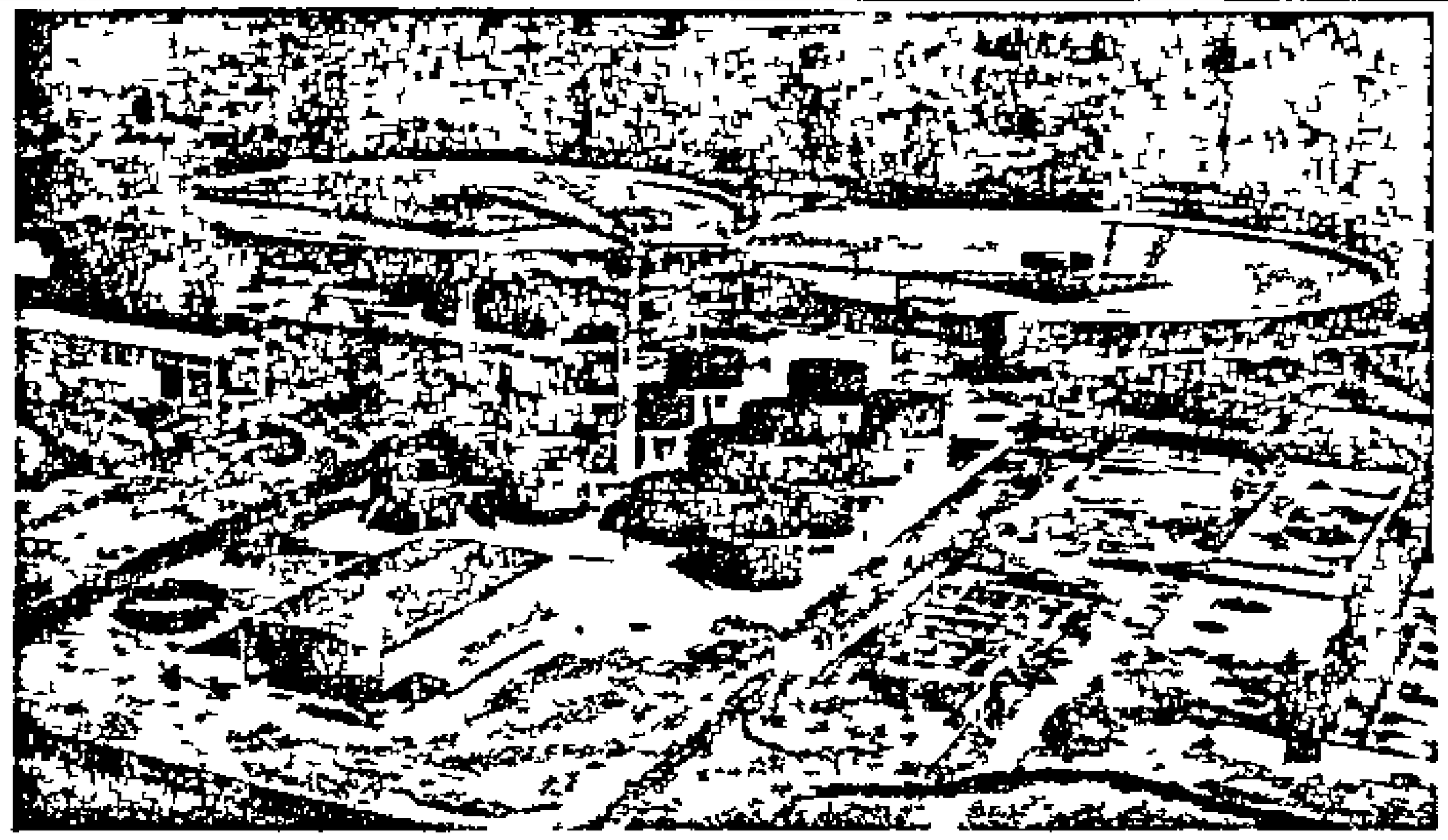
The difference was made up by the official sector which bought 135 tons

- Fabrication of new gold into jewellery was up slightly at 1 233 tons
- Jewellery offtake rose by 72 tons to just under 900 tons and accounted for 73 percent of total fabrication. The increase in retail demand was heavily concentrated in the US, India and Japan
- Minting of official coins fell to 108 tons This was the lowest level for more than 10 years and indicates a general lack of interest in investing in gold in Europe and North America
- Identified bar sales reacted to a lower level of interest in general in the Middle and Far East and declined from the 1984 peak to 308 tons Only Japan registered a significant increase in purchases
- In aggregate the amount of gold for fabrication and bar hoarding exceeded the supply of new gold by 253 tons

This excess of demand was met partly by sales from disillusioned investors and partly out of the large pool of stocks held within the gold market

- The comparative lack of volatility in the gold price ensured that speculative activity remained at a low level last year

Mintek research solves major recovery problem


Construction of the carbon-in-leach plant at Daggafontein gold mine It is currently Ergo s largest capital project

In 1975 the Council for Mineral Technology (Mintek) saw the potential of a new metallurgical process for gold recovery and in conjunction with the Chamber of Mines of SA, it started a major investigation of the new process — the carbon in-pulp process.

Although it had been used in the United States in the early 1970s the process as such was not applicable to South African gold ores and a lot of research was necessary before it could be applied here.

Mintek, established 50 years ago is a major metallurgical research organisation with a high international reputation. Its considerable and many faceted scientific and engineering resources now turned to researching refini[illegible] finally demonstrating the complex process on South African gold ores

The investigation represented an investment by Mintek of more than 100 man-years of scientific effort and was the single most important contribution by Mintek to the gold-mining industry

In the conventional gold recovery process ore is ground to a fine slurry and cyanide is added to dissolve the gold The slurry is filtered and washed to yield the gold in solution from which it is precipitated by the addition of zinc dust. The gold is then calcined and smelted.

Filtration of the slurry is a large unit operation in the conventional process and a major consumer of capital and of [illegible] costs [illegible] Filtration can also result in a significant loss of soluble or recoverable gold

In the CIP process carbon granules are added to the gold-cyanide slurry The dissolved gold is adsorbed on to the carbon granules which are separated readily from the slurry by screening

The gold adsorbed on the carbon is removed in an elution column and recovered by electro-winning and smelting The eluted carbon is reactivated in a furnace and re-used

The costly filtration step of conventional recovery procedure is replaced by screening [illegible] requires less costly equipment.

The capital cost of the recovery section of the metallurgical plant and of equipment can be reduced by as much as 50 percent and the operating costs reduced by about 30 percent.

On a plant designed to treat 3 200 000 [illegible] this can represent a capital saving of as much as R10 million

The CIP process improves the overall efficiency of soluble gold recovery and also results in a slight increase in the overall dissolution of gold These factors alone can [illegible]ave more than [illegible]

Investigation into reef duplication

Much speculation has centred on the possibilities of the duplication of gold bearing reefs at depth beneath those currently being mined in the Witwatersrand goldfields

Should current investigations prove the theory to be true the economic spin-offs could be enormous says Dr Richard Viljoen consulting geologist Gold Fields of SA and president of the Geological Society of SA


Dr Viljoen

Over the past four or five years tremendous interest has been shown in further gold exploration both in South Africa and around the world.

During this period of exploration activity research has focussed on the nature of different gold deposits to assist in the formulation of guidelines for exploration programmes for similar occurrences.

Dr Viljoen says that if mirror reefs do exist at reasonable depths it could significantly change the face of goldmining in South Africa. Major contributions to the research have come from studies related to the origin of Witwatersrand gold and the use of structural geological investigations into deciphering the distribution of Witwatersrand rocks and their gold bearing reefs.

Conceptual models have been set up some of which are based on detailed studies on major mountain ranges, such as the Alps and the Rockies A number of new ideas have developed as a result of the application of these models both here and overseas and some of these were presented at the recent Geocongress 86.

Many of the papers presented referred to the data that has accumulated from current research. From this it was shown that there is scope for extensions to existing mines particularly down dip and, hence at deeper levels.

"This is evident from the work by Rand Mines on the southern perimeter of Johannesburg by Anglo American at Western Deep Levels and south of the Klerksdorp gold field and by Gold Fields at Leeudoorn on the West Wits goldfield."

Exploration has also been carried out in the traditional "gap areas between West Wits and Klerksdorp goldfields and the Klerksdorp and Orange Free State goldfields as well as to the south of the Free State goldfields.

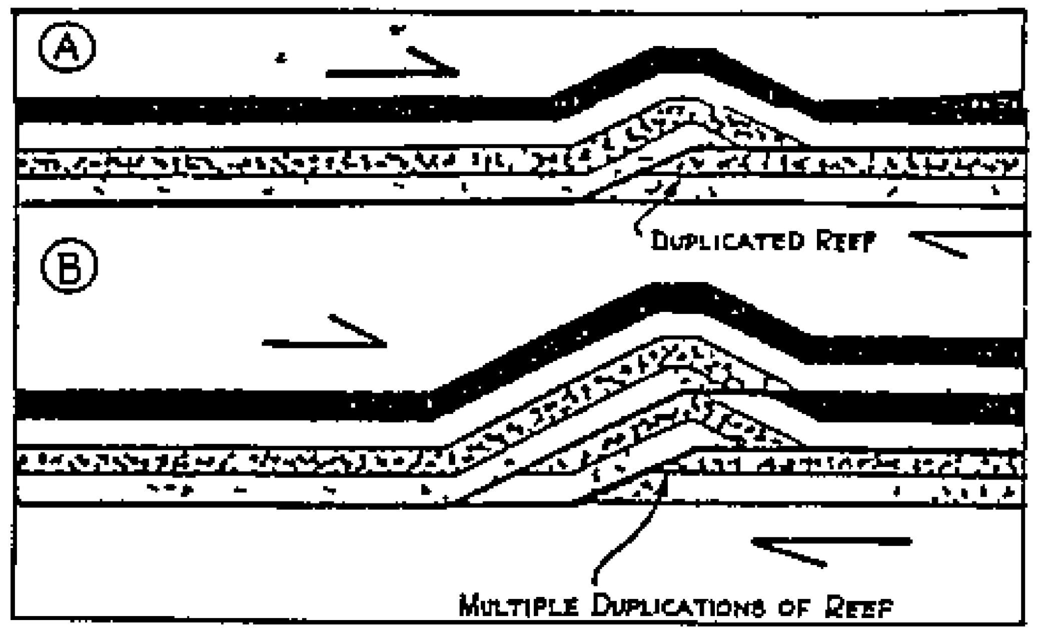
In essence the new idea involves the duplication of rock strata including gold bearing reefs by flat faulting or thrust faults as shown in Fig A. This process may be active over considerable periods of time giving rise to a number of duplicated sets (Fig B).

Dr Viljoen says that many of the ongoing programmes are testing the new ideas by means of geophysics and diamond drilling The important geophysical methods used in the past were the gravity and magnetics and they have been instrumental in the discovery of three new goldfields

"The new seismic method, however has been used extensively by the major mining groups since 1983 as an adjunct to gravity and magnetics and is giving the information we need to prove or disprove the theory of duplication of certain gold reefs

Once seismic and other geophysical surveys are completed and the results studied the next step is diamond drilling

A borehole might take up to two years to drill and within five years we should have a good idea of the extent of the validity of the new theories," says Dr Viljoen



Blyvoor to maintain high dividend yield

Business Day 214 16/9/86

CHERILYN IRETON

BLYVOORUITZICHT (Blyvoor) gold mine, nearing the end of its life, is expected to maintain its high dividend yield by paying a total of 230c this year

In his annual review, chairman Clive Knobbs says tonnage milled should increase but grade will continue to decline from last year's 6,22 grams a ton

However, if the rand remains at around $0,40c with a gold price in the region of R28 000/kg, Blyvoor will be able to lift its dividend payment by 30c on 1985's total of 200c

Knobbs says capital expenditure will be almost unchanged at R20,8m and will be incurred on exploration of the Main Reef and re-siting of the six level

Last year, Blyvoor's milled tonnage fell 4% to 2,1-million tons because of a labour strike through which 44 000 tons were lost Delays were also experienced in transferring stoping operations from the Carbon Leader horizon to the Main Reef horizon

Yield fell 5% because of the concentration of mining in the lower grade Western Section of the mine and the increased tonnage from Main Reef sources

Blyvoor's ore reserves, re-estimated at the end of June amounted to 4,8m tons of which 3,3 tons are available for mining at an average gold value of 17,8g/t

SOWETAN, Wednesday, September 17, 1986

244

13 DIE IN MINE FIRE

SAPA

THIRTEEN people died, several were injured and hundreds were still underground following a fire at the Kinross Gold Mine yesterday, the mine's owner, Gencor, said.

The underground fire broke out at 9 30 am on the 15 level Crosscut North, a major connection between number 1 shaft and number 2 shaft at Kinross, a company statement said

The fire — caused by a welding accident — had been extinguished

Fumes

The blaze "regrettably resulted in the death of 13 workers as a result of noxious fumes, caused by burning cables and other material, entering the 2 shaft workings," the statement said

Of the approximately 2 200 miners in the affected area, 1 800 had been evacuated safely, the statement added

"Eight proto-teams are assisting in the operation

"Some 60 persons who have been affected by fumes are being treated in hospital Their condition is satisfactory "

Another 3 000 workers in unaffected areas were also evacuated as a "precautionary measure," Gencor said — SAPA

**

Horror of Kinross fire described

(214)

JOHANNESBURG — The wife of a survivor of the Kinross mine tragedy today gave a chilling description of the horror and panic below ground when toxic gasses swept through the mine

Mrs Barbara Tarran told how her husband, Billy, had described the scene

"He said there were bodies piled up on the tracks Men were lying with blood coming out of their mouths.

"My husband had to punch his friend in the chest to make him breathe again

"He saw a lot of men fall down the shaft because they panicked when the cage came down and did not pick them up "

A tearful Mr J Oosthuizen said today he had identified his son-in-law's body at the mortuary

"This is a terrible shock for the whole town — all those people dead "

Mr Isaih Sipho, an underground worker who saw the accident happen, said "A worker was using the cutting torch, which broke and caused a big explosion

"I only saw smoke and fire I went as fast as I could down to a lower level to get away from the smoke

"There I waited until we were taken out "

Mrs E M Le Roux, whose son Hannes is an underground worker on the level where the explosion occurred, said an oxygen cylinder exploded

"Hannes said his first sensation was burning eyes, throat and nose because of the smoke being drawn into the mine through the fans He ran away

"When he got home late yesterday he complained of pains in his chest

"We took him to hospital where he spent the night

"More than 75 people were admitted to hospital

"Several workers who were alive when the proto teams reached them underground died on their way to emergency stations "

Mrs S E Venter said she went to the mine to deliver her husband's supper where she heard of the accident

"This is going to be a black day in Evander It really is a shocking business " — Sapa

Mine fire toll rises to 170

214 Eve Post 17/5/86

EVANDER — The official death toll in the Kinross gold mine fire has risen to 170, with 235 miners in hospital. Hopes are fading for 14 men still trapped underground, says mine management.

A shaft steward, Mr Patrick Njokwana, said the bodies of six of the 14 "missing" men were brought to the surface this morning but a management spokesman was not able to confirm this

If confirmed, this would bring the death toll to 176.

Earlier, the mine's general manager, Mr Kobus Olivier, said 235 miners were still in hospital and rescue teams had brought about 2 200 people to the surface

"We are not really optimistic for the chances of survival of the 14 still trapped Most of those brought up in the early hours of this morning were brought up dead," Mr Olivier said

Two of the dead men were part of a proto team helping rescue miners from underground

They were shift boss Mr Christoffel Johannes Dorfling, 27, who was married with two children, and Mr Stefanus Christoffel Adendorff, a surveyor, who had turned 27 yesterday He had only been married two months

The National Union of Mineworkers has called for a Commission of Inquiry into safety in the mining industry.

The Kinross accident was the worst since the 1960 cave-in at Coalbrook North Colliery near Sasolburg when 437 miners died.

A mine spokesman said many families were probably still unaware of the accident. Of the original 250 miners unaccounted for, 235 were migrant workers

Most lived far away and notifying next of kin involved "a long and complicated process", he said

The fire, which broke out at 9 30am yesterday, was apparently started by a welding accident.

"An acetylene cylinder caught fire and set alight underground cables and pipes," Mr Olivier said

An anti-corrosive sealing substance was also burnt and caused a toxic reaction contaminating areas between the mine's No 1 and No 2 shafts and went to levels 15, 16, 17 and 18

Mr Olivier said the fire and subsequent toxic fumes and smoke covered 50% of the mine's area

"The fire, carbon dioxide and carbon monoxide spread quickly underground," he said

Some of the smoke and gas came to the surface

Mr Olivier said the sealing substance which melted and exuded the killer fumes would never be used on his mine again

He said the substance had been used on the mine for

● Turn to Page 4

Mine fire death toll now more than 170

214

● From Page 1

six years It was a liquid which turned into a foam and a created water and air seal in areas where work was going on

He said it took almost eight hours to extinguish the fire and the last of the gas and smoke had been pumped out of the mine by late last night

Mr Olivier said many of the men rescued "owed their lives to pockets of oxygen"

About 150 workers, operating in two-hour shifts, had brought 130 miners to the surface since midnight

The mine, about 150 kilometres east of Johannesburg, was until recently the holder of the National Occupational Safety Institute's (Nosa) five-star rating, but had been down-graded to a three star

The National Union of Mineworkers' general secretary, Mr Cyril Ramaphosa, arrived at Kinross early today and was to be taken on a tour to inspect the damage and to visit injured miners

The disaster occurred on the same day that Chamber of Mines accident statistics were published, showing that in the first six months of this year the fatality rate for accidents on gold mines dropped below 1% per 1 000 workers for the first time The figure — 0,88 — was 14,6% better than the previous low set in the first half of last year

The disaster is bound to highlight a continuing controversy between the mines and the unions

SA mining companies say their safety precautions are among the most stringent in the world

Black mining unions have questioned the measures employed

A recent International Labour Organisation report noted that despite significant improvements in safety, 8 500 miners were killed in SA mines between 1973 and 1984 — Sapa

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2̶2̶ Eve Post 17/9/86

214

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● Turn to Page 4

P.T.O

Wednesday, September 17, 1986 Founded 1872 Price 36c Excluding

200 feared dea in mine disast ER

212 DD 214

JOHANNESBURG — About 200 workers are feared to have died in one of South Africa's worst ever mining disasters.

The official death toll in a fire at the Kinross gold mine rose to 28 early this morning and a mine spokesman said 180 people were still missing in tunnels between the mine's number one and number two shafts

Earlier, Mr Kobus Olivier, general manager of the Eastern Transvaal mine, said there was only a slight chance of survival for the miners still missing about a kilometre underground.

Mr Olivier told reporters 13 bodies had been brought to the surface by rescue teams and 183 miners had been admitted to hospital.

He said 12 proto teams were still in the mine searching for the missing men, more than 12 hours after the fire was sparked by a welding accident, but that "time was running out" for them

The deaths and injuries were believed to have been caused by toxic gases that spread through the mine, generated by the fire

The fire started when a gas cylinder exploded in a crosscut between the first and second shafts of the mine, Mr Olivier said Poisonous gases then spread rapidly through the 15, 16, 17 and 18 levels

The first rescue team was sent into the shafts within an hour of the explosion Proto teams from the surrounding mines joined in the rescue operation and more than 2 140 miners were rescued

Mr Olivier said they were saved by "bubbles of oxygen" in the areas of the mine where rescuers found them.

worked throughout the night in rescue operations

But by 11pm neither the rescue teams nor mine officials had had word from any of the miners trapped underground

Mr Olivier said workers had means of communication with ground level officials but "we haven't heard anything yet".

"People are going down physically searching every working place Initially rescue teams went down using breathing apparatus," he said

Mr Olivier said no walls had fallen in underground as far as he was aware and there had been no underground rockfalls

The entire operation at Shaft 2 will be shut down today and possibly longer if necessary, officials said

Most of those who are dead or injured are migrant workers from South Africa and neighbouring states, Mr Olivier said

The fire was the worst mining accident since the Hlobane colliery disaster which killed 65 workers in September 1983, Mr Cyril Ramaphosa, general secretary of the National Union of Mineworkers, said

He told Sapa his union regarded the accident "in a serious light" and had sent a team of officials to investigate it

Last night the mining communities of Kinross, Evander and Secunda waited anxiously as hope diminished for husbands, friends and relatives — DDC-Sapa

About 1 000 men were initially evacuated from the mine, situated some 100 km east of Johannesburg A further 200 were later brought to the surface.

Prospects for the survival of the men trapped in the workings which cover two square kilometres were described as grim and deteriorating rapidly

The fire quickly spread to "cables and other materials", according to Gencor

Spokesmen said about 2 200 miners were in the affected area at the time of the accident Most had been evacuated immediately and many were under observation for the effects of toxic gas poisoning in nearby hospitals

A further 3 000 workers in unaffected areas had been evacuated as a precautionary measure, said a spokesman, Mr D J Ackerman

Dr W F de Water acting medical superintendent for Evander Hospital, said 52 white miners had been admitted from 3pm all suffering from toxic gas poisoning

"All but two are satisfactory and even the two who are more serious should be all right by tomorrow," he said

Scores of ambulances were seen travelling to Shaft 2 until late last night where ten teams involving 140 people

HOPE FADES FOR 14 AFTER KINROOS BLAZE.
170 DEAD 235 HURT IN MINE DISASTER

Biggest mining tragedy since '60s

Staff Reporters

The death toll in the Kinross Gold Mine disaster in the Eastern Transvaal has risen to 170.

Fourteen workers are still missing underground Hopes for their survival are fading There are 235 men in hospital.

The catastrophe is the worst gold mine disaster and the second worst mining accident in South Africa's history

As injured were ferried to the Evander Hospital early today a sobbing woman waiting for news of her husband said "I can't say what I feel There's nothing to say — just to wait and wait "

Fire and poisonous gases swept through underground chambers in the massive subterranean complex at 9 30 am yesterday

Toxic fumes from the fire 1,6 km underground spread over a 50 km area

A spokesman for Gencor, Mr Neil Ackerman, told *The Star* today that 235 survivors were still receiving treatment

He said 165 of the dead were black migrant workers and the others white

South Africa's worst mine disaster was at the Clydesdale Colliery near Coalbrook in 1960, when 435 miners died after a massive cave-in

The general manager of Kinross, Mr Kobus Olivier, said toxic fumes caused the deaths yesterday

"No one would have died if it weren't for the toxic substances, and no one died in the fire

"We found the last person alive at 8 pm last night We are not optimistic about the lives of the 14 others still missing "

In Evander Hospital, 52 whites are being treated, but none has serious injuries In the nearby Winkelhaak Mine Hospital, 183 black miners are "under observation"

When the fire broke out, 2 400 people were working underground and about 2 200 were evacuated successfully.

Addressing a Press conference at the mine this morning, Mr Olivier explained how the deadly gas swept through the mine

"At times we have to seal certain areas, and make use of a sealing substance."

It is a liquid which turns into foam and is used to make water and air-tight seals

"At the time of the accident, it was being sprayed on a tunnel wall to prevent corrosion "

There were flame-cutting operations going on to repair broken underground rail when a gas cylinder is said to have caught alight

"Cables and other material caught fire "

The workers were overcome by toxic fumes from burning sealing substance

All the people who were killed were on the 14th and 15th level The lowest level on the mine is the 18th level, which is 1 900 m underground

Reporters from *The Star* who were on the scene last night reported that as the frantic search for survivors continued rescue teams had to cope with toxic gases spread by the fire

The gases were later cleared so that rescue work could go ahead faster

Mr Olivier said many of the people rescued owed their lives to pockets of oxygen in the tunnels

Long after midnight ambulances and mortuary vans were still ferrying the dead and the injured to the two nearby hospitals

A number of victims of the noxious fumes were treated and discharged

There were no indications of any rock falls as a result of the fire

A rescue team was sent down within an hour of the explosion, and 10 proto teams consisting of a leader and five other members were brought in from neighbouring mines They were assisted by about 80 mine personnel

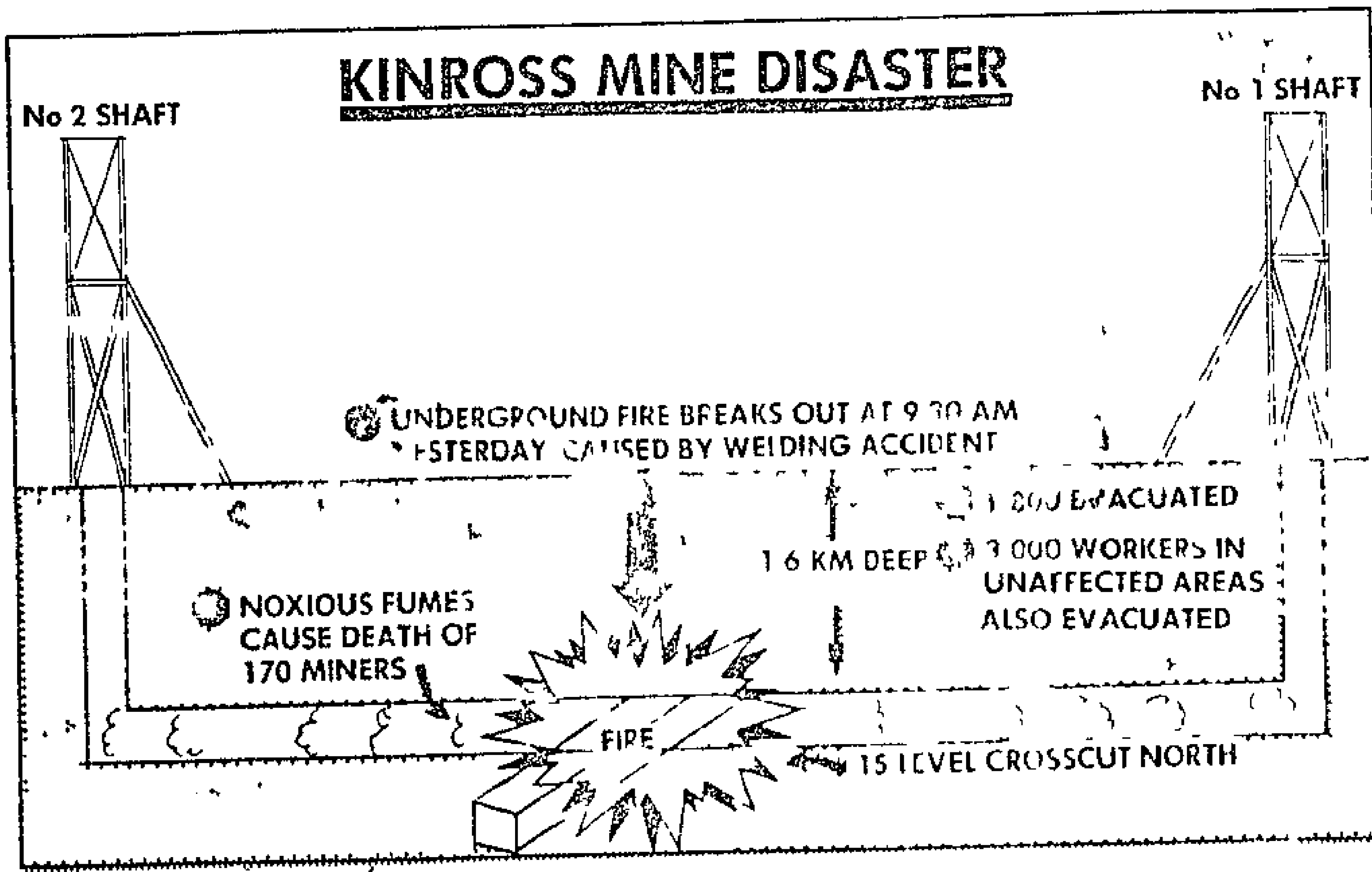
By 9 pm last night the fire had been extinguished and most of the poisonous gas extracted

A spokesman at Evander Hospital said the first ambulance arrived at the hospital at 11 40 am - about two hours after the first rescue team had been sent down

A miner who escaped shortly after the fire broke out told *The Star* at Evander Hospital that he could not say what the conditions were like underground

"Soon after the fire I took my team and we just got out "

Earlier a witness near the security gate of Winkelhaak Mine Hospital reached by a rough road reported that ambulances had already passed him "more than 20 times" -- ferrying the dead and the injured



The fire at Gencor's Kinross gold mine is the biggest mining disaster in South Africa since 435 coal miners were buried alive at the Clydesdale colliery in January 1960

Ironically, it comes just one week after the Chamber of Mines announced that accident rates had fallen to record lows on gold mines

The country's worst mining disasters include

- 1983 Hlobane colliery, 68 dead after a methane gas explosion An inquest found the owner of the mine, Iscor, criminally responsible for the death of the miners The National Union of Mineworkers emerged as a safety watchdog in the industry and instituted civil action against Iscor on behalf of the victims families
- 1980 Vaal Reefs 31 dead in lift cage fall
- 1978 Vaal Reefs gold mine 41 dead in underground fire
- 1977 Blyvooruitzicht gold mine, 32 dead
- 1969 Buffelsfontein gold mine 60 dead
- 1960 Clydesdale colliery near Coalbrook, 435 dead when the mine collapsed, burying miners alive The disaster attracted worldwide attention and remains the greatest mining tragedy in South Africa's history Rescue teams battled for two weeks to reach trapped men sinking boreholes and microphones in vain
- 1928, ERPM gold mine, over 50 dead

A recent International Labour Organisation report said that despite significant improvements in safety, 8 500 miners were killed in South African mines between 1973 and 1984.

In its defence, the mining industry points out that South African mining conditions are among the most dangerous in the world, one reason being the depths at which ore is mined

HOPE

e fades for missing 14 after Kinross blaz

170

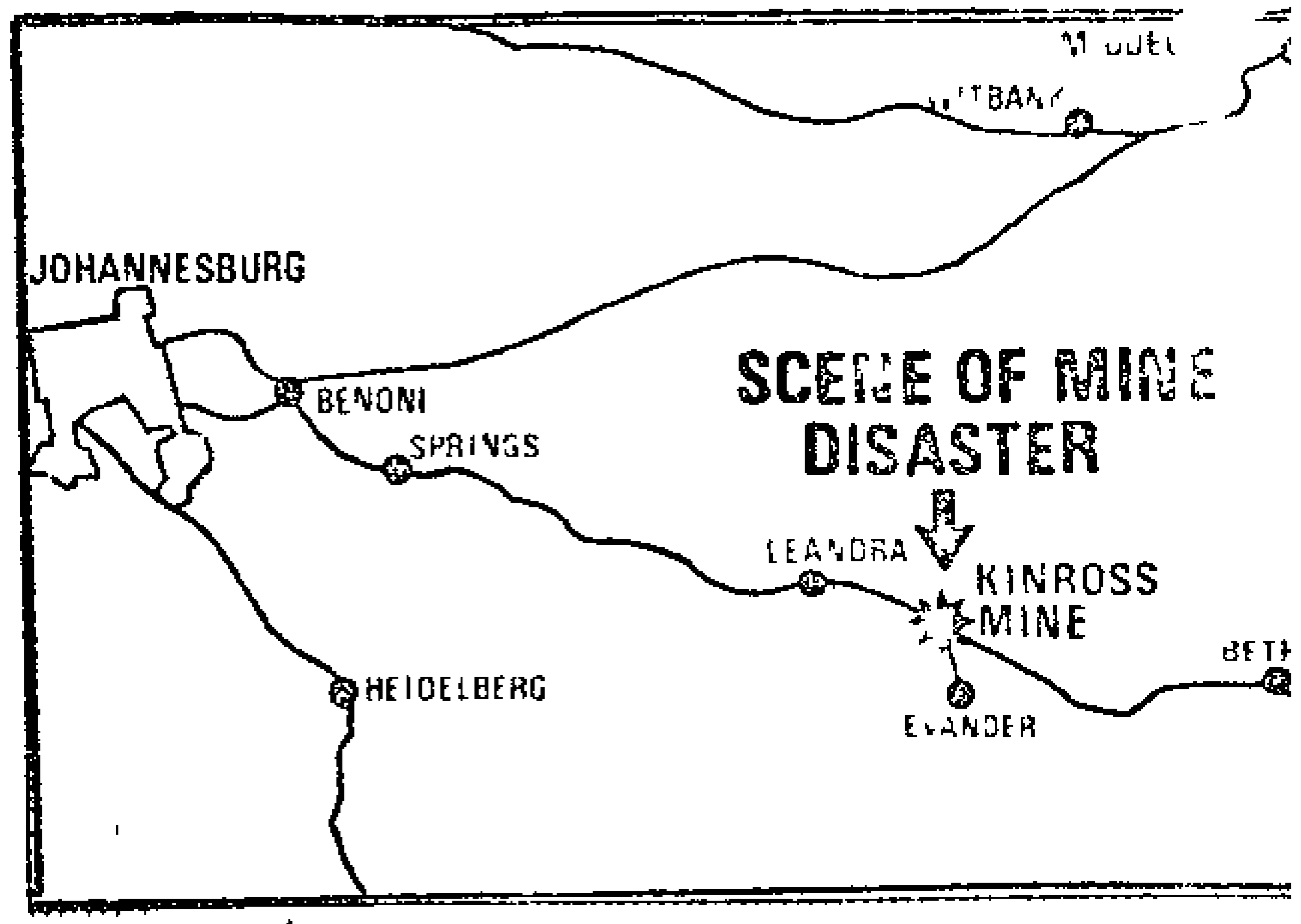
0 dead, 235 hurt IN mine disaster

17/9/86 STAR

214

212

134



Probe under way

An investigation into cause of the underground fire at the Kinross gold mine was launched by the Government Mining Engineer last night

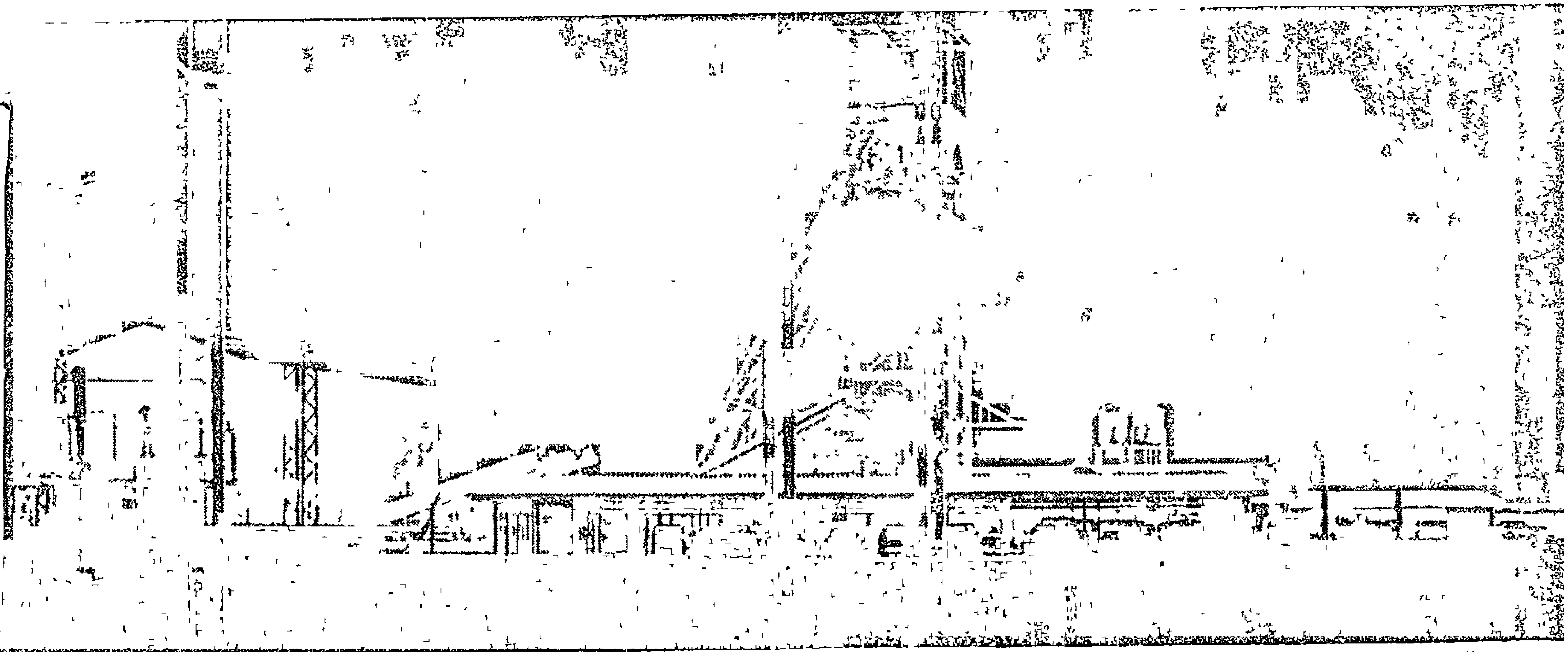
This was in accordance with the Mines and Works Act, said Gencor's East Rand mine manager, Mr Kobus Olivier

Speaking at a Press conference, he said "At this stage I cannot say whether there was any negligence involved"

This was the first accident in the mine's 20 years of operation in which a fire had cost the lives of mining employees

Mr Olivier said that only a post-mortem would reveal the cause of death of the victims

Many of the deceased had been recruited from as far afield as Lesotho and Botwana, he added



Beneath the headgear of the Kinross Gold Mine 170 workers died as toxic fumes swept through the underground complex. Fourteen are still missing

17/9/86.

COMPANIES/FINANCE

Economic upturn is here — GFSA

214 BUS DAY

LIZ ROUSE

GIVEN no serious sanctions impact on exports, the long-awaited recovery in the South African economy has started, says Gold Fields of SA (GFSA) chairman Robin Plumbridge in his annual review.

The group, which celebrates its centenary next year, is committed to large platinum and gold development projects Its future is assured by its large portfolio of mineral rights

Plumbridge says that while judicious acquisition of existing companies is a part of overall strategy, the primary thrust is to discover and develop new economic orebodies

The Leeudoorn division of Kloof is in the process of being developed, R77m having been spent on the ventilation shaft in the past year Construction has started on the R559m Northam platinum project and the company will seek a listing

GFSA gold mines' total gold production declined by 10% to 121 559 kg mainly through large drops in yields at Kloof, East and West Driefontein But a 28% increase in the average gold price received, to R24 536, lifted the mines' total working profit to a record R1,8bn

The State's share was over R1bn, R620m was distributed to shareholders and R363m retained for capital expenditure

On the other hand, the group's coal and tin interests did not fare well. Gold Fields Coal, under which the coal companies were merged, suffered from a dramatic fall in sales of power station coal, plus weaker international coal prices

However, the European Community's decision yesterday not to apply sanctions against SA coal exports has put Plumbridge's fear of sanctions at rest.

The collapse of the International Tin Council resulted in Union Tin's closure and catapulted Rooiberg Tin into a loss However, Rooiberg has now reached break-even point

GFSA achieved record profits in the year to June with attributable profits up at R260,5m (R201,3m), earnings up nearly 30% at 319c (246c) a share and the dividend was raised to 160c (120c).

Net assets shot up 21% to R4,6bn, equal to a net asset value of R56,62 a share (R46,82 in 1985)

Safety row at death mine

JOHANNESBURG—A row over safety measures at Gencor's Kinross gold mine broke out yesterday as the official death roll climbed to 177

Mercury Correspondent

More than 235 miners were injured in the disaster and five are still missing A judicial inquiry is to be held, said Mineral and Energy Affairs Minister Danie Steyn, who accompanied the Government Mining Engineer and a team of mine inspectors underground to assess the damage

The mine recently lost two of its five safety stars it was disclosed yesterday after a national safety body found it lacked certain elements to do with safety

While mine officials confirmed this they refused to elaborate on which safety measures were lacking

National Union of Mineworkers (NUM) president Cyril Ramaphosa who spent three hours investigating underground yesterday said We believe this accident could have been avoided

He alleged that conditions in the mine particularly on the 15th level of No 2 Shaft where the fire broke out were highly irregular

Mr Ramaphosa alleged that no fire extinguisher was available near the spot where the welder who started the blaze was working Apparently a spark from the man s welding torch ignited a methane gas cylinder and set alight materials lining the walls

Killer fumes

NUM s executive will meet tomorrow to decide on possible action nationwide and at Kinross mine

The mine s general manager Mr Kobus Olivier said samples of the materials used in the tunnels to provide support and prevent corrosion particularly in the affected section of the mine were being investigated

He denied an earlier statement that a highly toxic substance Rigiseal was painted on the walls and suggested that a polyurethane material may have caused the killer fumes

The mine had not known before yesterday that this substance was inflammable and the mine had not felt there was a need to check on this aspect when it was installed he said

He agreed mine officials would have to strive for better safety precautions but he would not say what steps would be taken before the mine is reopened

It is NUM opinion that we put production before safety he said We are continually striving for better conditions

However NUM safety officer Hawlzy Sibanyoni who was refused entry to the mine s shaft said his union had suffered an uphill battle in negotiations with Gencor s management on safety issues

Production at the No 2 Shaft is likely to be interrupted for a week although the shaft will remain closed as long as it might take to ensure that conditions are safe again One week s production at the shaft is equal to 25 000 tons out of the mine s total milling rate of 180 000 tons according to a Gencor statement

An NUM delegation has visited the Withaak Hospital where 1 900 of the 2 200 men brought to the surface were treated mainly for gas inhalation and respiratory problems Sapa reports

A member of the delegation said 44 men were still in hospital some of them so badly burnt that their faces where unrecognisable

Five of those who died

◆ TURN TO PAGE 2

missed being squashed by Wisley and being hit by Tartan s Pride and American Banker as they fell over Wisley Marcus escaped with bruises and a sore ankle

Jockey Gavin van Zyl was thrown from Tartan s Pride, injuring his back and chest, while Greg Holme injured his leg when he came off American Banker

Wisley, whose near fore cannon bone was badly broken was put down on the course but Tartan s Pride was taken to the stabling area behind the stand where it was found he had shattered his off fore shoulder and he was put down

Outstanding

Marcus and Van Zyl were declared fit to ride while Greg Holme was stood down for the day

Marcus and Van Zyl rode in the main event where Marcus put up an outstanding display of riding on Exarch to fight out a neck and neck finish with the favourite Transistor

Marcus said afterwards that he had been lucky that he fell right in front of Wisley If he had been thrown forward the horse could have rolled on him

Trainer Herman Brown who trained Wisley, said, while he was sad to have lost the colt we were lucky today That young man could have been killed

We can replace horses but not people

● See Page 20

Large bomb rocks children's home

N/M

Mercury Reporters

A POWERFUL bomb exploded outside a holiday home for underprivileged children in Durban last night, destroying two cars but leaving the 126 youngsters in the home unhurt.

The bomb, believed to be a Russian made limpet mine, was planted between a car and the pavement outside the Star Seaside Home in Molyneux Road near North Beach

The device exploded about 7 13 p m, minutes after the owner of one of the wrecked cars, Mr Greg Pyle, had parked the vehicle

Mr Leon Mellet, the Information Bureau's director of internal media, said the children at the home, all aged between 10 and 14, had been shocked but were unhurt.

Asked if the home had been the target, he said 'If it was it is certainly in line with the ANC's stated policy of hitting soft targets.'

Police said the bomb was planted between Mr Pyle's car, a Datsun Skyline and the pavement outside the home

The Datsun Skyline and a BMW were destroyed and another BMW parked in front was badly damaged

Seconds after the explosion, people from flats and holidaymakers from the nearby hotels flocked to the scene

Sniffer dogs

Police arrived within minutes and ordered bystanders back behind cordons set up about 150 m from the wreckage They also erected a barbed wire barricade around the cars

Bomb Squad officers using sniffer dogs checked for other explosives in the area

Reporters were not allowed near the scene until it had been declared safe three quarters of an hour later. They were then escorted by police officers and allowed to have a look at the site of explosion but no photographs of the damage were allowed

The crumpled wreckage of the Datsun Skyline lay half on its back and its side Next to it was a hole in the pavement about 1,5 m wide and 1 m deep

A witness said he arrived at the scene while the car was still engulfed in flames

When the police arrived — two men with dogs — a black man ran up to them saying he had seen men running from the cars just before the bomb exploded He pointed in the direction the men had run'

A nightwatchman who saw the explosion said when he heard the deafen

◆ TURN TO PAGE 2

Seven ANC terror suspects arrested

N/M 18/9/86

PRETORIA—Seven suspected ANC terrorists have been arrested Minister of Law and Order Louis le Grange said yesterday

They are being held in connection with the landmine explosion on August 17 this year in the Karino district of Nelspruit.

Mrs M C Roos was seriously injured in the explosion and died on August 20

The arrests followed a roadblock at which Defence Force members found several demolition charges, limpet mines and other bomb components in a vehicle in which the two alleged terrorists and two other suspects were travelling the statement said

Those arrested had presumably also been involved in the limpet and landmine blasts on August 17 at Kingstonvale Nelspruit, in which five people died

The South African Police also arrested a further five suspected ANC terrorists and found a large quantity of terrorist weapons including a landmine, AK rifles and handgrenades

Two of these suspected terrorists are being held in connection with the limpet mine explosion at Checkers in Silverton on July 4 in which 20 people were injured

One of those arrested was allegedly involved in the incident in which a front end loader was damaged on July 21 at Soshanguve by a landmine the statement said — (Sapa)

55% poll at Klip River

Political Reporter

AS THE polls closed in the Klip River by election last night, the National Party seemed set to keep the seat with a reduced majority over its Herstigte Nasionale Party opponents

As the percentage poll reached 55% the NP were predicting their candidate Mr Jacko Maree would poll 60% of the votes against 40% for the HNP s Mr Chris Wolmarans

The HNP believed that an upset victory for them was still possible but stated that even if the NP s projection was correct it would be a victory for the HNP

There were several heated exchanges during the day as party officials and workers confronted each other

ed saves sleeping woman

was sleeping on saved a wom- car crashed into her bedroom say

oria Camardo, 21, said in an hospital bed. 'I just woke up e'

from it pushing against my there'

trapped under the car for 90 gh a window in her ground Paramedics put air bags under the car, inflated the bags, wedged pieces of wood under the car, and pulled her out, she said

'The engine block was on top of the victim, but the waterbed absorbed much of the shock of the impact and the pressure from the vehicle,' said Sgt Dan Umbstad

Miss Camardo said her injuries were mostly facial bruises and cuts She was in satisfactory condition at McCullough Hyde Hospital, officials said

Two men in the car were uninjured and a third was in satisfactory condition The driver had failed to stop at a stop sign at a dead-end street, police said — (Sapa AP)

Kinross disaster

Rescuers died trying to save workmates

N\M\18\9\86 (214)

◆ FROM PAGE 1

were whites, 45 Sothos, 29 Xhosas, 20 Pondos, 15 Malawians, 14 Tswanas, 21 Shangaans, six Hlubis, eight Zulus, eight Swazis and one Venda and one Pedi, with the origin of three others still not established

Two of the five whites who died, Christoffel Johannes Dorfling, 27, a shiftboss and father of two children, and Stefanus Christoffel Adendorff, 27, a surveyor who had been married for two months, were members of a proto team trying to rescue miners underground

The other white miners who died were Raymond John Smith, 42, a stoper and father of three children; Frederick Johannes Prinsloo, 32, a developer and father of two children, and Stephen Anthony Latchford, 19, a surveyor

The names of the black miners who died will only be released once their next of kin have been notified

The wife of a survivor has given a chilling description of the horror and panic below ground when toxic gasses swept through the mine

Mrs Barbara Tarran told how her husband Billy had described the terror to her

'My husband said there were bodies piled up on the tracks Men were lying with blood coming out of their mouths

'My husband had to punch his friend in the chest to make him breathe again

Panicked

'He saw a lot of men fall down the shaft because they panicked when the cage came down and did not pick them up'

A Mr Mmereko, who works as a driller, was one of about seven survivors from the 15th level

'Only about seven of us made it to the surface When the gas leaked we tried to escape to the 14th level but it was too strong for us

'One Swazi citizen continued going up but he was overcome by the gas between the two levels and fell and died'

The miners retreated and tried to use another route to the 14th level Many could not make it because the gas had become too strong

Evacuated

Mr Rantile Lipala, a Lesotho citizen from Maseru, was loading iron sheets into a locomotive at the 14th level when his supervisor yelled at them to drop everything and rush to the lift

He said he did not smell or see the gas

Mr Sikelelwa Nqatha, 22, from the Transkei, said he smelt little of the gas at the 18th level before they evacuated the area

Mr Tshidiso Linyatsi and Mr Litshoane Litshoane, both from Lesotho, said 'We know of colleagues from the 18th level who are not in the compound We have heard that only seven survived'

● See Editorial Opinion

Miners describe panic as they tried to escape

BUS DAY .18/9/86 (214) (21)

DOMINIQUE GILBERT

PANIC spread amongst Kinross miners as they desperately tried to escape the toxic fumes spreading through the underground tunnels.

Some of the survivors yesterday told of their horror as they realised "something had gone horribly wrong".

Billy Tarran, 28, described how he smelt the fumes, noticed smoke pouring into the tunnel where he was working and then desperately tried to ensure that he and others would be safe

"I went down to the 13th level and found nobody there could' breathe I shouted to them to get out because I realised something was wrong 'I went to the nearby stope and phoned the station in case we didn't make it

As miners collapsed around him, he felt he could take no more, he said "Our legs turned to jelly I had to walk in the darkness and thick smoke holding the walls I could feel my chest burning so bad I couldn't breathe Then a miner collapsed and I managed to get him on to a stretcher," he said

He described his three hours of trying to rescue people while struggling to stay on his feet

"I half-dragged and half-carried some of them out But eventually the smoke was too thick and I could do nothing"

"Nothing as bad as this (the Kinross incident) has happened before You start running out of chances and now I think it is time to get out," he said

Yesterday Tarran said he suffered headaches, sore eyes, sore throat, and a burning chest.

Another miner who managed to escape, Jeromy Lewis, 24, described the panic underground as the toxic fumes spread through the tunnels

"Everybody just started running around, not knowing what was going on," he said "It was obviously a freak accident. But then when one goes underground you can expect some kind of hazard," he said.

He believed that his condition, which is relatively stable would have been worse if he had stayed another half-an-hour

Kinross disaster toll reaches 177

Mine deaths probe amid safety row

BUDDAY 18/9/86

DOMINIQUE GILBERT

GOVERNMENT announced a judicial inquiry into the Kinross disaster yesterday as a row erupted over safety measures at the Gencor gold mine

The official death toll has climbed to 177 More than 235 miners were injured and five are missing

The inquiry was announced by Mineral and Energy Affairs Minister Danie Steyn Accompanied by the government mining engineer and a team of mine inspectors, Steyn went underground yesterday to assess the damage

The mine recently lost two of its five safety stars, it was disclosed yesterday, after a national safety body found it lacked "certain elements to do with safety"

Mine officials confirmed this but refused to elaborate on which safety measures were lacking

National Union of Mineworkers general secretary Cyril Ramaphosa, who spent three hours investigating underground yesterday, said "We believe this accident could have been avoided It was completely unnecessary"

NUM general secretary Cyril Ramaphosa interviews an injured miner.

He charged that conditions in the mine, particularly on level 15 of Shaft 2, where the fire broke out, were "highly irregular"

No fire extinguisher was available near the welder who apparently caused a spark from his torch which ignited a

● To Page 3

Kinross disaster probe

BUDDAY 18/9/86

● From Page 1

methane gas cylinder and set alight highly-inflamible materials lining the walls, Ramaphosa said

The deadly gas emitted from materials lining the tunnel walls should also have been checked, he said

NUM members were, Ramaphosa said, "very angry" at the "terrible disaster"

Ramaphosa said the NUM executive would meet tomorrow morning to decide on possible action nationwide and at Kinross

Kinross GM Kobus Olivier said samples of materials used in the tunnels, particularly in that section of the mine, to provide support and prevent corrosion, were being investigated

He denied his earlier statements that a highly toxic substance Rigiseal was painted on walls, and suggested yesterday that a polyurethane material might have caused the killer fumes

The mine had not known before yesterday that this substance was inflammable and the mine had not felt there was a need to check on this aspect when it was installed

He agreed mine officials would have to strive for better safety precautions but would not say what steps would be taken before the mine was re-opened

"It is NUM opinion, not management, that we put production before safety," he said

"We are continually striving for better conditions."

NUM safety officer Hawlzy Sibanyoni, who was refused entry to the mine's shaft, said his union had suffered an uphill battle in negotiations with Gencor's management on safety issues

Despite Gencor's claim of a "clean accidents slate" for 1985, Sibanyoni and other miners claimed many accidents at the mine were not reported

After his meeting with mine management yesterday, Steyn said procedures for holding a thorough judicial inquiry would be expedited

He added "The Government Mining Engineer and I have had the opportunity to ascertain for ourselves that the responsible union representatives have been assisted as far as possible by management to investigate the incident

"Mine mangement will keep the union representatives informed of developments in the investigations which have already commenced"

Production at the No 2 Shaft is likely to be interrupted for a week, although the shaft will remain closed as long as it might take to ensure that conditions are safe again

One week's production at the shaft is equal to approximately 25 000 tons out of the mine's total milling rate of 180 000 tons, according to a Gencor statement

Five who died were white, 45 Sotho, 29 Xhosa, 20 Pondo, 15 Malawi, 14 Tswana, 21 Shangaan, six Hlubi, eight Zulu, eight Swazis and one Venda and one Pedi The origin of three others could not be established

Two of the five whites who died, Christoffel Johannes Dorfling, 27, a shift boss and father of two, and Stefanus Christoffel Adendorff, 27, a surveyor who had been married for two months, were members of a mine proto team They were killed trying to rescue miners underground

The other white miners who died were Raymond John Smith, 42, a stoper and father of three, Frederick Johannes Prinsloo, 32, a developer and father of two, and Stephen Anthony Latchford, 19, a surveyor

The names of the black miners who died will be released when their next of kin had been notified, Gencor said in a statement

Condolences from the British government, President P W Botha, Opposition leader Colin Eglin and Chamber of Mines president Peter Gush, were expressed yesterday

NEWS FOCUS

Tension mounts at disaster gold mine

BUSINESS DAY REPORTER AND SAPA

THE SIGN atop the room where miners at the Kinross gold mine wait before descending into the earth reads "Fatality-free shifts 0". a tragic epitaph to the worst disaster in the history of the South African gold mining industry

The underground fire that sent poisonous fumes spewing into the mine's shafts 1,6km down left at least 177 dead

Prior to this week's disaster the worst gold mining catastrophe was in 1900, when 152 workers drowned in a flooded mine

SA's worst mining disaster was in 1960, when 437 were buried alive in a coal mine collapse

According to Kinross Mines general manager Kobus Olivier, the fire — which broke out at 9 30am on Tuesday — started after welding work in a section between the mine's No 1 and No 2 shafts "An acetylene cylinder caught fire and set alight underground cables and pipes"

Olivier also said an anti-corrosive sealing substance fuelled the blaze and caused a toxic reaction which filled areas between the mine's No 1 and No 2 shafts and went to levels 15, 16, 17 and 18

Of the 177 dead, five were white miners two surveyors, one shift boss and two miners

They were Chrostoffel Johannes Dorfling (27), Raymond John Smith (42), Stafanus Christoffel Adendorff (27), Frederick Johannes Prinsloo (32) and Stephen Anthony Latchford (19)

Both Dorfling and Adendorff — who died on his birthday — were members of a mine proto team and died while helping rescue miners underground

The mine said the names of the dead black miners would not be released until their next of kin had been notified

Rescue teams brought a total of 2 200 miners to the surface, some 44 are still in hospital

A member of the National Union of Mineworkers' legal team, who was not named, said four people were still in intensive care. The majority of the workers treated suffered from gas inhalation and respiratory problems

"Some of them were on drips we interviewed a few, but very cursory, because they were all suffering from heavy shock and under sedation," he said

He added that one of the men told him that some miners brought to the surface were so badly burnt that their faces were unrecognisable

Tension at the mine rose yesterday morning as a white bakkie and several security guards — some armed — separated a barrage of Press members and about 150 miners sitting huddled in the morning sun

However, as more and more journalists arrived at the scene and were refused entry to the mine shaft and permission to approach any of the miners, the number of miners grew

One foreign journalist claimed he was almost run over by the bakkie when he tried to speak to miners

Several times guards warned journalists that the police would be called to remove them if they persisted in their attempt to interview miners

Truckloads of miners were ferried in and out of the mine, apparently being taken for tests at local hospitals

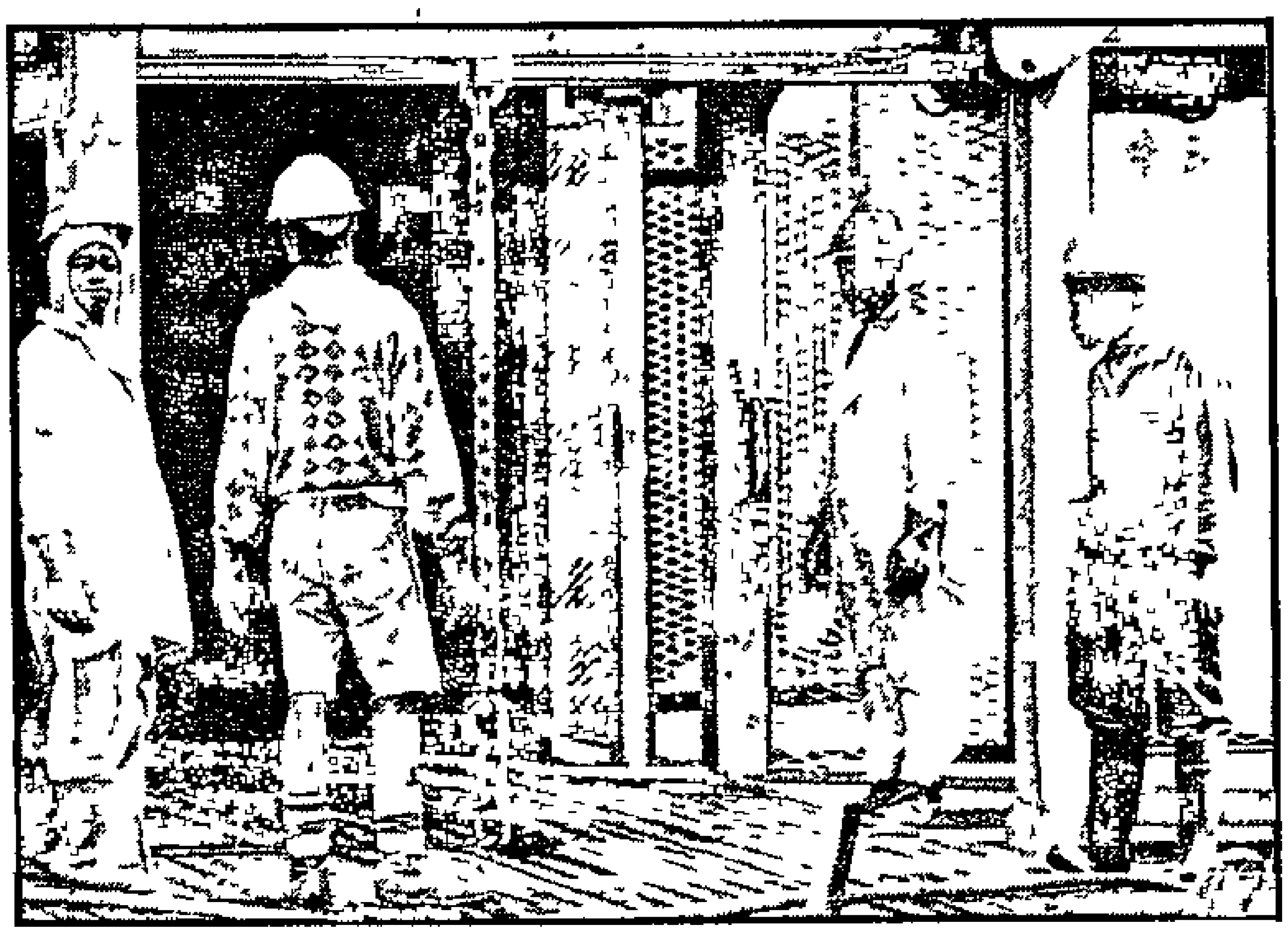
Both white and black hospitals barred the Press

A spokesperson at the Winkelhaak Hospital told journalists that access to patients was being denied to "avoid conflicting reports"

Early yesterday morning there was wailing from miners hostels at No 2 shaft

As journalists tried to find out what was happening, a security guard said "That's nothing unusual — it happens every day"

A miner later commented "We are very angry None of this need ever have happened It is going to take us a long time to get over the sadness this has caused"



☐ Miners from other local mines in the Eastern Transvaal arrive at Kinross to help rescue workers evacuate the dead and injured

MAJOR MINING DISASTERS

☐ **1942 1 572 miners die in coal dust explosion at Chinese coal mine,**

☐ **1963 Methane gas explosion at Japanese coal mine kills 452,**

☐ **1913 At coal mine in south Wales, 439 perish,**

☐ **1960 Cave-in kills 437 miners at SA's Coalbrook North colliery,**

☐ **1985 Landslide at gold mine kills 56 in southern Philippines,**

☐ **1984 Cave-in at mine in northern Taiwan traps and kills 72,**

☐ **1983 100 bodies recovered from Turkish coal mine after gas explosion**

☐ **1900 152 workers drown in flooded SA gold mine — Sapa-Reuter**

Critical questions remain unanswered

SMR
18/9/86
214

By Mike Siluma and Glenda Spiro

At about 9 am on Tuesday, 2 400 mineworkers were working underground at the 1 900 m Kinross gold mine when a fire broke out leading to the death of nearly 180 men

While there is some consensus between the National Union of Mineworkers (NUM) and management about what happened on that fateful morning, several critical questions remain unanswered

According to versions given by both sides, events would have followed this pattern

● A gas cylinder ignites starting a fire Pandemonium breaks out as panicking workers try to escape the deadly fumes Some fall while fleeing, hurting themselves in the process Management becomes aware of the unfolding disaster about 10 minutes later Rescue teams are sent down Bodies of the dead and others overcome by fumes are found over an area of about 1,5 km Some are found huddled in groups and others are scattered over the affected area

The consensus ends here leaving a number of questions unanswered even after several Press conferences held by management

Questions like how the incident could have happened and how strictly were safety regulations adhered to

The mine's general mangager, Mr Kobus Olivier, has defended its safety performance

PRECAUTIONS

When asked why the mine had been stripped of two of its five stars accorded in terms of an international mine safety system, Mr Olivier attributed this to certain elements governing the ratings system He could not remember which of the elements it was his mine lacked

Mr Olivier said the miners would return to work before the outcome of the inquiry He said additional precautions had been taken

NUM general secretary, Mr Cyril Ramaphosa claimed welders at Kinross did not have fire extinguishers with them He said a pathologist would conduct post-mortems on the union s behalf

Workers from Kinross decided at a mass meeting last night that action taken in protest at Tuesday s incident would have to occur in conjuntion with workers at other Eastern Transvaal mines

The Minister of Mineral and Energy Affairs, Mr Danie Steyn, visited the disaster area yesterday

He said a judicial inquiry would be conducted

"South Africa mourns with the families of the dead miners," he said "We should be proud of the high quality of the South African miner and the courage of the proto teams who saved hundreds of lives this week"

"Fatality Free Shifts — 0" reads the sign outside Number Two shaft at the Kinross disaster mine As the search continues underground for the last men still missing from the tragedy, only an ambulance at the minehead indicated the continuing drama underground as rescue teams searched for the five workers not yet found They are feared dead

● Picture by Kevin Carter

Payments due to families

The families of the miners who died in the Kinross mine accident this week are entitled to certain benefits

In July 1981 a new de-racialised death benefit scheme for miners was introduced It created a salary-related formula for death benefits

Although the system is equitable in principle, black wages are much lower than whites' so black benefits are also lower

Dependants of workers who die receive 24 times their monthly salary, and in the case of black mineworkers, a further sum equivalent to the current value of food and lodgings allocated to them on the mine for two years

In addition, dependants are paid benefits by Rand Mutual Insurance, calculated according to salary, years of service and qualification.

Relatives of black Kinross victims may be robbed of death benefits

By Sheryl Raine

Ignorance administrative red tape and corruption could rob the relatives of black mineworkers killed in the Kinross mining disaster of much-needed death benefits

Relatives most likely to lose out on benefits paid to mineworkers who died on duty are those living in neighbouring states such as Lesotho and Mozambique

An International Labour Organisation report on migrant labour released this year noted there was evidence of corruption and inefficiency in the administration of benefits paid to relatives as well as ignorance on the part of beneficiaries

A breakdown by origin of black workers who died at Kinross this week showed a significant number from Lesotho, Malawi and Mozambique

In most cases, The Employment Bureau of Africa (TEBA), the Chamber of Mines recruitment wing, administers successful payouts, but in Lesotho, Mozambique and Malawi, the governments play a part in the administration

Sources in the mining industry say there are lingering suspicions that money is misappropriated, particularly in Lesotho from which South Africa draws 130 000 mineworkers

'In general we do not have any problems," a spokesman for TEBA insisted but he noted that in Lesotho TEBA recruitment agencies through which relatives lodge claims for death and other benefits try to keep the claim payouts within their control to ensure the benefits are paid out

One of the problems identified by the ILO and confirmed by TEBA is the assessment of which relatives qualify for benefits and the lack of available appeal machinery

Ignorance is a major problem Relatives do not lodge claims for death benefits because they do not know they are entitled to them Others lodge claims and never collect the money Such funds are kept in trust and lists of beneficiaries who have not collected their benefits appear in the South African Government Gazette from time to time

The ILO noted that in 1979 less than one-third of those eligible for various types of compensation received their awards

Critical questions remain unanswered

SMK 18/9/86 214

By Mike Siluma and Glenda Spiro

At about 9 am on Tuesday, 2 400 mineworkers were working underground at the 1 900 m Kinross gold mine when a fire broke out, leading to the death of nearly 180 men

While there is some consensus between the National Union of Mineworkers (NUM) and management about what happened on that fateful morning, several critical questions remain unanswered

According to versions given by both sides events would have followed this pattern

● A gas cylinder ignites starting a fire Pandemonium breaks out as panicking workers try to escape the deadly fumes Some fall while fleeing, hurting themselves in the process Management becomes aware of the unfolding disaster about 10 minutes later Rescue teams are sent down Bodies of the dead and others overcome by fumes are found over an area of about 1,5 km Some are found huddled in groups and others are scattered over the affected area

The consensus ends here leaving a number of questions unanswered even after several Press conferences held by management.

Questions like how the incident could have happened and how strictly were safety regulations adhered to

The mine's general mangager, Mr Kobus Olivier, has defended its safety performance

PRECAUTIONS

When asked why the mine had been stripped of two of its five stars accorded in terms of an international mine safety system, Mr Olivier attributed this to certain elements governing the ratings system He could not remember which of the elements it was his mine lacked

Mr Olivier said the miners would return to work before the outcome of the inquiry He said additional precautions had been taken

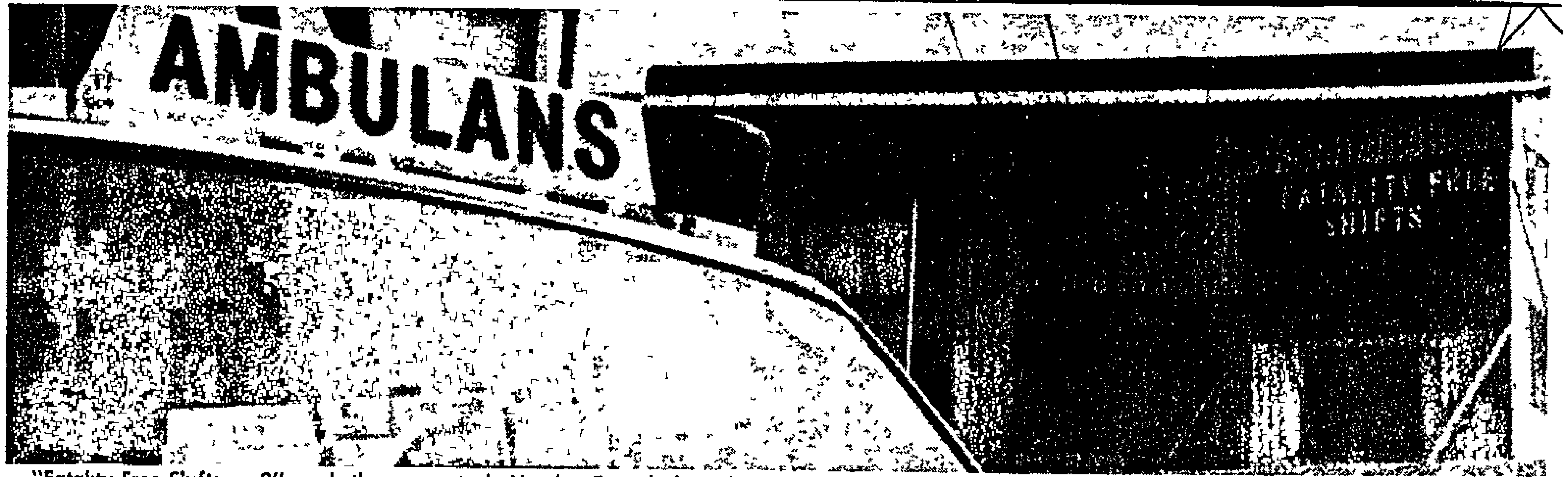
NUM general secretary, Mr Cyril Ramaphosa claimed welders at Kinross did not have fire extinguishers with them He said a pathologist would conduct post-mortems on the union s behalf

Workers from Kinross decided at a mass meeting last night that action taken in protest at Tuesday's incident would have to occur in conjuntion with workers at other Eastern Transvaal mines

The Minister of Mineral and Energy Affairs, Mr Danie Steyn visited the disaster area yesterday

He said a judicial inquiry would be conducted

"South Africa mourns with the families of the dead miners," he said "We should be proud of the high quality of the South African miner and the courage of the proto teams who saved hundreds of lives this week



"Fatality Free Shifts — 0" reads the sign outside Number Two shaft at the Kinross disaster mine As the search continues underground for the last men still missing from the tragedy, only an ambulance at the minehead indicated the continuing drama underground as rescue teams searched for the five workers not yet found They are feared dead

● Picture by Kevin Carter

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Black unions tell of 'economic assault'

Secret plan to disrupt gold mining

STAR 18/9/86 214

By Michael Morris, The Star Bureau

London

South Africa's black gold miners claim to have a secret plan to damage Pretoria's economic bastion — the multibillion-rand bullion trade.

Mining unionists have told the television Channel 4 programme in a documentary titled "The Price of Gold" — to be screened tonight — that they want mines closed and are willing to lose their jobs in an assault on gold production, the country's economic Achilles' heel.

National Union of Mineworkers president Mr James Motlatse warns that if the West fails to act decisively against apartheid by imposing sanctions on South Africa's gold trade, miners will implement a secret plan to achieve a similar result

He says in the film that miners have devised a plan of action — "but I will not tell you what it is"

Asked if this amounted to "declaring war on the Government", Mr Motlatse said

"The Government has declared war on us and we are going to retaliate"

Thames Television reporter Mr Julian Manyon — whose film explores the extent to which South Africa relies on gold to sustain modern apartheid and the reasons for the West's reluctance to use bullion trade as a weapon against Pretoria — said he had been given details of the miners' plan.

But he said he was not able to divulge them

"I was told, but it was off the record," he said

Mr Motlatse says in the film that international sanctions should start with gold because it is the backbone of the economy

Survival

He goes on "All these limited sanctions will do nothing for us We want to see the mines close down, because we are getting nothing from the mines

"We know about the risks The workers are prepared to take them There are many people who are unemployed and they are surviving, so we would survive too"

Among the risks in taking a union stand, the film suggests, is harassment and injury at the hands of police and mine officials

Several cases are shown, and it is suggested that police acted to obstruct union activity

Viewers are also shown miners' living and working conditions.

The Thames Television team spent three weeks in South Africa recently investigating the one area of South Africa's economy which, despite its vulnerability, the West has failed to consider as a target for sanctions

Gold accounts for 50 percent of South Africa's foreign earnings, and more than 60 percent of the West's bullion comes from South African mines

Kinross dead now number 177

The death toll at the Kinross Gold Mine at Evander has risen to 177.

Five white victims have been identified They were

- Shiftboss Mr Christoffel Johannes Dorfling (27), who had worked at Gencor since July 1978 He was married with two children.
- Stoper Mr Raymond John Smith (42) Married with three children
- Surveyor Mr Stephanus Christoffel Adendorff (27) Married
- Developer Mr Frederick Johannes Prinsloo (32) Married with two children.
- Surveyor Mr Stephen Anthony Latchford (19) Unmarried.

The names of the other dead cannot be released until next of kin have been informed

They are of the following origins Sotho 45, Zulu 8, Shangaan (Mozambique) 21, Pondo 20, Hlubi (Transkei) 6, Swazi 8, Venda 1, Xhosa 29, Tswana 14, Malawi 15, Pedi 1.

The origins of three more persons have not been established.

A statement said Gencor was grateful that some 2 200 workers had been evacuated safely, for the effort by the rescue teams and the support of the doctors, Evander community and the police.

Production at No 2 shaft will be interrupted for about a week One week's production is equal to about 25 000 tons out of the mine's total milling rate of 180 000 tons

The president of the Chamber of Mines, Mr E P Gush, said "that the entire mining industry was overwhelmed by the tragedy.

"Our most heartfelt sympathies to the families of the dead and injured miners. We have a commitment to ensure that nothing like this can ever happen again"

● See Pages 4 and 19.

Saved by unknown hands

By Hannes de Wet

If it were not for a group of unknown black workers who dragged an unconscious Mr Tol Sadler to a running tap, he would be dead today

"I have no doubt in my mind that they saved my life The water cooled me down and brought me back to consciousness," Mr Sadler (32), a surveyor at Kinross Gold Mine, told *The Star* yesterday

The father of three said he was trapped for six hours by the underground fire in the mine

"I decided to climb up to a higher level but I was too weak My hands slipped and I lost consciousness When I came to I was lying under a running tap.

"Eventually I shifted inch by inch to the opening of another tunnel.

"I don't know how long I was sitting there before a bossboy came along I told him that I was paralysed and that he should help me

"He left and returned with a few other black workers They carried me to a spot where the ventilation was better I stayed there until a proto team took me to the surface

"The next morning I heard that it was a group of black workers who had dragged me to the tap and left the water running before making a break themselves"

MINE DISASTER: 5 STILL MISSING

By LANGA SKOSANA

RESCUE workers were last night still searching for five miners still unaccounted for at the Kinross gold mine after Tuesday's disaster which claimed at least 177 lives and left scores of miners injured.

Mine manager Mr J A Olivier said yesterday the mine would close for a week during investigations into the disaster

The general secretary of the National Union of Mine workers (NUM) Mr Cyril Ramaphosa, said he was not satisfied with safety procedures at the mine

He said there were no fire extinguishers in the area where the accident happened

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MR CYRIL Ramaphosa, general secretary of the National Union of Mineworkers, who told reporters yesterday that his union would start its own inquiry in the tragedy that killed 177 miners at the Kinross gold mine.

Fire

The owners of the mine, Gencor, said the accident happened when underground fire broke out between number one and number two shafts on the mine.

The mine is situated on the outskirts of Evander between Springs and Bethal, about 100 km from Johannesburg.

Mr Ramaphosa said his union was going to launch an investigation and legal action might be taken to protect the interests of his members.

NUM was meeting urgently today to decide what action to take.

Mrs Masichaba Mokoena arrived at the number two shaft yesterday after news of the disaster.

She said her husband was among the people who were working on that shaft when the accident happened.

She did not know whether he was dead or alive.

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Mine rescue hero recalls the horror

Glenda Spiro

Several heroes emerged from the Kinross mine tragedy Mr Billy Tarran (28) is one — but now he wonders if he will ever want to take another step underground

He is one of three men still being treated at Evander Hospital In nearby Winkelhaak Mine Hospital, 38 miners have not yet been discharged.

In "intense heat and smoke so thick" he could not see past his hand, Mr Tarran climbed 6,5 m with a man on his back and returned to carry to safety another miner who had collapsed

Mr Tarran said he was about to leave level 13, where he was working, when he smelt something He went to see if there was a problem and "told people to get out"

THOUGHTS OF LOST FRIENDS

But he does not dwell on his own heroism His thoughts are dominated by the friends he lost

He said he could not express the feelings of pain at the loss of close friends, killed in South Africa's worst gold mine disaster

"It's a loss to the whole community We are all good friends in this town "

As a surveyor, he hopes there is a lot of work for him above ground "I'm scared to go back under and my wife doesn't want me to," he said

One of the things he feels saved him was the fact that he tore off his shirt to cover his face from the toxic fumes which claimed the lives of nearly 200 fellow workers

He described the panic on level 14

"Everyone was trying to run, but in the heat it was practically impossible to walk My legs were numb, they felt like rubber "

Because he spent three hours ferrying several people to underground stations away from the gas, Mr Tarran's condition is still being monitored

● Mr Jeremy Lewis (24) is lying opposite Mr Tarran and Mr Koos Green (29)

He told *The Star* he did not know at first there was a fire He first noticed an acrid smell and only realised something was wrong when he saw shift bosses waiting for a cage to take them out of the mine

Mr Lewis is still confused about what happened, but feels something should have been done to prevent the tragedy

He added "The rescue procedures seemed first class, but we were so busy trying to get everyone out, we didn't realise the extent of the task "

Mr Lewis, a Briton, is a surveyor who was working on level 12 He went to see what was happening on levels 14 and 15 when workers rushed from these areas Although he went above ground soon after that, he was still badly affected by fumes

(214)

The horrified faces of miners watching the bodies of 177 co

It could so easily have been one of them Kinross miners who weren't underground that tragic Tuesday morning Picture Wendy Schwegmann, Reuters

A GRIM SENSE OF

TUESDAY S disaster at the Kinross mine inspired an uncomfortable sense of *deja vu*.

On September 17, 1983 — almost three years to the day before the Kinross disaster — 68 mineworkers died in a methane gas explosion underground at the Hlobane coal mine near Vryheid in Northern Natal

After an inquest-inquiry revealed hair-raising lapses in safety standards at the mine, its owners, a subsidiary of Iscor, were prosecuted and fined R400 for contravening the Mines and Works Act

A member of the National Union of Mine Workers' legal team at the inquest inquiry described Hlobane as a "disaster waiting to happen"

A total of 14 machines underground were not flameproof and could have sparked an explosion no proper testing had been done for methane gas on the morning of the explosion, the ventilation system, which should have dispersed any build up of gas, had never worked properly and a holing operation a few days before had short-circuited it, and so on

A white miner — who died in the blast and who was identified by the inquest inquiry as the major culprit — had found methane gas in the mine a week before

This, however, was scratched out of the production book by the mine captain who — it was alleged at the inquiry — believed it would reflect badly on the mine's safety record

Yet the mine continued to boast a four star safety rating, even after the accident, and the local government inspector — himself a former manager of Hlobane — did not think the mine was much worse than others around it

The relatives of the deceased are still waiting for increased compensation, though some have now brought individual suits against mine management for pain and suffering

On Wednesday Kinross' mine manager, Kobus Olivier, under a grilling from the local and international press, refused to answer questions about the cause of the blast because, he said, it was "*sub judice*"

The "thorough investigation launched into the accident by the government would, Olivier implied, ensure that justice would take its course

In the light of the fact that some 50 000 workers have died in mine accidents in South Africa since the turn of the century, 8 500 of them between 1973 and 1984, and that management has never been held responsible, can one reasonably make that assumption?

The mining industry has consistently blamed the high death and injury toll on acts of God — accidents which they could not help — but under pressure in recent years has been successful in restricting the number of acts of God

Despite the scanty information available several key questions have emerged about the Kinross accident

●Was there a fire extinguisher around at the time of the accident?

Olivier said it would have been normal practice for there to be an extinguisher at the scene of the welding operation which sparked the fire but refused to comment on whether there had in fact been one

Cyril Ramaphosa, general secretary of the National Union of Mineworkers, said after investigating the scene of the disaster on Wednesday that the union's main concern was that welders did not have fire extinguishers

According to Olivier the gas cylinder which started the fire did not explode but started flaming and according to eyewitnesses, a black worker had tried to put out the blaze If there had been an

This week's mine horror came three years, almost to the day, since the last major mine disaster After an inquiry, the mine owners were fined R400 for lapses in safety leading to 68 deaths What kind of safety system hands out high ratings to mines, while disasters continue to happen? PHILLIP VAN NIEKERK reports

extinguisher, he would surely have been able to use it to put the fire out

●Why was there no alarm system underground warning workers of danger?

The poisonous fumes spreading through an area of one and a half square kilometres caught workers by surprise

NUM president James Matlatsi said the people involved at the source of the fire where the welding took place managed to escape

Had the others — who were much further from the fire, some on different levels of the mine —

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A sharp NUM critique of shaft safety

By PHILLIP VAN NIEKERK

ONE of the cruel ironies of this week's mine disaster at Kinross is that the National Union of Mineworkers was due to launch a new booklet for workers on mine safety today It is called "A Thousand Ways to Die

The title comes from a quote from an old miner who said "There are a thousand ways to die in a gold mine"

Billed as a report 'for the workers, by the workers", the booklet, here summarised, sets out a black miner's critique of safety in the industry

"There are a thousand ways to die underground The biggest reason is having to work in working places that are not safe Many accidents happen which should not and need not happen

"White miners do not spend much time in the stopes anymore They are not doing what the law says they must do They no longer make safe and do inspections They no longer mark off drill holes and remove misfires. They don't even work with explosives anymore

"Team leaders are now doing the work of white miners — and they are the ones who are now looking after the safety of the team in the stopes But team leaders do not have the same training as white miners They can't tell the team to leave the working place if it is dangerous

' The government says the law will change in 1987 But what will happen to team leaders? Will they get better training — and will they get the power to pull the team out when conditions are dangerous?

"The Mines and Works Act says workers must call a white miner if conditions are dangerous The white miner must then 'make safe' But workers do not often call the white miner They know he will not come

"Team leaders are the ones who 'make safe' when conditions are dangerous A team leader will only call a white miner if he can't make a place safe — and if conditions are very dangerous

"The mines use threats and punishment to make the work go faster If workers stop because the working place is not safe, they may get charged — and sometimes even fired The fear of punishment makes workers take more chances in the stopes — and when workers take more chances, they have more accidents

"Most workers say that training for new workers is not good enough Workers believe that bosses are in a hurry to send them underground This is bad for safety Workers also say that they hate *fanakalo* It is time for workers to decide on a new language for underground

The booklet lists a miners' bill of rights which the NUM is struggling to get accepted by the Chamber of Mines Included in this charter are

1 The right to elect safety stewards and safety committees

2 The right to refuse dangerous work

3 The right to call and go with inspectors on all inspections — without the loss of pay

4 The right to proper health and safety training

5 The right to get all information about health and safety

6 The right to protection from punishment when demanding your rights

7 The right to have a say in the running of the mine — and in all future plans

A mines ambulance carries bodies from the scene of the disaster Picture Wendy Schwegmann, Reuters

The black dead: Just faceless mine statistics

By PHILLIP VAN NIEKERK

IN 1945 a black academic and poet, BW Vilakazi, wrote a poem about black mineworkers

My brother is with me, carrying
His pick and shovel on his shoulder,
And, on his feet, are heavy boots
He follows me towards the shaft,
The Earth will swallow us who burrow
And, if I die there underground,
What does it matter? Who am I?
Dear Lord! all around me, every day,
I see men stumble, fall and die

After this week's disaster at Kinross, the question "Who are they?" — the 177 dead black miners — is a very real one

As was usual after disasters of this kind, the names of the five dead white miners were released and the SABC had moving footage of interviews with their families

A statement from Gencor said however that the names of the 177 — all black migrant workers — could only be released once their next of kin were informed

Instead, this was what the press was told of their origins Sotho 45, Shangaan (Mozambican) 21, Pondo 20, Hlubi (Transkei) 6, Swazi 8, Venda 1, Xhosa 29, Tswana 14, Malawi 15, Pedi 1

One knows the circumstances of their death Eyewitnesses described how they were trapped by the gas and how workers fell all around them Those that survived had held their noses and mouths and walked slowly so as not to inhale the poisonous fumes

Bodies were found spread out over a one and a half kilometre radius Some workers unable to get into the cages to be hoisted to the surface were reported to have jumped down the lift shafts, which are several kilometres deep

The families of many of the men who died — scattered in far flung rural areas of the Southern African subcontinent — might not know for more than a week that their loved ones are dead

When workers die on the mines, the recruiting arm of the Chamber of Mines, The Employment Bureau of Africa, which has offices in the rural areas, attempts to trace their next of kin It could take a long time to contact relatives in the isolated mountain villages of Lesotho or the Transkei

But who were these men who died? What where their aspirations, their likes and dislikes? How many children were orphaned and how many wives became widows?

It is unlikely we will ever know It is likely, in fact, that — as in the case of previous mining disasters — their names will never be published in the South African press

For most people the Kinross disaster will remain forever just a statistic the death of five whites and 177 faceless, nameless blacks

Battered but alive, an unidentified survivor in hospital hours after the fatal accident Picture AFP

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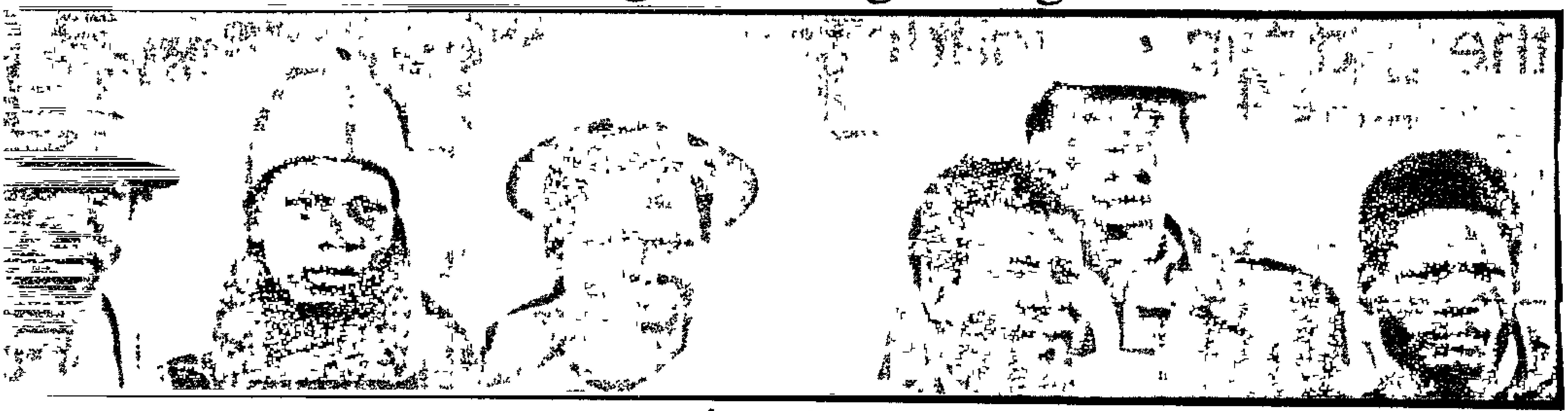

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●Why was there no alarm system underground warning workers of danger?

The poisonous fumes spreading through an area of one and a half square kilometres caught workers by surprise

NUM president James Matlatsi said the people involved at the source of the fire where the welding took place managed to escape

Had the others — who were much further from the fire, some on different levels of the mine — been alerted, many more would probably have been able to get out in time

●The third, and most obvious, question is what highly inflammable toxic material was doing underground in the first place

At first Olivier blamed the toxicity on a chemical sealant used on the wall, but he later corrected himself and said this was a polyurethane type foam and that samples had been sent for testing

The source of the poisonous gas which killed some 182 workers could have been any of the materials said by Ramaphosa to have burnt underground the plaster used to firm the tunnel walls the insulation around the underground cables and rubber equipment on the rails and lighting system in the shaft

What tests were these materials subjected to before being used underground?

●Finally what good is the international mine safety rating system if such disasters continue to happen at mines with high ratings?

Kinross had recently lost two of its stars but this, according to Olivier, was not for matters related to Tuesday's fire

On Olivier s telling, if it were not for certain mysterious yet minor shortcomings Kinross would still be a five star mine

Thus the lack of an underground warning system for instance, is not considered to be a drawback in acquiring points for the star rating system

Coming within a week of the Chamber of Mines' proud statement that there had been a decline in deaths in the first six months of this year to the lowest rate ever, the Kinross disaster has clearly been a setback

The Chamber has not been unresponsive to pressure from the NUM on safety and since the Hlobane disaster there has been a marked improvement in safety statistics

But still, hundreds of workers die every year — three times more than died in the Kinross disaster — and thousands of them are injured on South African mines This is seldom written about because death on the mines is a daily occurrence

Now — with fresh concern being expressed over safety in the wake of the Kinross disaster — the NUM has called for a commission of enquiry to examine not just Kinross but the whole question of mine safety in South Africa

A repeat of Hlobane could provoke anger among black workers, who are already questioning what they see as collusion between mine management and the government

It would be an opportune moment for such an enquiry because the Mines and Works Act — which is supposed to be framed in the interests of worker safety — is in the process of being amended to scrap racial job reservation

The situation which has evolved — in which black miners, without the same pay or adequate safety training are doing the jobs of white miners — could be addressed by amendments to the law scrapping mining apartheid

The disaster could also lend impetus to the NUM's demands for safety stewards and safety committees and for greater safety rights for workers

'When the NUM started in 1983," Ramaphosa said in an interview conducted shortly before the disaster, "604 workers were killed in the gold mines Last year, in 1985, 539 workers were killed So we can see that we are slowly winning the struggle

'But we have a long way to go We will not rest as long as our people are dying underground For us every death is one too many"

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Battered but alive, an unidentified survivor in hospital hours after the fatal accident Picture AFP

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Gencor's censors can teach the government

By PAT SIDLEY and ANTON HARBER

THE accident at Gencor's Kinross mine took place at 9 30am on Tuesday The first announcement of the incident came after 5pm

In delaying the news for eight hours — and in its subsequent treatment of reporters and photographers — Gencor has shown it is even more adept than the South African government at blocking journalists and controlling the flow of information

Gencor also ignored a long standing agreement — although little known and less used — between the Chamber of Mines and the Conference of Editors

Although dwarfed by the tragedy of 177 unnatural deaths, another victim of the incident was the public's right to know

Most mining companies have always been protective of their territory and reluctant to allow journalists to move around mine property and talk freely to employees With Gencor however, the control of information this week was more extreme

The agreement between the Chamber and the press is meant to ensure that news organisations are kept informed of accidents on mines and sets out principles behind the agreement, procedures for dealing with the press and procedures for major accidents or disasters

This agreement is certainly unknown to most working journalists and observed largely in the breach Neither editors nor Sapa, nor the Chamber have seen fit over the years to refer to it or update it (the agreement does not deal with union activity for instance)

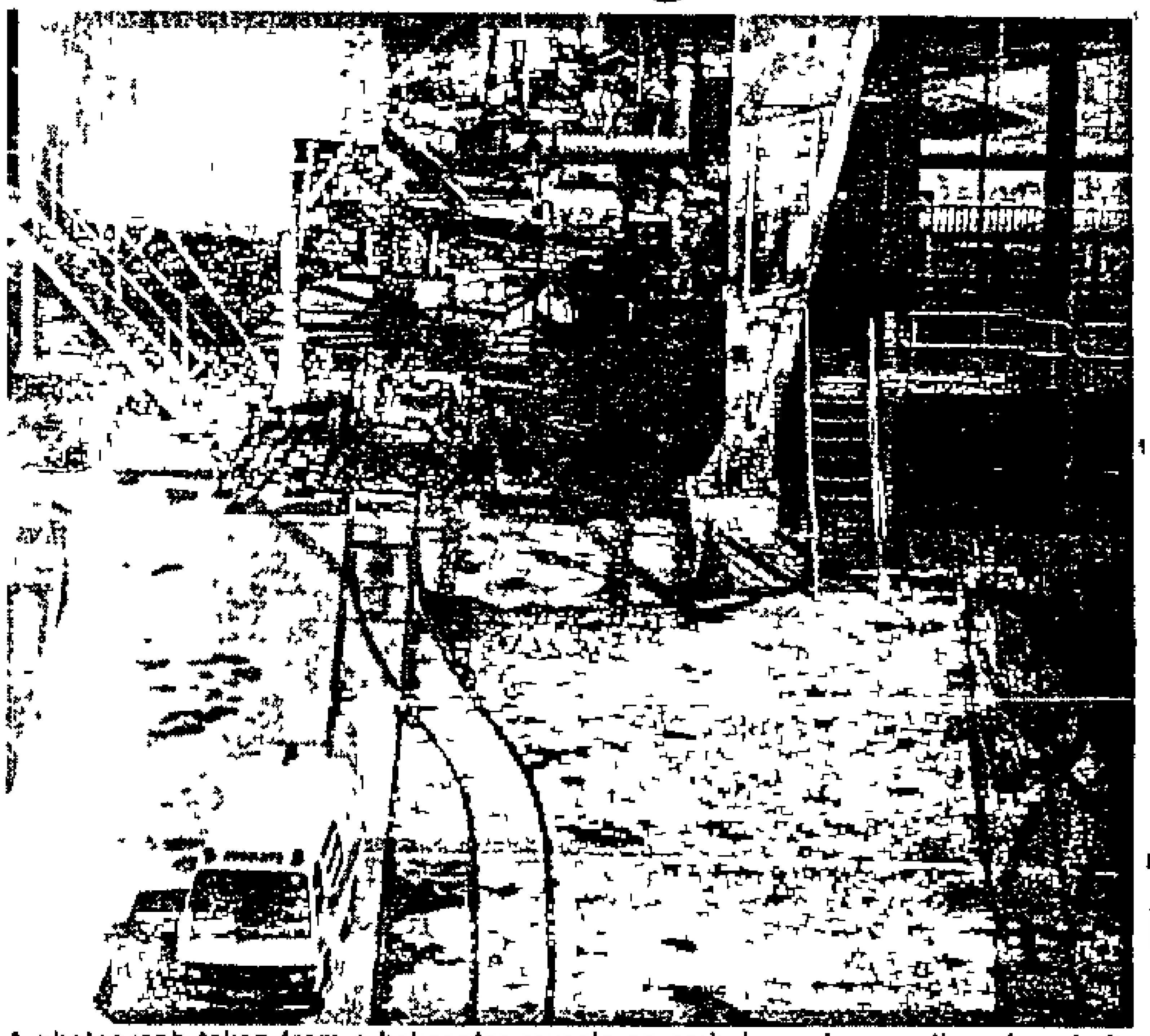
Nevertheless Gencor has not kept to even its own agreed standards

Under the section on major accidents the first rule to follow reads

On receipt of first news of an accident in the above category the Group Press Liaison Officers will issue immediately a message to Sapa stating that a major accident or disaster has occurred and giving such few details as are immediately available

'Sapa will be informed that further details will follow as soon as possible "

In this case, Sapa was not notified until some eight hours after the disaster Even then, the full scale of the disaster was not revealed until much later, with the company originally standing by a death figure of 13



A photograph taken from a helicopter reveals an ambulance leaving the mine shaft Picture WENDY SCHWEGMANN, REUTER

In principle, according to the agreement, "mines, members of the Chamber, accept that newspapers have a legitimate interest in the reporting of mine accidents Mines, therefore, are willing to accord facilities to newspapers to report mine accidents and to give every reasonable assistance "

Reporters on the scene of this week's disaster say mine management was decidedly uncooperative and failed to allow access to any useful information

Reporters were barred from going anywhere near the disaster area and were not allowed near the hospital to interview survivors In scenes reminiscent of attempts to report on the Chernobyl disaster in the Soviet Union, reporters were forced to hire helicopters and use third parties to sneak pictures of the scene of the accident.

Gencor's attitude could be confirmed by anyone who heard a representative of the mining house on radio broadcasts He claimed repeatedly that he could not comment as the matter was *sub judice*, while at the same time admitting that no legal procedures had been instituted Radio listeners heard the representative refuse to comment while a reporter's tape recorder was switched on and abruptly terminate the interview when faced with some hard questions

British TV viewers hear NUM president's warning

STAR 19/9/86 214

The Star Bureau

LONDON — British television viewers last night heard South Africa's National Union of Mineworkers' president Mr James Motlatsi warn that, if the international community failed to impose sanctions on the country's gold industry, miners would implement "another remedy".

Mr Motlatsi spoke in a TV documentary, "The Price of Gold"

During the film, which examined, in part, the West's reliance on South Africa's gold production and its reluctance to boycott it, television reporter Julian Manyon is heard saying that "behind that conflict with management a far bigger confrontation is looming"

'TOO EARLY TO REVEAL REMEDY'

After a roar of shouting from workers, Mr Motlatsi is then heard saying "If the international world won't impose the gold sanctions, we have got another remedy But I won't tell you — it's too early"

Manyon then says to him "It sounds as if you, as the leader of the National Union of Mineworkers, are getting ready to declare war on this Government, Mr Motlatsi"

Motlatsi "Well, the Government declared war against us So what we are doing is retaliating"

Manyon "So there will be compromise in this industry?"

Motlatsi "No compromise at all."

Manyon ended by saying "The NUM may yet become a major threat to the white regime but, while the members remain migrant workers, their chances in an all-out strike are slim"

GENCOR FM 9/9/88 (214)

The upturn

With its figures for the end-June interim, Gencor affirmed its recovery and provided a handsome welcoming present to new chairman, Derek Keys The 51,4% surge in attributable income was certainly towards the upper end of market forecasts Since the results were released last Thursday, the share has gained another R3, to trade on Tuesday at R64,50, compared with the low of R26,50 exactly 12 months ago

New accounting procedures have resulted in the restatement of certain comparative figures in the interim statement. Changes to the calculation of turnover were announced at year-end, and on restated figures the interim turnover rose by 8,3% to R2,47 billion Figures are also restated in the breakdown of sectoral contributors.

Each income sector now only comprises investments of a strategic nature, while portfolio investments are under financial and services Exploration expenditure, formerly lumped into the mining division concerned, is now also part of financial and services, hence this figure fell from R61,7m to R49,3m Another cause of the decline in this figure, says Keys, was that there were some coups in the previous interim that were not repeated

At present, much of the stock market interest is centred on gold, and this is where some houses have been scoring most heavily Not so in Gencor's case Although the gold and platinum contribution to attributable income jumped by R10m or 29,5% (and is likely to increase again on the rand gold prices), the overall figure was given greater boosts from base metals and minerals which jumped by R43,9m, from Sappi which saw a R21,9m turnaround, and from other commercial and industrial interests, whose losses were reduced by R11,8m and virtually eliminated at R200 000

The last two cases emphasise why Gencor stood out late last year for its enormous recovery potential Simply a return to profitability in the bruised industrial division, and the inflow profits that were virtually ensured from activities sensitive to the weak rand meant that there had to be powerful upside in Gencor's bottom line.

Because of its large size and considerable importance as a single income source for Gencor, Sappi has now been separated from the other industrial contributors in the accounts That Sappi was getting to grips with its own problems, and was also benefiting from exports, became plain from its year-end results published early this year While Sappi's operating profits are showing growth, its debt mountain remains a drain on cash flow The recent announcement of another rights issue, this time for R200m, was seen as bullish for Sappi, which badly needs to bring down its interest bill Progress here could boost Gencor's dividend receipts from Sappi

Recoveries have been seen in a number of other industrial subsidiaries such as Tedelex and Kohler While earnings in various cases are still no great shakes — Kanhym is still unimpressive and even Trek last week reported a 10% earnings slide which could deteriorate further — the stunning losses of 18-24 months ago are no longer in evidence Economic upturn would mean further improvements

The industrials and commercials first half performance would have been better were it not for the Darling & Hodgson (D & H) problem "We were determined to make every provision we could think of for the D & H negatives in the first half," says Keys As the *FM* went to press, D & H's results had still not been announced, but they are clearly going to be horrible

Keys says that a possible sale of assets is being negotiated and the transport division is a candidate, provided that an acceptable offer is received Assuming that agreement is reached, the intention was to announce in one package a recapitalisation of D & H and its results Once the recapitalisation is concluded, D & H could be left as a holding company controlling Group Five and holding 42% of Blue Circle There are no plans to delist D & H

Provided that the provisions made for D & H's losses prove adequate, he says the industrial division could add another 15c per Gencor share in the second half "We feel reasonably confident of the second six months, particularly as a number of our industrials traditionally do well in their second halves We are expecting a strong follow through from Sappi, and Tedelex, a consumer-orientated company, always does better in its second half"

Elsewhere in the group, the platinum contribution was stagnant because Impala maintained its dividend as a result of labour problems, which cost R45m after-tax There must be a strong chance of an increase now, and Keys says Impala is currently performing "at super human levels in terms of recovering" Base metals and minerals' performance, derived from Samancor and Richards Bay Minerals, should achieve good profits even on a US45c rand

Coal, says Keys, is Gencor's area of maximum uncertainty He notes that downward pressure is being felt on prices, and nobody knows what effects to expect from sanctions Keys, therefore, believes it is conceivable that there might be no further deterioration in the current six months

The sale of interests in African Coaster and Grindrod raised R28m for Gencor The group's balance sheet now shows gearing of 0,55 with investments at book value, and substantially better at market value Keys believes that apart from D & H, the only areas among listed interests where debt is too high is Tedelex, but a rights issue is not planned He says the management structure is now "pretty close" to what he would like to see Forex controls have been centralised, and group companies cannot easily deviate from overall policy

The share currently yields 3,4%, compared with the sector's 2,8% There could well be further appreciation in the price, but any further growth is likely to be at a slower rate than seen this year *Andrew McNulty*

FIN MAIL 5/9/86

AIDS

Repatriation risks

The revelation that a number of black mineworkers — mainly Malawian but also a few South Africans — are carriers of the Aids virus has rekindled public fear of the dreaded disease

Concern and apprehension now centre on the fate of the infected foreign mineworkers identified in a joint investigation by the Chamber of Mines and the SA Institute of Medical Research

The Department of Health and Population Development regards the victims as a risk to the whole population and insists they be repatriated, the chamber recommends more compassion It would rather let them stay on in order that these known carriers of the virus may be counselled so they do not spread the disease

The investigation was conducted on a random sample of mineworkers taken from all the countries and homelands supplying labour for the mines The findings are therefore only indicative of the presence of the virus among the mineworker population, and are not comprehensive lists of those affected Should the department insist the identified victims leave, they may find they have banished the ones who can be educated, leaving behind an unknown number of other carriers who could be spreading the disease in ignorance

Of 26 525 miners tested, 97 had the Aids virus antibodies in their bloodstream The survey showed the Aids virus was more prevalent among miners from Malawi than in other workers From the sample, the prevalence among Malawians is about 1 25, making it a relatively high-risk area Subsequent testing of Malawian mineworkers has revealed another 30 people afflicted

The incidence among the other territories was 1 3 500 However, the figure includes a number of miners from within the borders of SA

None of the mineworkers had yet developed Aids proper A person is diagnosed as having Aids proper only once *opportunistic* diseases — diseases which take advantage of the body's weakened state — take hold Some cancers and certain types of pneumonia are opportunistic diseases Patients die from these Only a small percentage of people affected with the virus develop Aids proper

Recent research, however, has concluded that the spectrum of diseases caused by the virus is much greater than was first thought, and that the virus itself can invade the brain causing neurological damage And, once infected with the virus, a person remains infectious for life whether they develop Aids proper or not

There have only been 38 cases of Aids proper diagnosed in SA Most of the cases have been white homosexual men The investigation on the mines is the first public indication that the virus has spread to black South Africans, although no black has yet been diagnosed as having Aids proper

Public paranoia about the disease is understandable, however There is still no cure and we are probably years away from a vaccine The virus is spreading in SA and will continue whether the foreign mineworkers are repatriated or not

Disease knows no political boundaries, and there is little chance government can control the movement of people from other countries into SA, or prevent South Africans from visiting other African countries For the moment, the most effective means to combat the spread of the virus is through major educational programmes about how the disease is transmitted

Doctors remain adamant that the virus cannot be spread through casual contact They do know the virus is transmitted by blood and probably other body fluids A transfusion of contaminated blood is the surest way of becoming infected (South African blood banks now screen blood to eliminate this possibility) The virus is easily transmitted through certain sexual practices, particularly anal intercourse Exactly which other fluids, and just how it is passed on, has not been conclusively proven

One of the enduring puzzles about the virus is why is has spread so rapidly to women in Africa but not to women in America The disease has spread in equal numbers to heterosexual men and women in Africa, while in the US it is still mainly confined to homosexuals and drug abusers In trying to understand the African spread, various insects, including the mosquito and bed bug have been blamed But as yet there is no proof

The future of the Malawian mineworkers hung in the balance as the *FM* went to press The matter was due to be discussed on Wednesday by the Aids Advisory Group, a body including members of the Department of Health and Population Development, doctors, researchers and a representative of the mining industry

The National Union of Mineworkers has said it is against the repatriation and won't consider taking action if it goes ahead

After Kinross tragedy, management admits . . .

Big safety shake-up needed in the gold mines

20/9/86

214

By Mike Siluma, Sheryl Raine and Colleen Ryan

Facts are being revealed about the Kinross gold mine tragedy which are causing shock throughout the industry. They have raised serious questions about safety standards.

The owners of the mine admitted that they did not know whether polyurethane sealing foam suspected to have caused Tuesday's disaster — in which 177 workers were killed by toxic fumes — had been tested for safety

Heads of the General Mining Union Corporation (Gencor), which owns Kinross mine, told a Press conference that they were not aware of any tests on polyurethane used in the shaft where the accident occurred, according to Sapa

They said the company tended to rely on tests conducted by overseas chemicals manufacturers

Unprecedented admission

In an uprecedented admission, Gencor - South Africa's second largest mining group and owners of the mine where the worst accident in gold mining history occurred — said a major rethink on safety was necessary

The victims are believed to have died as a result of inhaling fatally poisonous fumes from burning sealants

The Chamber of Mines has admitted that these substances have been used extensively in South Africa's mines

Gencor chairman Mr Derek Keys said yesterday at the Press conference that confidence about reducing deaths on his company's mines had "been blown away"

"It's start again and think again time in Gencor safety management," he said

Vital issues raised yesterday included

- The chief suspect product in the Kinross disaster — a polyurethane insulating foam — had not been tested by the South African mining industry before being used underground, but was now being ripped out at the mine

The insulating foam has been banned in Britain for years, and an alternative insulator with a non-flammable base has been developed

Gencor has refused to give the product's trade name, claiming it has not yet established the name

(From the first intimation of the tragedy a brand name has been common knowledge, but the Press has withheld publication until an inquiry is held)

- Despite a recommended deadline by the Government Engineer for the introduction of life-saving, self-rescue masks on gold mines by this year, and coal mines by last year, Chamber of Mines research is still in the "testing" stage

A top mining engineer told *The Star* that these masks, which give miners a 30-minute oxygen supply, could have averted the loss of so many lives at Kinross

In reply, Gencor's head of mining, metallurgical and medical services, Dr Con Fauconnier, said conditions unique to mining in South Africa required a special adaption of the masks used overseas and extensive research

- An independent Government inspector had visited Kinross the day before the accident

'No extinguisher'

- Although permission has to be granted for operations such as welding underground, and a full inspection carried out by the welder concerned, the Kinross fire has been attributed to a "welding accident"

Gencor officials at the Press conference refused to answer questions on any aspect relating to the welding incident, saying that it was under investigation

The National Union of Mineworkers (NUM) claimed there was no fire extinguisher at the scene of the accident

But Gencor officials refused to comment, saying this was part of on-going investigations

Mr Keys said "We owe it to the living to critically re-examine our existing procedures and materials throughout the group with a view to ensuring, as far as humanly possible, that such a tragic occurrence — on any scale — cannot occur again" ● **See Page 2.**

Kinross rips out polyurethane

23/9/86 214

Lethal foam warnings not fully heeded

BUSDAY

THE Kinross mine disaster — in which 177 men died — might have been avoided had the mine management fully heeded repeated warnings from the Chamber of Mines on the hazards of polyurethane foam.

The Chamber of Mines has for 18 years repeatedly highlighted the perils and potential toxicity of polyurethane foam when used underground

Most mining houses have reduced its use to limited sealing applications only

Kinross used the foam over a 600m area of No 2 Shaft's 15 level.

Gencor spokesman Harry Hill pointed out that Kinross had a shaft area of about 350km, so its application could well be considered limited.

Polyurethane foam is used by gold mines for sealing chilled water columns, sealing off small fires temporarily and filling cracks in ventilation doors

The chamber distributed information on the substance's hazards in 1968, 1969 and 1982 In 1970 an article, "The dangers of polyurethane foam", was circulated, says, chamber technical adviser David Gayner.

He added that subsequent discussions

CHERILYN IRETON

on the use of polyurethane and the fire dangers of the foam were held with the safety, environmental and ventilation subcommittees of the chamber

Gaynor said that, while the chamber had kept the industry informed of the perils of the foam, responsibility for its use must rest with mine managers and not the industry

Since the disaster at Kinross, Rand Mines has ordered the foam be removed from its mines

Gencor, Goldfields, Anglo American and Anglovaal are assesing the extent to which the substance has been applied underground and will probably also insist it be stripped from their mines

Last night Anglo American Corporation said the mines it adminstered used a polyurethane mixture which reduced the flammability of the foam and risk of generating carbon monoxide

Gencor spokesman Con Fauconnier said the substance was being removed from the Kinross mine Other mines in the Gencor stable are examining old locations to determine where the substance had been used.

Randfontein warns on grades

25/9/86 BUS DAY (214)

ADAM PAYNE

A WARNING that the average grade of gold available at Randfontein gold mine is declining as mining goes south is sounded by chairman Kennedy Maxwell in his annual review

Recovered grades are expected to continue to be about 4g/t in the year ahead, at the current rand/gold price. However, as the thrust of mining moves towards the south and east, the average grade should decline.

The increase in unit costs should be curtailed to some extent as trackless mining techniques become established. This will enable the company to mine lower *in situ* grades profitably

The expansion of the Doornkop metallurgical plant, together with the rationalisation of the mining programme at Cooke 1 and Doornkop sections, should stimulate earnings from the 1988 financial year onwards

Capex for the year to June 1987 is estimated at R235m (R195m).

Maxwell reports there has been a delay in the availability of mechanised equipment needed at present This has caused a shortfall in the labour needed to mine, by conventional methods, the balance of planned production.

As a result, planned tonnages from underground were not achieved in the June quarter and will not be fully achieved in the September quarter, despite recruitment of additional labour, the chairman says

A miner is held aloft in symbolic re-enactment of last week's Kinross Gold Mine tragedy at a memorial service for the 177 victims Picture IUDA NGWENYA Reuter

Gencor agrees to NUM day of mourning

Weekly Mail 26/9/86

By PHILIP VAN NIEKERK

IN the wake of last week's Kinross mining disaster in which 177 workers died, Gencor has agreed to the National Union of Mineworkers' request for a day of mourning next Wednesday, October 1

And the other mining houses have agreed to grant five minutes of silence throughout the industry on Wednesday for the dead miners

At a meeting between the NUM and the Chamber of Mines in Johannesburg yesterday, the Chamber also offered to submit their deadlocked wage dispute to mediation

An NUM representative said Gencor's decision to accede to the day of mourning — which meant all the company's mines would close — was "realistic" under the circumstances He said workers — who were extremely angry at the disaster — would have taken the day anyway

The NUM central executive committee is to meet this weekend and consider the Chamber's offer of five minutes throughout the industry

However, NUM president James Motlatsi told a union memorial service for the miners on Wednesday that miners "from Springbok to Messina" would take the day off

Union sources said it was unlikely that the NUM would accept the Chamber's offer and it was probable that the union would press ahead with a national stoppage in the industry

The NUM's call for a day of mourning has been supported by the Congress of South African Trade Unions (Cosatu), the United Democratic Front and other community groups

A Cosatu representative said Wednesday was not intended to be a national stayaway but that individual unions, factories and regions would decide how best to support the 'day of action

Meanwhile, the NUM's day of mourning on the mines is likely to be interpreted as a barometer of how much support the union would be able to muster in the event of a wage strike

The disaster at Kinross has again heated up the dispute, which has been simmering since June and could have inclined miners in the industry towards taking industrial action

The Chamber's offer of mediation yesterday morning came as the NUM was getting ready to launch a strike ballot in preparation for an industry wide strike and could have cooled the dispute for now

The Chamber had ruled out either mediation or arbitration when the statutory conciliation board set up to resolve the dispute deadlocked earlier this month

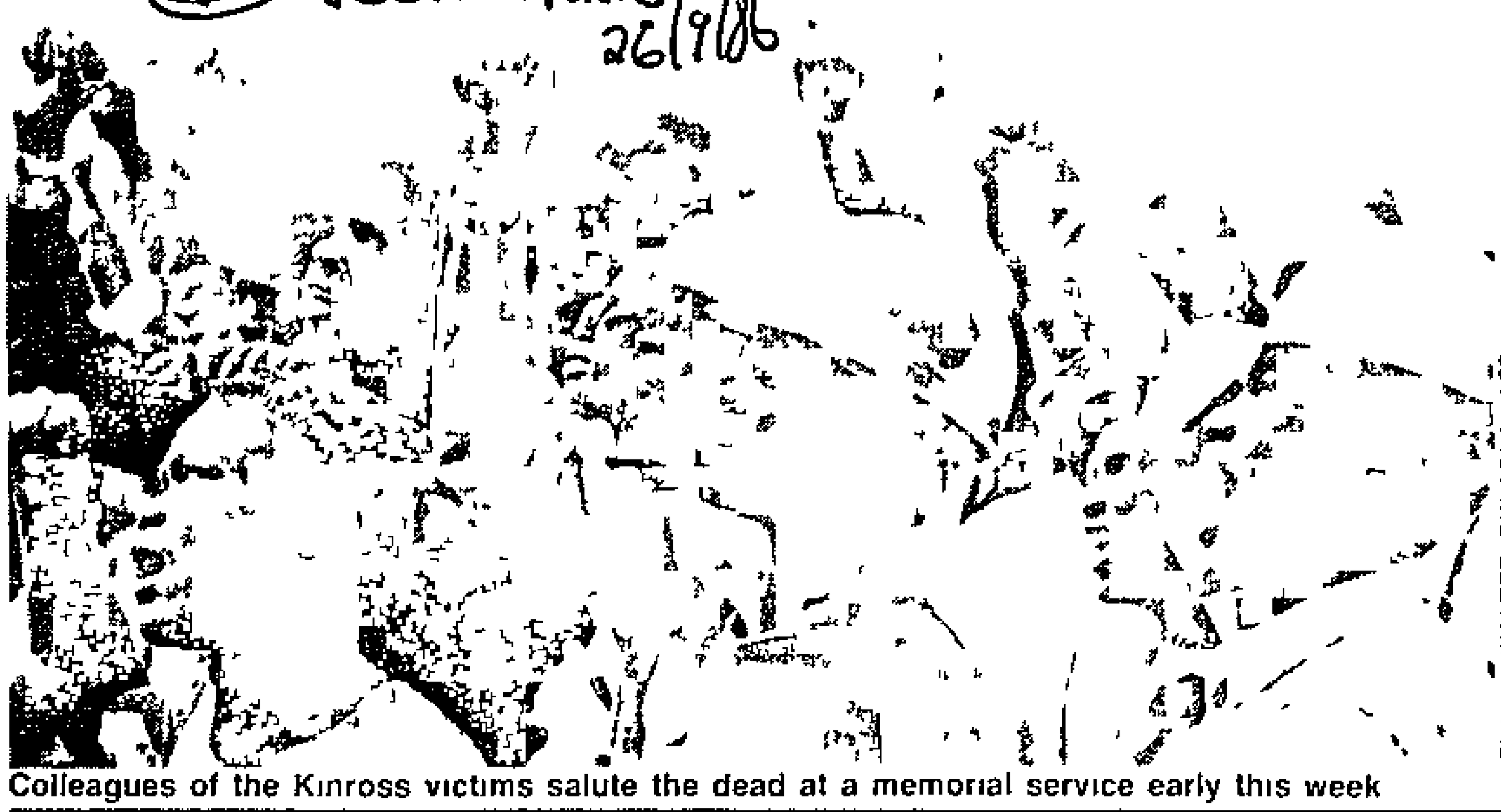
The Chamber is offering increases of about one percent over and above those implemented on July 1 which were 19 to 22 percent for surface workers in gold and coal 17 to 20 percent for underground workers in gold and 18 to 21 percent for underground workers in coal

The NUM is demanding across the board increases of 26 percent income security and June 16 as a paid public holiday A difference of about four percentage points now separate the NUM and the Chamber

An NUM representative said yesterday the Chamber would have to move significantly to meet the union's demand

"Last year the industry made unparalleled profits," he said "They are in a good position to meet our demands"

The Chamber's industrial relations advisor Johan Liebenberg said yesterday he believed there was still room for a settlement



Picture WALTER DHLADLA AFP

Colleagues of the Kinross victims salute the dead at a memorial service early this week

Sanctions? A golden boon to Brazil

Weekly Mail 214 26/9/86

By PATRICK KNIGHT

MINING Companies in Brazil are stepping up activities — with gold the main attraction — as pressure for sanctions against South Africa mounts

Brazil is set to become one of the world's leading gold producers, ensuring the maintenance of supplies regardless of the South African outcome

The British Petroleum group, for example, has been spending up to $15-million (R37-million) a year prospecting for minerals in Brazil for at least a decade

The company recently announced that it is to spend $30-million (R75-million) on developing its first mine and plans to extract two tons of deep-mined gold from a deposit in Mato Grosso state by 1988

Anglo American Mining and Gencor are also developing new mines, which should push up Brazil's output of deep-mined gold, now running at about eight tonnes a year, to 30 tonnes by the early 1990s

Most of Brazil's gold has been dredged from rivers, or dug from veins by over 400 000 small-scale miners, though their day may be coming to an end

Brazil's mining boom is not restricted to gold It has proven reserves of at least 11 of the 15 minerals which Pretoria exports to the world

Evaluation of mineral resources is still at an early stage in Brazil, which has reserves of vanadium, chromium, manganese, titanium, nickel, and zirconium, in addition to an estimated 35 000 tons of gold

To make it additionally attractive to miners, it has some of the world's largest reserves of bauxite, used for making aluminium, and is the world's largest producer of iron ore

It also has plenty of coal, one of South Africa's major exports, although most of Brazil's coal is of poor quality

Uranium has been found in such abundance that identification of further reserves has been suspended

It has increased its output of non-ferrous metals by at least a quarter every year for the past five years It has become a major exporter of aluminium, manganese and tin, and should soon become self-sufficient in copper, the only metal now imported in any quantity

Because deposits are usually hidden beneath thick jungle, or under soils exposed to the harsh tropical sun and rain, it has been more difficult and costly finding them than in countries such as South Africa, Australia and Canada, where indications of minerals are more easily detected on the surface

Brazil also lacks roads, railways and navigable rivers The energy needed to develop the mines often has to be generated locally, adding to costs and causing what is known in mining circles as the "Amazon factor", which increases costs —Gemini News

A miner is held aloft in symbolic re-enactment of last week s Kinross Gold Mine tragedy at a memorial service for the 177 victims Picture IUDA NGWENYA Reuter

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WEEKLY MAIL 26/9/86 214

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FM 24/9/86 (214)

MINE SAFETY

Lessons from Kinross

The tragedy at Kinross has focused the spotlight on SA's mining safety standards. Commendably, Gencor management has shown extreme sensitivity over the issue, and the industry as a whole has expressed determination that the disaster should never be repeated.

"Until Tuesday we thought we were winning the battle against mine fatalities and the record will show that there were objective grounds supporting that belief This has been blown away and it's start-again and think-again time in Gencor safety management "

A grim-faced Derek Keys said this last Friday at a press conference where several top Gencor executives answered questions about the Kinross gold mine disaster Keys told the media· "We owe it to the living to critically re-examine our existing procedures and materials throughout the group with a view to ensuring as far as humanly possible that such a tragic occurrence — on any scale — cannot occur again "

Gencor's new executive chairman could hardly have said anything else about the worst accident in South African gold mining history, which killed 177 miners and injured over 200 Regardless of where blame for the accident is finally placed — and it will be for the official inquiry to determine that — the fact is that, despite a plethora of rules and regulations for ensuring mine safety, something went very wrong at Kinross last Tuesday. This is a sobering consideration not just for Gencor, but for the mining industry as a whole

Days after the event, details are still somewhat sketchy But the general consensus is that the disaster was precipitated when a welding operation in a tunnel on the 15th level of the mine went awry, igniting a 600-metre length of polyurethane foam coating Noxious fumes from this, and the PVC insulation on a power cable, which the mine's ventilation system helped spread, killed the miners

Like the fire itself, the incident sparked a chain reaction in the industry The National Union of Mineworkers (NUM) has made a great deal of capital from the disclosure that Kinross's rating in the International Safety Rating System (ISRS) dropped from five stars to three at the last audit in June

Gencor's Keys ... a time for reappraisal

The union has also called on mineworkers to observe October 1 as a day of mourning It claims that Gencor has reneged on a public undertaking to allow a group of overseas experts, invited to SA by NUM, access to the mine Gencor says it is still talking to NUM about such a visit

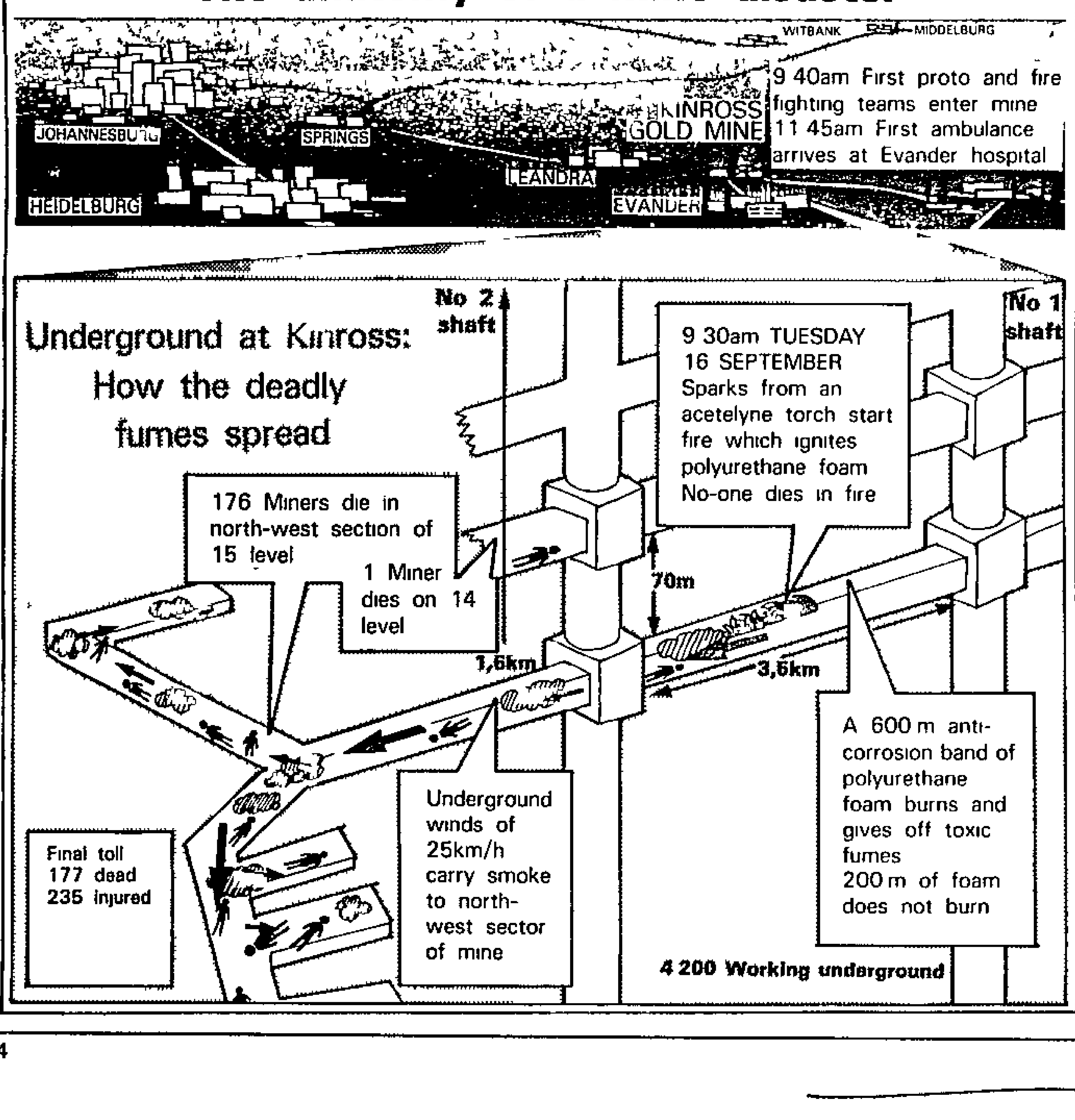
Much controversy about the incident centres on the polyurethane foam coating, which was applied in 1980 to prevent corrosion Polyurethane is known to be a hazardous substance, and has reportedly been banned by mining authorities in some countries

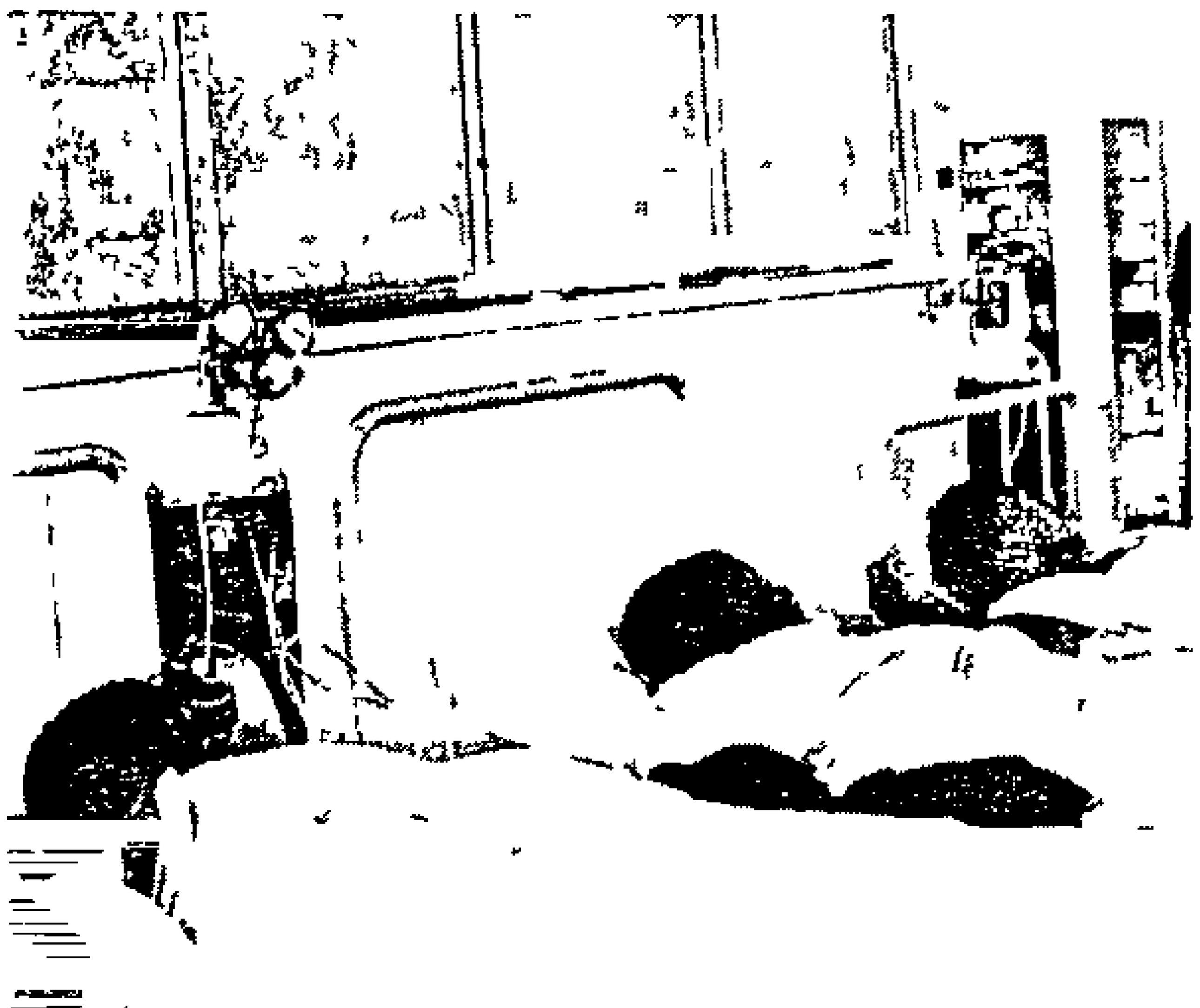
Management says that the compound was used at Kinross on the understanding that it was flameproof Events, however, showed that it certainly was not fire-resistant And Gencor has not been able to say whether any tests on the compound were conducted before it was introduced into the mine

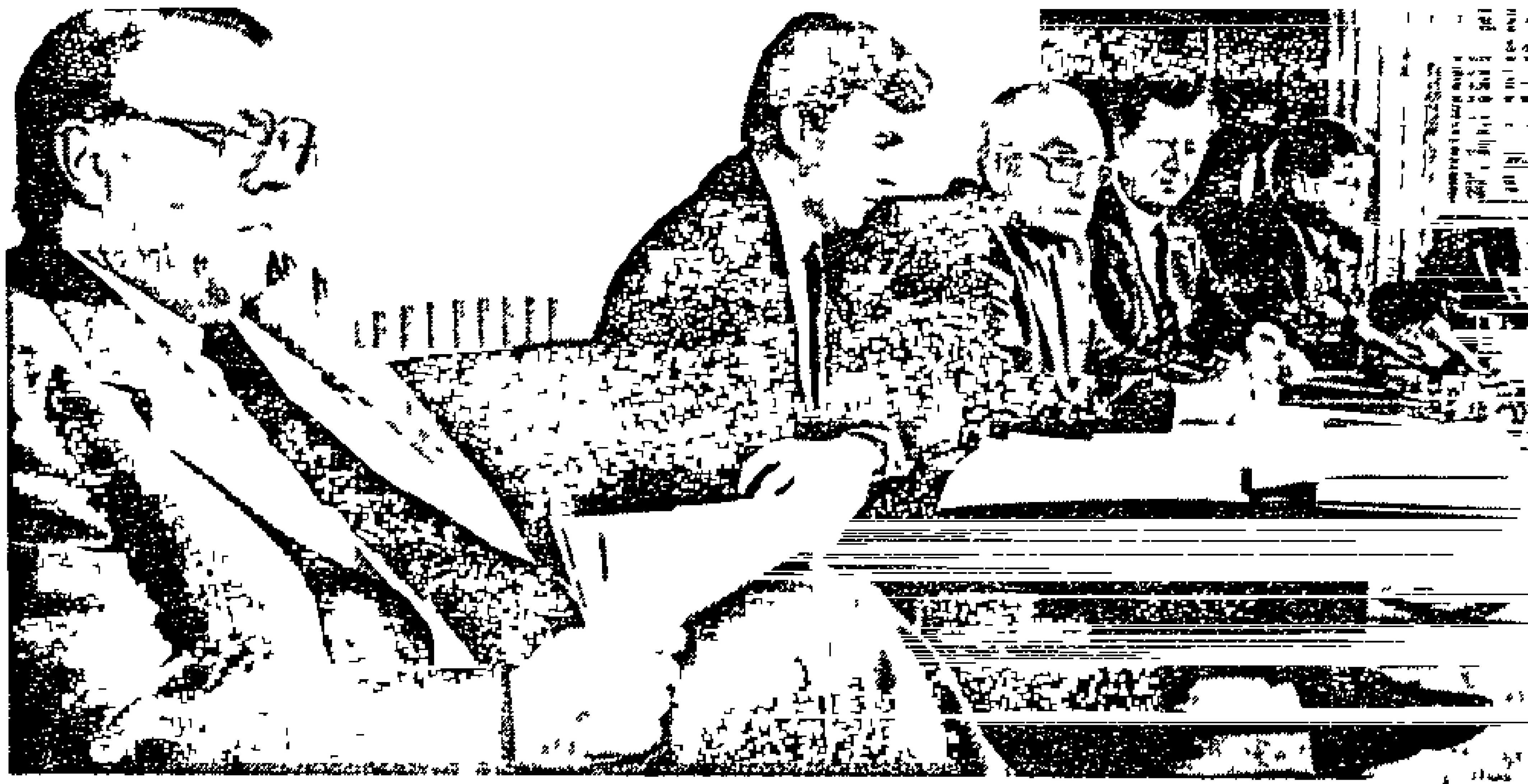
Chamber sources say the mining industry has been aware of the hazards associated with polyurethanes since at least 1981 Gencor, according to Con Fauconnier, head of its mining, metallurgical and medical services, has not used the compound for general application since that year

But polyurethanes are still used for chilled water pipe insulation, for ventilation control, and for sealing off areas during fire-fighting It is not at all clear how much polyurethane material there is in South African mines Clearly, as the chamber said last week, the Kinross disaster has thrown "a huge question mark" over its con-

The anatomy of a mine disaster







Hospitalised workers, and Gencor press conference ... industrywide concern

tinued usage

The Kinross disaster happened days after the chamber triumphantly released figures for the first six months of 1986 showing that mining fatalities and reportable accidents had dropped to record lows For the first time fatalities on gold mines dropped to 0,88 per thousand people employed, prompting Colin Fenton, chairman of the mine safety division, to proclaim· "We have now achieved one of our major goals — to bring the gold mine rate below the psychologically important level of one per thousand "

The accident has altered that picture dramatically, rekindling a long-standing debate over the merits of the ISRS The ISRS, which has been specifically adapted for South African mines, enables managements to determine the effectiveness of loss control programmes by measuring certain criteria. Critics claim that the ISRS is fatally flawed. The chamber, however, stoutly defends it

Questions have also been raised about whether the miners would have had stood a greater chance of survival had they been equipped with self-rescuers, portable "aqualungs" providing individual air supplies to miners in an emergency They were not, and now there are recriminations.

The *FM* understands that on the recommendation of the chamber's collieries committee, the Chamber Research Organisation has since 1983 been engaged in investigation into the desirability of introducing self-rescuers on the mines

A year later, in the wake of the Hlobane colliery disaster, the Government Mining Engineer (GME) signalled that he intended amending the Mines and Works Act to make it compulsory for all persons working underground to carry self-rescuers capable of supplying air for half an hour, an advance on existing self-rescuer technology Initially, the GME set the end of 1985 as a target date for collieries to be equipped, the end of this year as the target date for gold mines, and the end of next year for other mines

According to the chamber's technical adviser, David Gaynor, the GME subsequently dropped the deadlines when it became apparent that sufficient quantities of approved self-rescuers would not be available in time, saying instead they would be introduced to specific mines and works when he deemed fit

In point of fact, says Gaynor, only two manufacturers have come up with suitable units so far He expects that with some minor modifications, the models will be approved for use soon

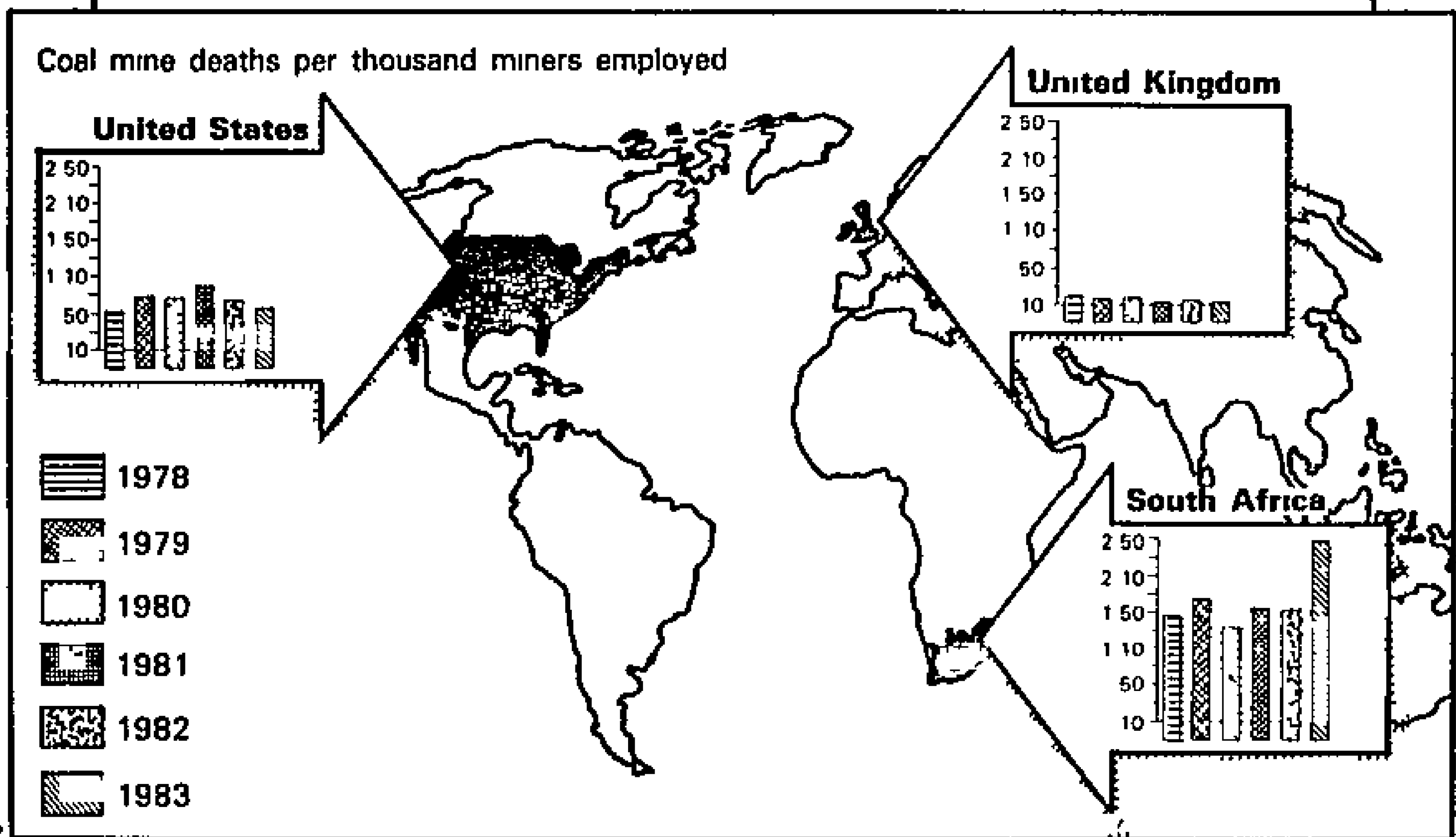
The incident has also aroused international concern — not all of which has been appreciated by government Foreign Minister Pik Botha appeared quite put out by the telegram of condolence sent by West German Foreign Minister Hans-Dietrich Genscher, which suggested that German experts might be able make some constructive suggestions Botha's response was to invite Genscher himself to visit SA, saying Genscher was apparently not aware of the high standards of safety in the mining industry

Industry sources expect that it could take as long as a year for the inquiry into the accident to come out with its findings That will do little to furnish answers to the questions the accident has raised, or to improve relations between NUM and Gencor

Against this background, government would do well to consider speeding up the process — a delay of 12 months will not be in anybody's interest

☐ Reported accidents in SA are more serious than cold statistics suggest. An accident only becomes "reportable" (included in statistics) if it prevents a man from returning to work in 14 days. In the US, by contrast, it becomes reportable if it prevents the man from doing his next shift, while in Britain the period is three days. ■

How we rate against the US and the UK



Source Wits University

MONITORING MINE SAFETY

Death and reportable injury rates per 1 000 employees pa

Year	Death rates per 1 000 pa				Reportable injury rates per 1 000 pa			
	Gold	Coal	Other mines	All members	Gold	Coal	Other mines	All members
1976	1,38	1 06	0,82	1,27	51 89	22 72	21,65	44,29
1977	1,41	1,32	0 73	1,32	47,56	23,59	21,19	41,04
1978	1,48	1,08	0 56	1,32	47 47	21,64	20,28	40,80
1979	1,25	1 11	0,67	1 16	42 66	14,98	17,62	35 94
1980	1,32	0,94	0 47	1,17	37 66	12 46	12 80	31,39
1981	1,26	1 05	0,60	1,16	32 42	11,61	11,54	27 21
1982	1,25	0,99	0,65	1 15	32 00	8,66	8,33	26,22
1983	1,30	1,49	0,37	1,24	29,93	8 97	9 79	25,37
1984	1,18	0,67	0,38	1 04	27 06	7,81	9 32	22,81
1985	1,03	0,42	0 38	0,89	25,08	7,06	10,75	21,56

Source Chamber of Mines

Sunmines 28/9/86 214

Gold mines reduce black labour growth

By Dave Edwards

BLACK employment in gold mining is levelling off

This emerges from the latest Chamber of Mines statistics

The gold mines employed more than 450 000 black workers in 1985 — an increase of only 8,6% in five years

Growth in black employment is much lower than between 1976 and 1980 when it jumped from 342 500 to 415 537 — an increase of 21,3%

Prospects for increases in black employment in the industry are clouded by uncertainty as management grapples with the problems of productivity and trade-union demands for higher wages

The trend to mechanisation on some mines could be the forerunner of a concerted effort to reduce dependence on an increasingly militant work force

But the chamber's director-general, Horst Wagner, says "Environmental conditions in deep-level mines are a major factor in preventing the introduction of mechanised methods in mining"

Like it or not, therefore, the black miner is destined to remain the muscular backbone of the industry for many years to come

The comparative figures between 1980 and 1985 are listed in the table, Transkei, Bophuthatswana, Venda and Ciskei grouped together with South Africa

All figures in thousands

SA	Leso	Bots	Swazi	Moz	Malawi	Zim	Others	Total
256	98	18	12	50	17	0	0	451
233	96	18	8	40	14	6	1	416

Although the large SA increase is largely the result of the employment of more men from Transkei, the gold mines still employ comparatively large numbers from African states, particularly Lesotho and Malawi

Wage bill

Migrant blacks constituted 44% of the work force in 1985 — the same as in 1980 It is evident therefore that recruitment in neighbouring states is keeping pace with demand

Employment levels of blacks from Lesotho, Swaziland, Mozambique and Malawi increased in the five years Botswana's worker contribution was unchanged and Zimbabwe has ceased to be a source of labour

The large-scale fall in recruitment from African states in the late 1970s has not carried through into the 1980s

The estimated wage bill for the gold-mine labour force is R3,5-billion — a huge sum of money which contributes to the support of families throughout Southern Africa

30/9/86 (214) BUSDAY

Heavy faulting sparks gloomy Buffels forecast

CHERILYN IRETON

GENCOR'S Buffelsfontein gold mine, still inhibited by heavy faulting in the Strathmore area, could face as much as a 20% drop in tonnage milled over the next few years.

This pessimistic forecast comes from chairman Steve Ellis, who says in his annual review that the mine's medium- to long-term future will depend on how soon alternative, payable ore reserves are found

Faulting in the newly developed Strathmore area — earmarked as the mine's future growth point — has been a major headache for Buffels' management. The faulting has restricted the replacement of working faces and, in the year ended June, gold production fell 3 784kg to 26 000kg as a result

One solution for Buffels would be to sink a tertiary shaft Ellis says that before a decision can be taken on a new shaft, underground exploration of deeper blocks of ground on the east of the Strathmore shaft will have to be completed

Development results from the Strathmore region in the year ended June were disappointing, with only a small amount of reef exposed because of the effects of bedding plane faulting. Says Ellis· "The faulting has reduced the anticipated reef to small, isolated lenses of ground on the expected reef horizon.

"Only 50 000 tons of ore reserves have been built up in the Strathmore East area. In spite of continued efforts to supplement production with ore from other sources, the tonnage milled in the next few years could fall by as much as 20% below that milled in the 1986 financial year."

Buffels is continuing with its programme of surface diamond drilling and six boreholes are being drilled The completion dates of these holes range from the end of this year to mid-1988

Depending on the initial drilling results, exploration should cost in the region of R13,6m in the current year

The poor reef exposure affected yield with grades falling from 8,5 grams/ton to 8,3g/t at the June year-end

At present Buffels has only one line of passes operational in the Strathmore shaft As a result of the serious scaling problems encountered in the area, development aimed at establishing a third orepass system — to act as a standby — has started

5/10/86 City Press 214

1986

'We won't stand for another Kinross – ever'

By MONO BADELA

"THERE was no need for any of the 177 miners to have died in Kinross gold mine," SA Council of Churches general secretary Beyers Naude told hundreds who gathered at Cosatu Hall in Johannesburg on Wednesday

Naude said he could not believe such a tragedy could happen

"It must never happen again," he told the crowd at the emotional service

Naude called on the government to allow experts to conduct a thorough investigation into the mine disaster

'Even if it costs an extra half million rands, it is worth it to send experts to South Africa to investigate the disaster ' he said

A coffin drapped in black and inscribed *Safety before Profits* was carried shoulder-high by members of the National Union of Mineworkers

They entered the hall singing *Sechaba Sa Bolawa* (The nation is being killed)

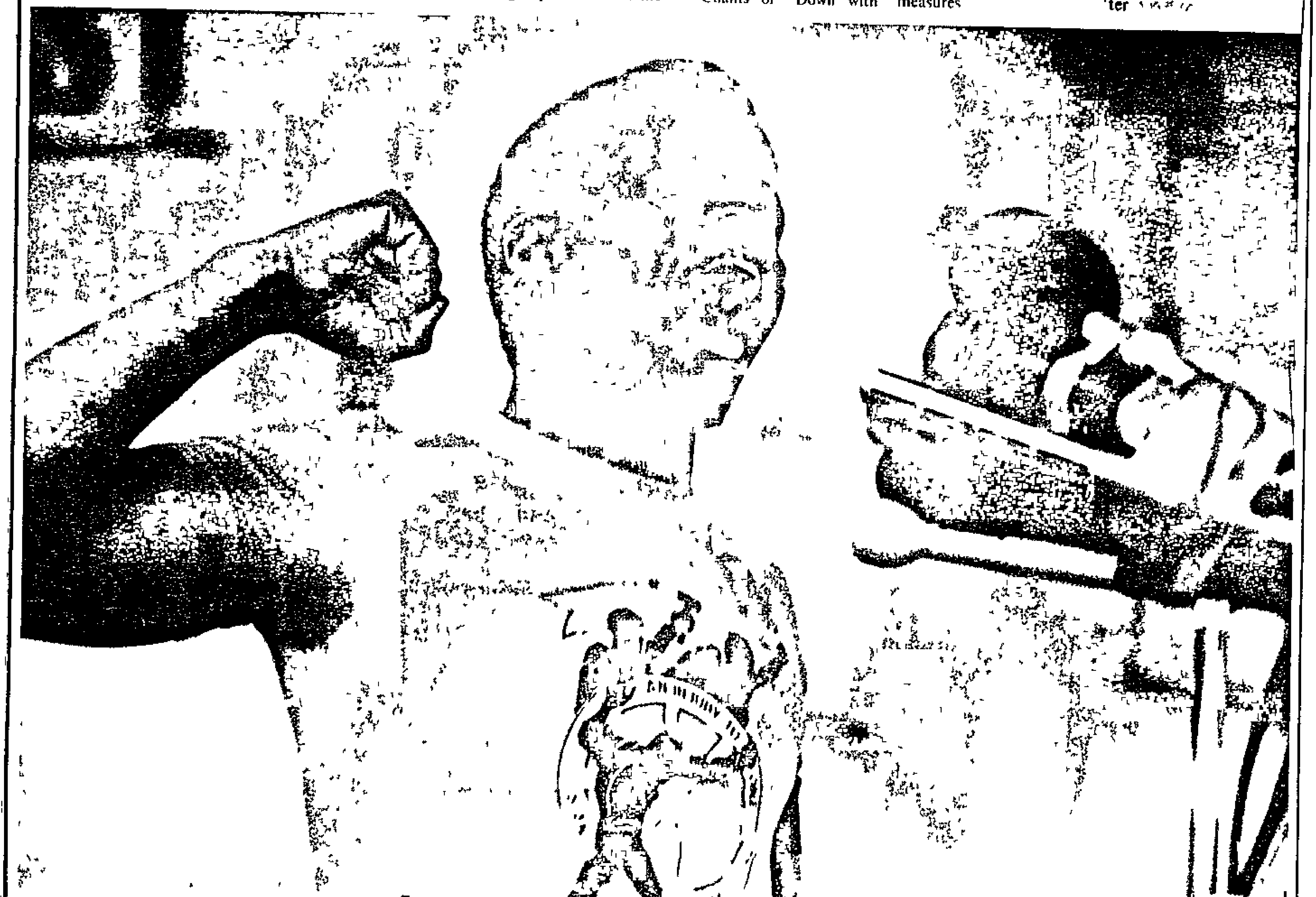
The service was characterised by the singing of freedom songs and the chanting of slogans

Chants of Down with capitalism " Down with Gencor ' and "Up with the workers' were the order of the day

Cosatu general secretary Jay Naidoo said the whole means of production should be under the control of the working class to ensure effective safety and health measures

Naidoo said workers had gathered in the hall not only to mourn the dead, but "to rededicate ourselves to the liberation struggle

NUM safety officer Hazzey Sibonyile said the mining houses should not victimise or dismiss" workers who had survived the disaster



Leading the singing at this week's Kinross memorial service at Cosatu House East Rand shaft steward Albert Godongwana

s ties NGK

this week voted ing its relations

ters to be mem lecided to set up ged churches, pledged to end a motion con partheid rman Rev Abe ention in Cape is being charged

ON G NDLA

nights and loss of leave you

600 000 mourn miners

By MONO BADELA

ABOUT 600 000 people either stayed away from work on Wednesday or observed a one to three-hour work stoppage – called by the National Union of Mineworkers to mourn the 177 miners killed in the Kinross mine disaster

NUM general secretary Cyril Ramaphosa told a Press conference that the stayaway was a "huge success"

"It was the biggest (stayaway) in the mining history," he said

Several mines from Namaqualand to Phalaborwa came to a halt on Wednesday as miners heeded the call to mourn the dead

The stayaway affected not only gold mines, but platinum, diamond, coal and other mines

The stayaway cost the mining houses about R8-million in lost profits, a spokesman for the Labour Monitoring Group told *City Press*

One of the 250 people who attended NUM's Cosatu House memorial

Ramaphosa said as many as 325 000 miners – more than half the total number of mineworkers in the country – stayed away in answer to the call made by their union

He said the support by unions affiliated to the Congress of SA Trade Unions raised the figure to more than 600 000 people

This figure excludes thousands of schoolchildren who stayed away from school in sympathy with the dead miners

And according to information supplied by various mining houses at least 225 000 miners failed to report for duty

Cosatu spokesman Jay Naidoo said that as many as 275 000 Cosatu members observed the call by NUM

He said most of these people attended memorial services throughout the country

Wits University officially observed a one-minute silence at noon on Wednesday

Lecturers were asked by the university authorities to interrupt their lectures for the one minute silence

And the Soweto Chamber of Commerce closed all shops in the township to mourn the miners

The UDF and Azapo had called on Soweto residents to observe the day of mourning

Ramaphosa alleged at the conference that there had been arrests of mourners at some of the memorial services but in terms of the emergency regulations details of his allegations may not be published

According to the Bureau for Information the police have no record of any arrests at any memorial services

' As far as allegations concerning police action are concerned, we refer you to Schedule 2 of Regulation 7(1) of the emergency regulations as promulgated in Government Gazette No 10429 of September 3, 1986," the bureau said

"However in Welkom and Witbank some people were removed by the police from a scene but they are not being held," it added

300 000 miners in stayaway - LMG

AS MANY as 300 000 miners heeded Tuesday's stayaway call by the National Union of Mineworkers with massive support by Congress of SA Trade Unions affiliates the Labour Monitoring Group said this week

Non Cosatu unions which supported the day of mourning included the African Mine and Allied Workers Union and the Media Workers Association of SA

The United Democratic Front and the Azanian People Organisation called on township residents to observe the day in some way

Gencor owners of Kinross gold mine said 70% of their 97 000 gold miners and 50% of their coal miners availed themselves of the offer to take Tuesday off as leave

In Witbank Anglo Vaal reported no abnormal absenteeism while East Rand Proprietary Mines had a 3% stayaway of their 85 000 workers

Services were held at various mines and telegrams of sympathy for the families from church and political organisations were sent to NUM

NUM spokesman Marcel Golding said This worker action is unparalleled in SA labour history and demonstrates the importance of worker safety at the work place

The LMG report said A feature of the growing trade union movement has been its willingness to take strike action in support of other workers

In 1982, 100 000 took action at the death in detention of Neil Aggett In 1985, 107 000 took action in protest against the death of Andries Raditsela ' Sapa

Anglo invests R5-m in computers for prospecting

6/10/86 STAR (214)

By Stan Kennedy

Anglo American Corporation has invested more than R5 million in sophisticated image-processing equipment and computers to help its geological division find mineral deposits

Areas for further prospecting that previously took months to find can now be isolated within days

The equipment is to be used to analyse and interpret images received from orbiting satellites as well as a variety of other digital data

Senior divisional geologist Dr Lillo de Gasparis says "In mining exploration, we have to use the most cost-effective ways to find viable mineral deposits

SATELLITES

"In one of our applications, remote-sensing satellites transmit digital images of the earth's surface collected in several bands of visible as well as infra-red light These can reveal important features of sub-surface rock strata which we can process and analyse to extract information relevant to the occurrence of mineral deposits "

With the increased resolution of the more recent satellites, an image can comprise up to 380 megabytes of data The previous equipment was unable to handle this increased data

The equipment consists of Olivetti's top-of-the-range VAX 8600 host computer linked to International Imaging Systems' workstations and input and output periperals supplied by Spescom TMS

Spescom has also supplied a suite of software to run on the VAX 8600 and the workstations

Dr Gasparis says the equipment can be used in other areas in which Anglo is involved, such as forestry and agriculture He places Anglo among the world leaders in its ability to analyse the earth's resources

Tax, costs limit profit to R278m

Cape Times 8/10/86

Gold price boost for GFSA

214

By AUDREY D'ANGELO
Assistant Financial Editor

THE weak rand and strengthening dollar price for gold combined to give Gold Fields of SA a record pre-tax profit of R624m (R438m) in the three months to September

Revenue rose by R207m to a record R919,5, based on an average price for gold of R29 960 a kg — 26% above the R231 743 paid in the previous quarter

But higher tax and operating costs combined to limit the rise in after-tax profit to 10,5% Combined after-tax profit was R278,8m (R252,3m)

'Gold price rise'

A spokesman for the group said that, although the rand had strengthened, it was hoped that the gold price would also rise to maintain the higher level of earnings

"As long as the gold price goes up and the rand at least remains stable, without rising, we shall be alright"

He said the price currently received was above R31 000 a kg

The spokesman said a R16,2m rise in working costs, to R342,1m (R325,9m) was mainly due to pay rises for unskilled and semi-skilled workers in July

Gold output was higher at 30 642kg (29 951kg), mainly because of higher grades

The average milling rate remained the same but the gold content rose to an average of 8,2 (8) grammes per ton

Kloof had done particularly well before tax and the State's share of profits Yield was up by about a gram and working profit rose to R169m (R106m) But after-tax profit rose only to R84m (R78m)

At East Driefontein and West Driefontein costs rose by 5,4% and 5,7% Pre-tax profit was R344m (R251m) and after-tax profit R124m (R110m)

Doornfontein lifted pre-tax profit by 41% to R24,5m (R17,4m) But after-tax profit was 15% lower at R19,5m (R23m)

Consolidated results

Vlakfontein lifted pre-tax profit by 20% to R1,9m (R1,6m) but profit after-tax was up by only 5% to R870 000 (R827 000)

But Deelkraal, which is not yet liable for mining tax, lifted working profit by 66% to R25m (R15m) and total profit to R27,7m (R18,2m)

Consolidated results for the gold producers in the group were Working profit R577,3m (R386,3m) Net sundry revenue R45,3m (R49,7m) Tax R344,9m (R185,5m) Net profit R278,81m (R252,3m) Capital expenditure R97,3m (R135,2m)

Golden tax bonanza for the State coffers

Argus 8/10/86

214

By DEREK TOMMEY
Financial Editor

THE Government is reaping a huge tax bonanza from the higher gold price — raising hopes for big cuts in personal income taxes next year.

Between the end of July and the end of September the gold price rose by $71 to $421 (it is now $440). Figures published today show that the biggest beneficiary by far has been the State

The publication today of the first of the mining group quarterly reports shows money is pouring into the Treasury as the Receiver of Revenue takes his cut of the mines' increased gold revenue

The group reporting today, Gold Fields of South Africa, says the average gold price received by its mines rose 26 percent in the September quarter This boosted the earnings of its seven mines by R207-million, to R919,5-million

Total tax haul

However, this increased revenue did not remain with mines for long, for a total of R159-million or 76 percent of the increase finished up in the hands of the Government

The result was that the Government's total tax haul from the Gold Fields group rose by 85 percent from R186-million in the June quarter to R345-million in the September quarter

Five other gold mining groups are still to issue their September quarterly reports If the Government is also taking a big cut from their increased revenue, as seems likely, the Treasury could almost be overflowing with money

Such a situation would pave the way for subtantial tax cuts in next year's Budget, as well as for increases in essential social services

Could go higher

Economists say much will depend on whether the gold price retains its present price levels There is a growing feeling in financial circles that gold will at least remain above $400 an ounce and possibly could go much higher

However, it is likely that the gold mines will try to reduce their tax payments in future quarterlies

One way would be to reduce the grade of ore mined, resulting in reduced profits and, because of the unique gold mining tax formula, a much lower tax rate

But if a mine is already working its lowest grade ore, as some are, this is not possible

The other way is to step up capital expenditure as this can be written off immediately against tax

This is likely to happen on a large scale in the coming months and should give the economy a considerable boost as extra hundreds-of-millions of rands are pumped into circulation

South Africa is heavily dependent on the gold price for its prosperity When the gold price falls, as it did in 1983 and 1984, the country suffers

Kloof is top earner in GFSA

(214) SMC 8/10/86

By Stan Kennedy

For the first time in its history, Kloof outperformed the other seven gold mines in the Gold Fields of SA group with an operating profit of R169,5 million in the first quarter.

The main reasons were an increase in yield from 13 g/t to 14 g/t and fairly constant costs

Unfortunately, a drop in capital expenditure from R56 million in the June quarter to R40,7 million resulted in a 137 percent increase in tax and state's share of profit of R94,8 million.

The net effect was to whittle down shareholders' profit to R84,5 million (previous: R78 million)

The unspent balance of authorised capital expenditure was R621,2 million

Close behind Kloof was West Driefontein with an operating profit of R167,7 million, up from R126,8 million in the June quarter, and East Driefontein with R150,1 million (R96,7 million)

Tax and state's share for the two mines combined was R220 million (R141,2 million), leaving after-tax profit at R124 million (R109,7 million)

Altogether, it was a gratifying quarter for the group Total revenue of the eight mines rose by R207 million to a record R919,5 million The higher dollar gold price in the second half increased average earnings a kg of gold by 26 percent. The average price received rose to R29 960 a kg compared with R23 743 a kg in the June quarter.

The all-time record pre-tax profits totalled R624 million (R438 million), which was R25 million higher than the previous record of R599 million in December last year

The markedly lower capex — R97 million against R135 million in the previous quarter — is typical of the first quarter of a financial year. The record provision for tax of R345 million, resulted in a mere 10,5 percent increase of the combined bottom line, which was R278,8 million (R252,3 million)

Working costs rose by R16,2 million to R342,1 million, mainly as a result of wage increases for unskilled and semi-skilled workers in July

Gold output increased from 29 951 kg to 30 642 kg as a result of higher grades Total tonnage milled remained at 3 741 000 tons,

After-tax profits of Vlakfontein and Venterspost were fairly static at R870 000 (R827 000) and R5,9 million (R5,6 million) respectively At Libanon, a fire at Ventersdorp contact stope resulted in work being transferred to lower grade areas While tonnage milled was not affected, there was a decrease in gold produced and after-tax profits dropped marginally from R17 million to R16,6 million.

A lower average grade at Doornfontein, higher costs and increased tax reduced the mine's after-tax profit by almost R4 million to R19,5 million

At Deelkraal, where costs were steady, the higher gold price raised the bottom line from R18,2 million to R27,7 million aimed increasingly at black consumers While Ackerman must be regarded a serious contender in any new market he enters, his main competitors in the cash and carry field contend he will experience a potentially costly learning curve

"If you think the retail market is competitive," Score MD Carlos Dos Santos tells me, "you have no idea how tough the wholesale market is" Between Score and Metro, Dos Santos claims, there exists a "perpetual price war" But, giving some measure of the esteem in which competitors hold Ackerman, Dos Santos concludes "I have no doubt he will eventually succeed, but it may take some time"

P 'n P's INTERIM

Six months to	Aug 31 '85	Feb 28 '86	Jun 31 '86
Turnover (Rm)	1 023 9	1 120,8	1 131 7
Pre-tax profit (Rm)	28 6	37,5	28 9
After-tax profit (Rm)	13,4	22,1	15 1
Earnings (c)	68 5	112,9	77 3
Dividend (c)	21,5	70 5	24,0

Investors, however, are likely to settle for nothing less than a resumption of the previously steep earnings track before according the shares their previous heady rating on a dividend yield below 2% And for the foreseeable future, P 'n P will have to cope with intense competition on two fronts — its traditional retailing markets and wholesaling

Neville Glaser

10/10/86

DUIKER/FREEGOLD FIN MAIL

New prospect

214

Duiker's deal with FS Consolidated (Freegold) over the possible mining of some 3 026 ha of ground adjacent to Freegold's Freddies mine has been structured along similar lines to the Erfdeel agreement, but with some significant differences which should be to the advantage of Duiker

Capex advantages

Although Duiker's stake of 25,8% in the company which will fund development of the area is lower than the 36% stake it holds in Eastern Gold Holdings (Eastgold), which funded development of Erfdeel mine, the new company has avoided exposure to a considerable amount of the capital expenditure needed initially to open the area Also, Eastgold only gets 85% of the profits from Erfdeel as 15% goes to the Holdings division of Freegold, which is doing the mining Duiker's 36% stake in Eastgold works out to an effective 30,6% share of the profits that will be generated by Erfdeel

The new company, which has not yet been named, will not be required to contribute to the cost of the Freddies No 1 shaft (formerly the FS Geduld No 10) which is being sunk at present and is expected to cost some R728m Nor will it be required to pay any fee for the use of this shaft and its related infrastructure

One of the farms in the new area, Leeuwbosch 285, is sited close to the No 1 shaft and could be mined easily from this shaft system, this would probably be the first section to be exploited The new company would therefore have to pay only the costs of development into this farm Other farms making up the area are New Kameeldoorns 139 and portions of De Hoop 276, Elsinore 12 and Wonderkop 15

Analysts say another factor which could initially limit the new company's capital commitments would be whether Freegold sees this region as replacement tonnage for other areas of the mine or as an expansion Replacement tonnage might mean the ore would be treated at the mine's existing plants while an expansion would require the construction of a new treatment plant

A spokesman for Anglo American said this decision would only be taken once the drilling programme, to be carried out over the next three years at a cost of R11m, gives a clearer indication of the underlying geological structure and available ore reserves A key point to be determined by the drilling programme will be the precise location and effect of the Arrarat fault which runs south to north through the farms

However, in the long term, analysts point out two new shaft systems might have to be sunk if the bulk of the area proves viable for mining

A number of boreholes have been put down inside the Freegold lease area, close to or on the boundary with the new region In general, the results of this drilling look quite promising The work showed the presence of the "A" and "B" reefs as well as the presence of the Basal Reef in a number of locations Borehole EV6 on the Leeubosch boundary showed results on deflections of 1 203, 1 375, 1 949 and 2 020 cm g/t on the Basal Reef as well as values between 763 cm g/t and 1 497 cm g/t on the "A" Reef

Even if Freegold decides to treat this region as an expansion of its operations, Duiker will be in a strong financial position to cope with its commitments thanks to income from Erfdeel which will start production next year Duiker chairman Terry Wilkinson also points out that, after the initial rights issue, Duiker managed to fund its share of Eastgold's expenditure without having to borrow and he does not expect Duiker

MARKET TALK

Waltons gets Robin group

Waltons has bought the assets of the provisionally liquidated **Robin** stationery group for R7m, and has submitted an offer of compromise to creditors of the R25m group The shares of the holding and operating companies, **Amalgamated Industrial Investment Corp** and **Premier Industries**, have been suspended since the group went into provisional liquidation

The shares could be re-listed later in another guise — Waltons MD Frank Robarts says Waltons would like to keep Premier and use it as a vehicle for another project, while **Lucem** is believed to have ideas for Amalgamated Industrial Robarts says Waltons' aim is to pull the stationery interests of the Robin group out of the red by February. Last year the group had assessed losses of R12m

Robarts says he met with former group chairman Wilfred Robin (who died in May) at least 12 times to discuss a possible acquisition of the group by Waltons, but the millstone which made the acquisition unattractive to Waltons was a large lease due to run until past the year 2000 on Galapark, the headquarters of the group. The lease was costing some R750 000 a year in rent while the factory on the site was virtually closed down, according to Robarts The only way in which the group could rid itself of the lease was to go into liquidation.

Robarts says when Waltons first began talking to the Robin group, its assessed losses were just short of R2m The group managed to keep going — it sold a building one year and its stake in Vaal Potteries another year — but in the past year it succumbed to its heaviest losses yet Its overdraft with Standard Bank totals R8,6m

Robarts says the group had been badly managed in the past, and did a lot of uneconomic business which Waltons turned away "It's very nice for us to have them out of the way because it was bad competition to have," he says

Robarts says Waltons' management has already moved in and is at work at branches in Durban, Port Elizabeth, East London and Bloemfontein "It will be quite a major task to get the group to break even by February, especially as there are some long-term contracts at bad prices, but we think we will manage"

Kerry Clarke

An analyst for Aussie

Yet another analyst will be winging his way across to Australia before the year is out After two years as an industrial analyst with Max Pollak and Freemantle, George Raftopulos is joining a broking firm on the Sydney Stock Exchange

Kerry Clarke

Gefco cuts back

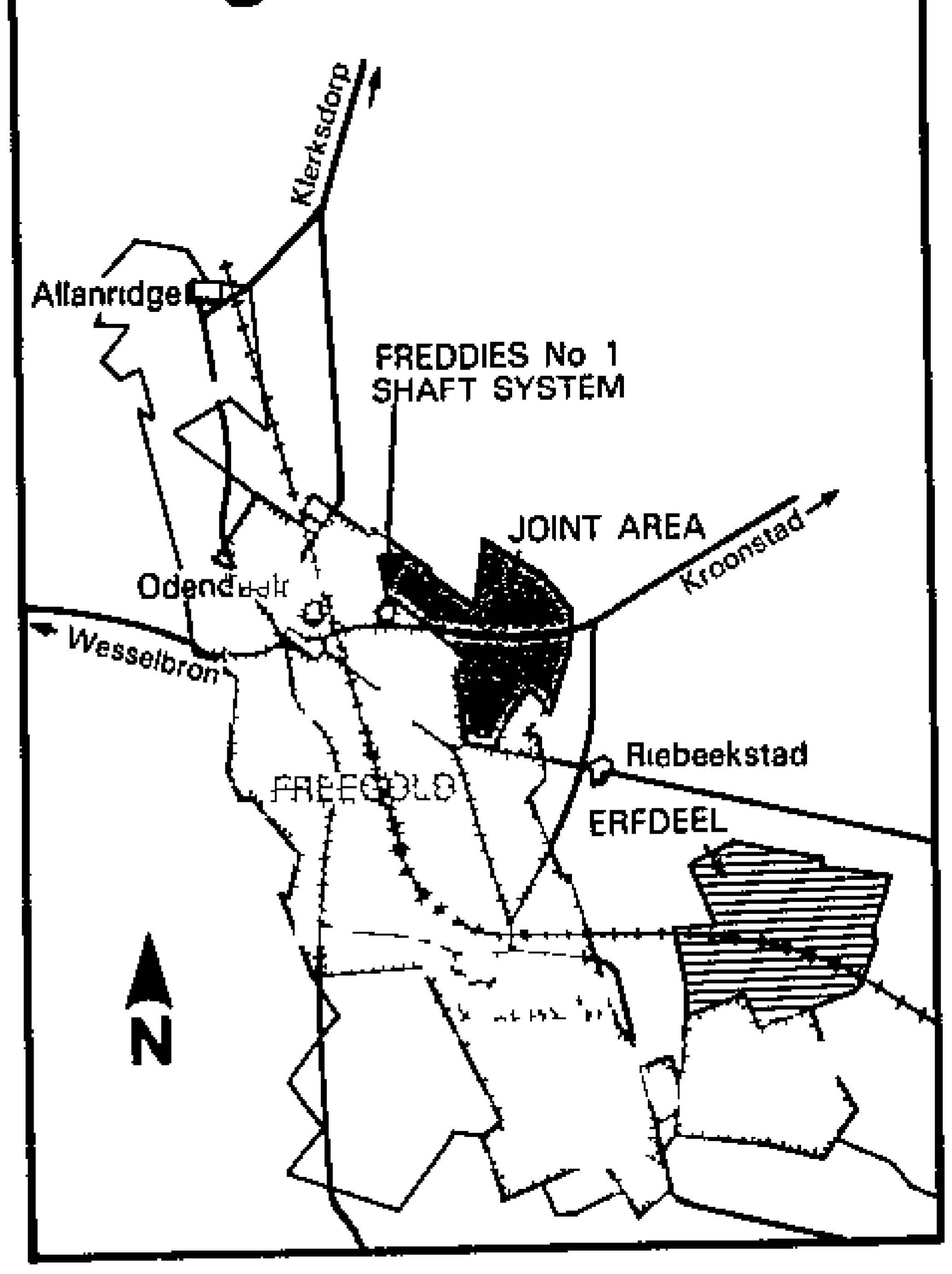
Gefco is cutting back again on production at its blue asbestos mines in the Kuruman area and the Penge amosite mine in the north-eastern Transvaal by about 20% and 26%, respectively, because of continuing poor conditions in the world asbestos markets Some 916 workers will be laid off and the improvement forecast at the interim for earnings in the second half of the year to end-December is now not expected to materialise

P.T.O.

will need to take on heavy gearing to meet its commitments to the new deal

When Eastgold was formed Anglo, indicated its intention to list the company at some stage However, the Anglo spokesman says it has not been decided yet whether the new company might be listed Freegold will hold 57% of the new company, the Anglo group another 15,6% and Anglovaal/Mid Wits the remaining 1,6% Duiker offers the best indirect route into Erfdeel and has benefited from investor interest so a listing of Eastgold itself, offering direct entry to Erfdeel, could affect the Duiker share price

Anglo looks north



That aside, a number of analysts feel Duiker rates a buy even at current price levels, provided the investor is prepared to take a three year or so view on the share The long-term view is that Duiker is moving from being a coal and asbestos dependent share to a gold share which, given the present outlook for asbestos and coal, is a favourable development *Brendan Ryan*

GRINCOR

Calmer waters

The current spate of listings is characterised by the number of companies approaching the JSE with patchy recent trading records, at least partly the legacy of four years of recession On the face of it, Grincor — the new holding company of African Coasters and Unicorn Shipping — is such a case, with little growth shown in its *pro forma* attributable profits over the last five years, and profits in 1985 reported at R3,99m, less than the R4,3m earned in 1981

It would, however, be pointless not to look beyond these figures, towards management's prediction of a sharp recovery in this year's profits, which are forcast to reach R8,4m at end-December, and also to consider management's explanation for the historical profits having faltered

Grincor holds 100% of Grindrod, a company active in shore-based transport activities, and 60% of Unicorn, which operates largely in shipping and other marine-based activities Safmarine holds the remaining 40% of Unicorn In its present structure, Grincor would have derived its 1985 profits almost equally from Grindrod and Unicorn (2,05 m and R1,94 m respectively)

While Grindrod — whose interests range across dump sites, shipping agencies, and road transport companies — held up relatively well against recessed local markets, Unicorn has seen a disappointing slide in profits since 1981, from R5,1m to R3,2m in 1985 The prospectus, incidentally, fails to give separate financial figures for Unicorn and Grindrod In my view, this is a serious oversight which makes it difficult for outsiders who do not have this important information to analyse the new group

Wrong forex strategy

Unicorn manages a fleet of 25 ships, and has developed services in foreign trade which extends to South America, Israel and the Indian Ocean basin Its problems relate to two areas economic downturn affected its local shore-to-shore shipping activities, and volatile exchange rates caused the company to follow a wrong forex strategy, with dire consequences for last year's profits "In 1984 and 1985," executive chairman Murray Grindrod explains, "we sold forward our expected net dollar earnings at around US80c This resulted in a substantial opportunity loss when the rand started falling" Had this policy not been followed, says Grindrod, Unicorn's earnings in 1985 would have been double the reported figure The policy now "is to calculate the expected net earnings on each voyage, and to sell forward only that amount" This allows for greater flexibility to deal with short-term fluctuations, he says

In making his prediction of sharply higher profits this year, Grindrod has considered the effects on Grincor of its new forex policy, expected lower interest rates and somewhat improved local market conditions based on recent indications of higher transport volumes

A recent report by stockbroker Edey Rogers, one of the sponsoring brokers for the listing, concludes that although Grincor "at this early stage of its public life is unlikely to attract a glamorous market rating with only R13,5m shares being offered, and only R5,4m in the public offer, the shares seem destined to attract heavy over-subscription and to open at a substantial premium"

Provided the profit forecasts prove realistic, there is obviously potential in the shares Grincor is pitching its offer at 270c, on a prospective earnings and dividend yield of 12,4% and 5,9% respectively This compares favourably with industrial sector averages of 8,2% and 3,2%, and industrial holding sector yields of 8,5% and 3,7% Grincor, with its large overhead structures, has exceptional turnaround potential, and even a relatively small improvement in volume throughput could swing it upwards *Neville Glaser*

SCORE

On track

In a performance that belies fierce and worsening competition in its markets, Score Food Holdings has reported an outstanding 53% advance in its earnings for the six months to end-August This was achieved despite the losses of new acquisition, Grand Bazaars (GB) If GB's losses of some R285 000 are stripped out, Score advanced its earnings by 60% — considerably better than the 50% advance the market was looking for.

With these results, the perennial question of how long Score can sustain this growth rate again becomes relevant Put another way, what growth profile does one attach to Score? Is it an immature group operating in an immature market, in which case its growth potential could continue on an exponential plane? But that is too optimistic a view, MD Carlos dos Santos tells me

STILL SCORING

Six months to	Aug 24 '85	Feb 22 '86	Aug 30 '86
Turnover (Rm)	191,1	228,5	330,6
Pre-tax profit (Rm)	4,2	6,9	6,4
After-tax profit (Rm)	2,1	3,8	3,2
Earnings (c)	15 7	27,8	23,2
Dividend (c)	5	11	7,5

"I would say Score itself is in a growth phase but is operating in a mature industry," he says Competition in this market could hardly be fiercer, he claims And perpetual price wars rage beween Score and its main adversary, Metro To aggravate matters, Pick 'n Pay is to enter the fray with its own cash and carry chain (see page 84) Dos Santos sees an inevitable slowdown in Score's earnings growth, although conceding that profit growth in the current year could touch 50%

The relaunched GB chain — representing Score's foray into retail supermarketing — has already "turned the corner," says Dos Santos, and in the year to end-February is expected to earn "not less than R750 000." In addition, after the recent restructuring the group is poised for further acquisitions

Score has extended its foreign interests by reaching agreement in principle to acquire a 40% stake in The People's Trading Centre of Malawi, dependent on approval of South African and Malawi exchange control authorities

The share trades at 1 475c, on a minuscule 1,1% dividend yeld — an extra-ordinarily high rating which reflects more on the quality of Score's management than the healthy state of its market *Neville Glaser*

Gencor interim profits and pay-out soar

214

12/9/86 BUSDAY

ADAM PAYNE

GENCOR, the second-biggest mining house, with Derek Keys at the helm, will give a boost to the JSE's mining-finance sector with its interim attributable earnings up by 51,4% to R230,8m (R152,4m)

The dividend for the six months to June has been lifted 45% to 80c (55c) Earnings a share rose to 242c (160c) Cover was increased to 2,6 times (2,23 at year-end)

Keys sees better results from the industrial and platinum divisions in the second half and expects a "further moderate improvement in Gencor's profit performance".

"We expect good results from Sappi in the second half

"We are expecting better results from Impala Platinum, which lost R45m in the first half because of a strike. Impala has some capex preparing for an increase in capacity."

The increase in dividend is partly attributable to a narrowing of the gap between the interim and final dividends.

The industrial sector's losses last year have been virtually eliminated

The sector's deficits of R36,5m for the full 1985 year and R12m in the first six months were reduced to R200 000

This does not include Sappi's contribution of R16,7m, compared with a loss of R5,2m in the first half last year

Total assets, with investments at valuation, rose to R10,537bn (R9,361bn last June and R10,473bn in December).

Net asset value a share increased to

● To Page 3

Gencor interim profits soar

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R60,21 (R47,95 last June and R58,50 at year-end).

Normal financing costs dropped to R136,1m (R235,7m), largely due to lower interest rates

Gencor's base metals and mineral interests contributed R92,3m (40%) to attributable income, compared with R48,4m (31,8%) last year, because of an outstanding performance by Samancor.

The contribution from gold and uranium rose to R43,8m (R33,8m).The division is working on expansion possibilities.

Income from coal amounted to R20,4m (R17,2m), while financial and services contributions declined to R49,3m (R61,7m).

A rights issue of R200m by Sappi, which will be financed by Gencor to the extent necessary, and the realisation of the interests in African Coasters Holdings and Grindrod and Company at about R28m have taken place since June.

Keys, at a Press briefing yesterday, said Darling & Hodgson was a negative interest.

"If we get a satisfactory offer for the transport division we shall take it," he said

"We are determined to do away with any negative interests

"Coal is the area of maximum uncertainty We are already experiencing some price declines in the international market However, sanctions will probably be slower in taking effect than expected

"Tedelex's debt is too high. We don't think it right to have a capital issue and we are addressing the problem," he said.

13/10/90 BUS DAY

212 231 214 213

Ventilation changes due at Kinross after disaster

ADAM PAYNE

VENTILATION changes involving capital spending on shaft sinking are likely at Kinross mine where 177 men were killed by noxious fumes during an underground fire last month.

Better ventilation will be obtained with the sinking of another surface shaft which Gencor was considering for production reasons before the disaster.

Increased development is taking place in the higher-grade northern sector of the lease area and Gencor says that eventually, a new shaft will have to be sunk to exploit this area fully.

In an examination of the ventilation network after the disaster, London stockbrokers James Capel say the noxious fumes emanating from the fire on September 16 were swept down No 2 Shaft by the ventilation flow, which incasts along 15 level from No 1 Shaft No 1 and No 2 shafts are about 3,9 km apart

Below the 15 level connection, there is no second exit at No 2 Shaft other than via the reef horizon. No 2 Shaft is a bratticed shaft, hoisting rock for transfer on 15 level.

Capel says: "Although the 4 000 tons a day production at No 2 Shaft has been restored, we are certain that Gencor and the Mining Inspectorate will now be looking closely at the ventilation

"It may well be decided that a separate ventilation district is required to exploit the reef below 15 Level Planners must focus on a new surface shaft for Kinross to alleviate the problems associated with No 2 Shaft

"The new shaft, designated No 3 Shaft, may well be positioned outside the existing north-west boundary of the lease area. While an increase in capital spending will be incurred, such an announcement would help to calm the tense situation and could provide incremental tonnage at Kinross at an earlier date than might otherwise have been expected"

A borehole in the north-west of the lease area recently gave results ranging up to a satisfactory 1 506cm (10,8 g/t at a stoping width of 140cm) and Kinross also extended its prospecting rights in the area.

BUSDAY 13/10/86

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Genkor's donation is 'blood money'

NUM line on Kinross 'hostile'

ALAN FINE

THE National Union of Mineworkers' (NUM) response to the Kinross mine disaster has been marked by uncompromising hostility towards Gencor — owner of Kinross — and the mining industry in general.

Union spokesmen have described the accident in harsh terms and referred to Gencor's donation of R2m to a trust fund for families of victims as "blood money".

The union criticised arrangements made by the company for union-appointed experts to investigate the scene of the accident, and alleged that Kinross miners wanting to attend a memorial meeting a week after the accident were forced to work at gunpoint.

There is also a belief that NUM orchestrated the disruption of the memorial meeting organised by the company.

The accident and its aftermath have placed severe strains on a relationship which had been at a low ebb for more than a year. The dismissals of NUM members at Gencor mines during the 1985 wage strike, and the mass dismissals at Impala Platinum in January this year, led the union to cite Gencor as an "enemy company" at its annual conference in April.

Ironically, the disaster occurred only 16 days after a new top-management team — which appears to support a less hard-line industrial relations approach — took over the reins at Gencor.

There is a feeling within Gencor management that many NUM statements since the disaster have over-stepped the line between a legitimate expression of anger and an attempt to make political capital of the disaster.

"We understand the union's anguish at the deaths. But they do not have a monopoly on it. Kinross was an unmitigated disaster for us too," says Gencor corporate services director Naas Steenkamp.

Steenkamp says Gencor does not plan to respond specifically to recent union statements. "Gencor has signalled that it views the union as a legitimate interested party regarding safety matters, and would like calm and reasoned interaction with it on these issues," he says.

He believes the two should have a "co-operative" relationship on safety matters, rather than using the issue for "scoring points over one another in public."

Golden Dumps exploits the higher gold price

BUSDAY 12/10/96 (214)

CHERILYN IRETON

MINES in the Golden Dumps stable have taken advantage of the higher gold price by mining lower-grade areas during the September quarter.

While this resulted in a fall in gold production, profits — after tax and capital expenditure, for Consolidated Modderfontein and South Roodepoort rose by 19% and 58% respectively

By mining lower grade areas, Golden Dumps is hoping to extend the life of its mines from their estimated lifespan of about 20 years.

SPRINGS DAGGA — the refurbishment of the mine appears to be ahead of schedule with ore now being stockpiled from stoping operations at the No 1 Shaft area

For the quarter, Springs Dagga reported lower profits of R721 000 (R965 000) because of lower interest of R648 000 (R965 000) received on capital.

CONS MODDER — although its profit after tax and capital expenditure (capex) increased to R5m (R4,2m), profit before slipped 15% to R10m (R11,8m). This was despite a higher gold price of R30 947/kg (R25 039) received during the quarter.

In line with the lower grade mining plan, the mine's yield fell to 4,01g/t against 5,27g/t recovered in the June quarter Ore milled rose slightly to 154 054t (152 236t) but the amount of gold produced fell 23% to 617,1kg (802,5kg)

Capex declined by R2,7m to R4,9m and the provision for tax was more than doubled to R574 000 (R245 000)

SOUTH ROODEPOORT — the mine also reflected a higher gold price of R30 659 (R23 569) by reporting a 58% increase in profit after tax and capex to R1,5m (R944 000).

Grades of ore milled dropped to 3,72g/t (4,14g/t) resulting in lower gold production of 305kg (347kg).

With the higher gold price, profit before tax and capex increased to R4,3m (R3m).

Implications far-reaching for SA

Hopes high for rich new gold field

214

BUS DAY 13/10/86

ADAM PAYNE

A BOREHOLE result announced today, confirming an earlier rich gold reef intersection 30km north-east of Potchefstroom, indicates that a new gold field might be established — with tremendous implications for SA and the mining industry.

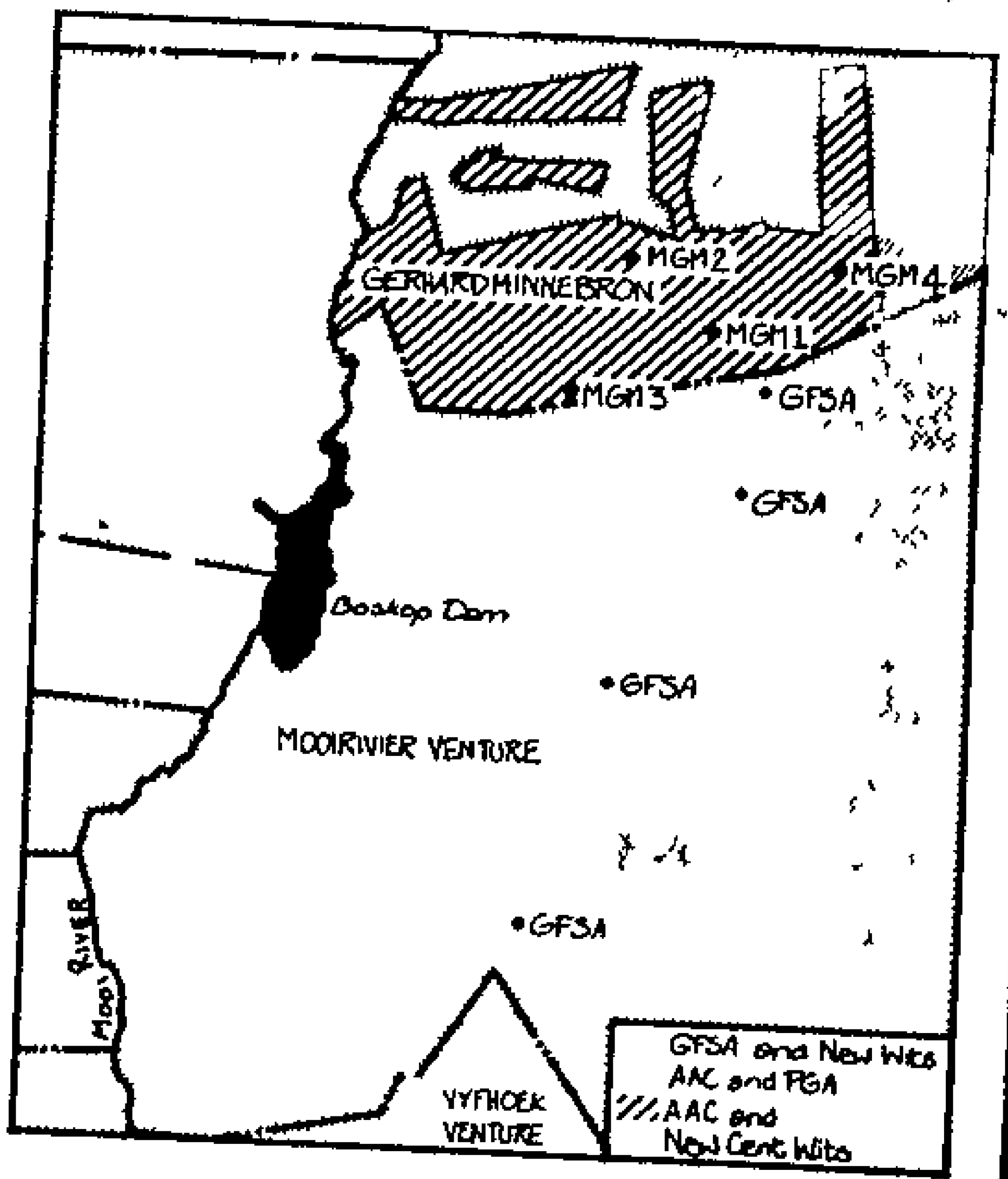
If hopes are realised, the implications will be far-reaching — especially since mines in the Free State and on the west Witwatersrand are running low on ore reserves.

The gold reef intersection was announced by New Central Wits, which falls under the Anglo American umbrella.

The borehole, MGM2 on the farm Gerhardminnebron in the Potchefstroom district, has intersected conglomerates of the Johannesburg sub-group at the shallow depth of 1 341m assaying 15,12 g/t over 95,1cm, equal to 1 438cm g/t.

A value of about 500 cm g/t at that depth would be payable.

The assay confirms an earlier borehole result showing payable gold reef on the same farm. The first intersection was in April in borehole MGM1 to the south-east of MGM2. It assayed 21,24 g/t over 82,7cm, equal to 1 756cm g/t, and was at



To Page 2

P.T.O

13/10/86
BUSDAY
214

Big new 'gold strike'

a much greater depth of 3 184m in the same conglomerates

Both assays were based on incomplete intersections due to faulting or incomplete core recovery Had all the core been recovered the assay would have been richer.

The MGM2 result is highly satisfactory because of its shallow depth, indicating that reef has been thrown up by faulting The reef could not be identified because of faulting. Geologists had a problem in the correlation of the reefs

Borehole MGM2 is unofficially reported to have reached a depth 400m lower than the 1 438cm g/t intersection, and *Business Day* was told that another intersection about 200m below the first had been made and the core was now being assayed.

The New Central Wits announcement of the intersection said: "No intersections of target reefs have been made." This indicates the uncertainty as to the identity of the reef reported on.

An Anglo American source said. "The MGM2 result is encouraging but we need a lot more drilling to indicate whether or not we have a mine."

The Bird Reef (or Vaal Reef) is believed to have been intersected in borehole MGM1. Since the drilling of MGM1 and MGM2, Anglo American has brought in two more drills, while GFSA has started a new drill close to the south-eastern boundary of Gerhardminnebron.

The Anglo American geologists are

● From Page 1

drilling for reefs intersected in the Potchefstroom gap area by GFSA drillers in the 1940s. The Potchefstroom gap gets its name because known mineable reefs have until now ended at Deelkraal mine on the West Wits line and have not been resumed until the Klerksdorp goldfield

The reefs drilled by GFSA included the Livingstone and Bird reefs, the Main Reef and the Carbon Leader.

New Central Wits says borehole MGM1 was stopped at a depth of 3 947,6cm in Lower Witwatersrand lavas Deflection drilling is in progress.

For mining investors the good borehole results should benefit holders of New Central Wits and Potchefstroom Gold Areas (PGA) shares

Recently listed PGA has 10% of the Mooirivier venture covering 10 800ha in which Anglo American holds the remaining 90%. The total area of interest in which Anglo American and GFSA are drilling extends about 40km from north to south.

An independent consulting geologist said he was satisfied that eventually at least three gold mines could be established — two by Anglo American and one by GFSA.

He said: "Anglo American and GFSA are drilling five boreholes south of Gerhardminnebron. At least two are said to have yielded encouraging values"

MINING

Argus 13/10/86 214

Promising new gold field found

By DEREK TOMMEY
Financial Editor

A TREMOR of excitement swept through Johannesburg's mining houses and financial community today following indications that a workable new gold field may have been discovered north east of Potchefstroom

Anglo American's exploration company, New Central Witwatersrand, has announced borehole results further strengthening the view that large areas north of Potchefstroom could be underlain by high grade gold ore

However, the real cause of today's excitement is that some of this gold has been found at relatively shallow depths

Previous borehole results had shown that the ore was lying between 3 000 and 3 500 metres below the surface

While it is not impossible to mine ore at this depth, it requires an extremely large initial capital outlay which could make the financing of a mine in the area a highly risky operation

But the news that a rich gold reef has been found at 1 300 metres has greatly improved the araa's prospects of becoming a new gold field

Gold at a depth of 1 300 metres, could be worked relatively cheaply and provide the cash needed for opening the deeper levels of the mine

Although further exploration work needs to be done — New Central Wits is sinking a further three boreholes — expectations are growing that it will not be long before at least one new gold mine is started in the area

Mr Kevin Craig, an analyst with Pollak and Freemantle, one of Johannesburg's leading stockbrokers, said he was certain that work would start on one mine in the area within the next three years, and possibly on two mines

Altogether, he believed the area would eventually have three large mines — with each probably costing between R800-million and R1-billion

Many of the major existing mines are nearing the half-way mark in their working lives

The new field could provide a valuable long-term fillip for the gold mining industry and for the country generally

Golden Dumps boosts profits on lower grades

13/10/86 (214)

By Stan Kennedy

Golden Dumps, taking advantage of the higher gold price and lower capital expenditure, mined lower grades at both Consolidated Modderfontein and South Roodepoort Main Reef and still turned in a creditable performance for shareholders in the quarter ended September 30.

Distributable profit at Cons Modderfontein rose from R4,3 million in the June quarter to R5,1 million, an increase of 19 percent

At Roodepoort, distributable profit rose 58 percent from R944 000 in the June quarter to R1,5 million

Although Cons Modderfontein's milled tonnage increased by nearly 2 000 tons to 154 054 tons, because of the drop in yield from 5,27 g/t to 4,01 g/t, gold recovered fell from 802,5 kg to 617,1 kg Costs per ton milled rose only one percent to R58,53

Tax took R574 000, more than double that in the previous quarter, leaving an after-tax profit of R10 million (R11,9 million)

ROODEPOORT

Tonnage milled at Roodepoort was down 2 000 tons, as was the yield from 4,14 g/t to 3,72 g/t, and gold recovered dropped by 12 percent to 305 kg from 347,7 kg. Costs per ton milled rose 3,8 percent to R67,57

After a big hike in tax from R1,3 million to almost R2 million, after-tax profit was R2,4 million (R1,8 million).

A company spokesman said that if the gold price remains constant, both mines would go for a slightly higher grade in the current quarter.

He said Springs Dagga, which would eventually cost R34 million to establish, would be commissioned and producing in January next year. Development had been going on for the past three weeks and gold-bearing ores were currently being mined from the stopes and stockpiled

FEASIBILITY

The feasibility study showed that a grade of 4,6 g/t and a gold price of R15 000 a kg to R20 000 a kg would give the mine a life of about 25 years with its 12 million tons of reserves Now, because of the higher gold price, its life had been extended considerably as the pay limit could be as low as 2,5 g/t

The company was still looking at the feasibility of merging the operations of Springs Dagga and Cons Modderfontein There were advantages for both companies in that there would be reduced capex and no need for the duplication of facilities However, the spokesman could not give a firm date when the merger would be announced

On the Hexrivier project in the South Rand, he said the last exploration drilling hole was almost completed Sampling of underground workings had been done and the programme would be finished this month After analyses of results, an evaluation of the prospect would be made before coming to any decision to work the property

Gold rise boosts Rand Mines profits

CM-Tiw 14/11/86 (214)

JOHANNESBURG — Boosted by a sharp rise in rand-gold prices, the four mines in the Rand Mines group raised their total after-tax profits by 18% to R96,8m in the quarter ended September 1986

The mines — Harmony, Blyvooruitzicht, ERPM and Durban Roodepoort Deep — achieved this increase despite their costs rising by a combined R35m, mainly as a result of annual wage and salary increases The salaries of officials went up in May, while wage increases of skilled and unskilled workers went into effect in June and July respectively

Unit costs for the group in the September quarter were 8,6% up at R83,30/ton

All four of the mines showed lower grade during the September quarter, which was slightly offset by a 3% increase in tonnage milled to just over 4m tons As a result, gold production remained more or less unchanged at 15 051 kg

However, the average gold price received was 17,6% higher at R30 123/kg, which enabled the group to increase its pre-tax profits by 23% to R133m

Although capital expenditure was 17% up at R79,1m, the taxman increased his takings by 36% to R36,2m

● **Harmony** gold mine was again the main contributor, accounting for 70% of the group's bottom-line profit

The higher gold production, coupled with an increase in average gold prices from R25 763 to R29 911, resulted in gold revenue rising by 18% from R188,3m to R222,8m Uranium revenue rose from R8,4m to R11,9m — taking total revenue for the quarter from R196,7m to R234,7m

The mine's total costs rose by 13% from R142,3m (R68,53/ton) to R161,2m (R75,28/ton) leaving a working profit of R73,5m against R54,5m previously

● **Blyvoor** lost 14 000 tons of production as a result of a fire With no increased tonnage to cushion cost increases, Blyvoor's total cost for the quarter were just over R4m higher at R53,6m Unit costs were up from R84 to R91,08/ton

The lower gold production was more than compensated for by a R4 850 rise in the mine's gold price to R30 522/kg, thus enabling Blyvoor to increase its gold revenue from R93,1m to R103m Working profit was almost R6m higher at R49,4m

Blyvoor's pre-tax profit rose from R42,2m to R48,4m which, after tax of R28,8m (June quarter R23,8m) left after-tax profits 6% up at R19,6m

● Helped by the higher gold prices, **Durban Roodepoort Deep** moved even further into the black in the September quarter

Costs went up from R44,2m (R73,47/ton) to R47,7m (R79,15/ton) However, thanks to an increase of over R5000/kg in Durban Deep's gold price, the mine increased its gold revenue from R48,5m to R56,1m with the result that working profit from gold doubled from R4,2m to R8,5m

● **ERPM** had a reasonable quarter, but a sharp rise in costs saw the mine post a loss for the quarter

ERPM's gold price rose by R4 700 to R30 234/kg which, coupled with the higher production, resulted in gold revenue rising from R57,1m to R71,4m

Sundry revenue of R312 000 dropped the loss before tax to R2,9m (against a pre-tax profit of R1,2m in the June quarter) but a tax reversal of R2,6m brought the bottom-line loss to R336 000 against a loss of R1,5m in the June quarter

ERPM has continued with its gold hedging operations

Borehole results encouraging

CAPE TIMES 14/10/86 214

AAC confirms field potential

ANGLO AMERICAN CORPORATION (AAC) has confirmed the possibility of a rich new goldfield north-east of Potchefstroom

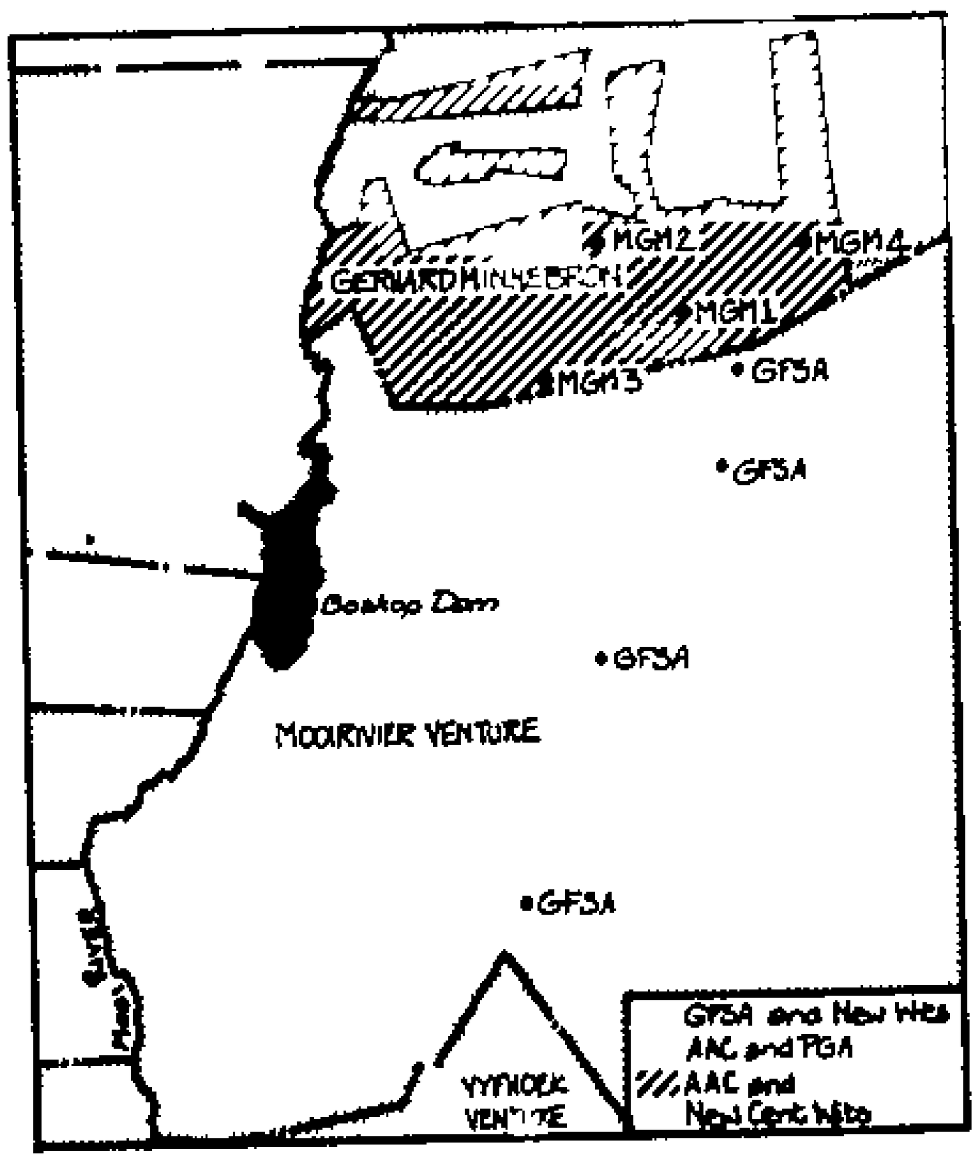
The confirmation follows speculation yesterday by Business Day's Adam Payne who believes the field could have "tremendous implications" for the country and the mining industry

Development timing works out well for AAC and the gold is relatively shallow

AAC says the new field could come on stream in the late 1990's when the Orange Free State and West Wits goldfields would be near the end of their reserves as presently determined

An independent geologist is quoted as saying that eventually at least three gold mines could be estabished in the area — two by Anglo American and one by Gold Fields of SA

However, AAC stresses that it is far too early to be definite about the new gold field



Results

"So far, we have assay results from just five borehole results These are encouraging But the exploration company, New Central Wits, (in the AAC stable) is not planning to recommend even a closer feasibility study before the mid-1990

"Their present contract is for eight boreholes, the initial programme, and after that we will have to see

"Management at New Central Wits is not in a position to assess the findings for at least nine years"

Nevertheless, the results from the latest borehole, confirming an earlier rich gold reef intersection, are highly positive

The gold reef intersection was announced by New Central Wits which said the borehole MGM2 on the farm Gerhardminnebron in the Potchefstroom district has intersected conglomerates in the Johannesburg subgroup at the shallow depth of 1341 metres, assaying 15,12 g/ton over 95,1 cm equal to 1438 cm g/ton

A value of about 500 cm g/ton at that depth would be payable

The assay confirms an earlier borehole result showing payable gold reef on the same farm

The first intersection in April in borehole MGM1 assayed 21,24 g/ton over 82,7 cm equal to 1756 cm g/ton

The depth was much greater than for the latest intersection at 3184 metres in the same conglomerates

Both assays were based on incomplete intersections because of faulting or incomplete core recovery Had all the cores been recovered, the assay would have been richer

The AAC geologists are drilling for reefs intersected in the Potchefstroom gap area by Gold Fields of SA drillers in the 1940s

The Potch gap gets its name because known mineable reefs have until now ended at Deelkraal mine on the West Wits line and have not been resumed until the Klerksdorp goldfield

For mining investors, analysts comment that the good borehole results should benefit holders of New Central Wits and Potchefstroom Gold Areas (PGA) shares — Financial Staff and Sapa

Closing gold prices

(In $ an ounce)
LONDON:
431,50—432,00
Fixing am: 431,40
Fixing pm: 432,60
ZURICH:
431,00—434,00
(431,00—434,00)
— Reuter

Vlaks to resume underground

14/10/86 BUSDAY 214

CHERILYN IRETON

VLAKFONTEIN Gold Mine is to resume underground mining near Nigel, where an exploration programme has pinpointed payable ore reserves.

The mineralised area is situated on the farms Spaarwater, Droogebult and Grootfontein, which are owned by Goldfields of South Africa (GFSA) and Gold Fields Property (GFP).

In terms of an agreement, Vlakfontien will issue 800 000 new shares to GFSA and GFP in exchange for the mineral rights to the area.

Exploration results show the extremely shallow *in situ* reserve to be 6,2-million tons at an average grade of 2,8g/t. The Kimberley Reef extends from the outcrop to a vertical depth of 300m below surface.

Vlakfontein, which ceased underground mining in 1977, will mine the reef by means of an inclined, endless-rope haulage and will treat the ore at its plant 15km from the haulage portal.

Development of the project is expected to cost R7,2m.

CAS 15/10/86 (214)

Anglo gold mines profits improve

JOHANNESBURG — The Anglovaal Group's four gold mines benefited from the higher rand gold prices received in the September quarter, resulting in improved working profits However, sharply higher tax charges -largely brought about by higher pre-tax profits and lower capital expenditures -- reduced taxed profits at all mines

The net result was that the mines' total taxed profit was 24 per cent lower at R75 505 000 (June quarter· R99 921 000), the tax bill increasing to R129 118 000 (R66 215 000).

Hartebeestfontein: Costs were higher at R102,61 (R97,16) a ton, but were more than offset by the average unit revenue of R300,01 (R255,60) and this led to an improved profit of R197,40 (R158,44) a ton Total working profit therefore rose to R156 538 000 (R122 465 000) Pre-tax profit was R161 240 000 (R129 523 000)

Loraine: Gold recovery dropped slightly to 2 234 kg (2 268 kg) Unit costs rose to R107,47 (R97,33) a ton, but higher average gold prices received raised unit revenue and resulted in a unit profit of R61,19 (R55,14) a ton, giving a total working profit of R24 352 000 (R21 945 000)

ETC. Profit increased to R188,81 (R147,21) a ton and gave a total working profit of R17 201 000 (R12 410 000) — an increase of 39%

Non-mining income decreased to R767 000 (R1 306 000) and prospecting expenditure was R953 000 (R2 728 000) The net result was that the pre-tax profit rose to R17 015 000 (R10 848 000)

Village Main Reef· Unit costs rose to R12,26 (R11,64) a ton, but this was again more than offset by higher gold prices received Therefore unit profit rose to R7,65 (R6,84) a ton and total working profit was increased to R1 434 000 (R1 277 000) Non-mining income rose slightly to R108 000 (R106 000), but royalty payments were increased to R136 000 (R82 000), The net result was that a pre-tax profit of R1 406 000 (R1 301 000) was reported

Prieska· All sales were brought into the accounts at their estimated receivable values and the operating profit — which was down at R7 850 000 (R9 911 000) — took into account adjustments to final prices on previous quarters' despatches

With non-mining income of R493 000 (R1 586 000), there was a pre-tax profit of R8 343 000 (R11 005 000) After deducting the taxation of R4 935 000 (R4 731 000), taxed profit was lower at R3 408 000 (R6 274 000)

Consolidated Murchison: Revenue from antimony concentrates sales was fractionally lower at R6 158 000 (R6 166 000), but higher gold prices led to an income of R6 079 000 (R4 500 000) from this source

The increased wage and salary bill was mainly responsible for pushing working costs up to R8 519 000 (R7 633 000), leaving a working profit of R3 744 000 (R3 056 000)

Sharply lower Capex, brought about a tax charge of R1 456 000 (R1 473 000 — credit) and resulted in an after-tax profit of R4 120 000 (R4 143 000)

Philip Osmond has been appointed financial manager of Allied Pharmaceuticals and Plus Promotions.

Mixed close for $ as gold drops

LONDON — The US dollar closed mixed against the major currencies on Europe's currency markets yesterday Gold prices fell

In what foreign exchange dealers called fairly light trading, the dollar weakened against most of the leading currencies, but gained against the Swiss franc and Canadian dollar A rise of one percentage point in British bank lending base rates firmed the pound by half a cent

There was more buying of dollars by central banks to put a brake on the dollar's decline over the past few weeks but dealers said it didn't have much effect on exchange rates

One Frankfurt dealer said there wasn't much upward room for the dollar and that technical factors and disappointing US economic growth were still lowering the American currency — Reuter

Eric Mafuna has been appointed as research consultant to Allied Pharmaceuticals and Plus Promotions.

Business asked to set pace

BusDay 16/10/86

THELMA TUCH

● RELLY

THE SA business community could set the pace for change by putting their own houses in order, Anglo American chairman Gavin Relly said last night.

He was addressing a function at which he was awarded the Harvard Business School Club of SA's Statesman of the Year Award.

Relly said employers should review the ways in which their employees were remunerated and the stakes they had in their businesses, and also look at their training and advancement programmes.

"By introducing policies and structures in our own companies which will provide the cutting edge to a new society, we will hopefully give encouragement to other companies and departments of State to follow suit," he said.

It was necessary to develop a strong, all-race management group in order to solve SA's problems.

It had not been easy, Relly said, to develop managerial and director skills among blacks, coloureds and Indians. This was not due to incompetence but to a hostile environment, both in-house and socially.

"Much of this can be traced to apartheid but a good deal can be traced to our own shortcomings."

Gencor mines lift net profits 37%

Financial Staff

SAMC 16/10/80

(214)(204)

A higher average gold price was almost entirely responsible for the 12 gold mining companies in the Gencor group increasing combined net profits by almost 37 percent to R239,7 million (R175,5 million) in the quarter ended September 30

Major contributors to the increase were Winkelhaak, Beatrix, Unisel and Kinross

Average yield was down only slightly from 5,1 g/t to 5 g/t and the milling rate was virtually the same at 5,4 million tons

An improved yield and a higher gold production of 3 624 kg (3 462 kg), combined with a higher gold price, boosted **Winkelhaak's** net profit to R47,2-m (R23,2-m), despite increased tax

Earnings a share jumped 52 percent from 104c to 158c

Higher working costs and a lower yield affected **Stilfontein** and taxed profit fell from R10,4-m to R4,9-m Earnings a share dropped from 64c to 25c.

Despite a lower capex of R685 000 (R780 00) and no tax payable, **West Rand Cons** recorded a lower net profit of R1,3-m against R1,7-m in the June quarter

Increased production and a higher gold price enabled **Grootvlei** to increase its net profit from R4,1-m to R6,5-m Again tax was higher at R8,2-m (R2,5-m) with capex up slightly to R1,2-m

An increase in milling costs and decreased gold production were offset by the higher gold price at **Marievale** and the mine just held its own at net profit of R873 000 (R748 000)

While the yield at **Bracken** was down marginally, a higher tonnage milled helped gold production to remain constant at 794 kg, giving a net profit of R7,1-m (R2,8-m) Earnings a share rose from 18c to 40c

Increased tonnage milled and a static yield raised production at **Leslie** from 850 kg to 863 kg And with the higher gold price, net profit increased from R2,2-m to R3,7-m

There was a drop in net profit at **St Helena** and earnings a share decreased by 10c to 68c

There was a sharp drop in gold production at **Buffelsfontein** as a result of poorer grades and lower tonnage milled Net profit was down to R63,4-m (R65,7-m)

One of the best performers was **Beatrix**, which more than trebled its net profit to R39,1-m (R12,9-m)

Everything went its way with higher milling rates, yields and production, and a higher gold price

Increased production combined with a higher gold price assisted **Kinross** to lift its net profit to R26,4-m (R17-m) after tax of R34,8-m (R26-m)

After a higher tax of R30,7-m (R24,3-m) and slightly lower production, **Unisel** was still able to increase its net profit to R21-m from R15,8-m in the June quarter The result was that earnings a share increased from 45c to 65c

NUM demand shaft closure after new Kinross fires

16/10/86 STAR 214

By Mike Siluma

The National Union of Mineworkers today demanded the closure of the Number Two shaft at the Kinross Gold mine, where two underground fires forced the evacuation of 2 000 mineworkers yesterday.

The fires, described as "minor", broke out at the 15th level, the scene of last month's mining disaster which claimed 177 lives

A spokesman for Gencor said "two separate minor fires of unknown origin" had broken out yesterday at the Number Two shaft

"There was no danger and no persons were affected, but in consideration of possible employee sensitivity following last month's accident at the mine, some 2 000 men were removed to surface," he said.

The spokesman said the fires broke out at about 11 am but were "immediately extinguished" and all miners safely evacuated He added that "a small amount of smoke" from burning rubber had entered underground workings

A senior mineworker who helped put out both fires told *The Star* that a disaster was averted because the fire and smoke were noticed by morning shift workers reporting for duty.

"As the we came into the 15 level to start work we noticed the smell of something burning, and then saw the fire.

"Many of the workers ran back to the lift, fearing a recurrence of last month's accident The night-shift workers who were due to stop work in the morning were busy at their work stations and were not aware of what was happening," said the worker, who declined to be named

"Another senior worker and I quickly fetched fire extinguishers and put out the fire By that time there was smoke all over the place," the worker said

After the first fire, he said, most morning shift workers refused to go underground Some did, however, report for duty

Decribing accidents such as yesterday's as "an atrocity being perpetrated against the workers", NUM general secretary, Mr Cyril Ramaphosa, said· "We call on Gencor to close the Number Two shaft until the enquiry into last month' disaster is concluded and its results are known"

"Our members have lost confidence in the way management in general, and Kinross management in particular, are dealing with the observation of safety measures on mines"

The NUM reiterated its call for the appointment of a judicial inquiry into last month's accident

● It is understood that two of the workers involved in putting out the fires had been given portable radio/television sets as an expression of management's gratitude

Mine 'back to normal'

STAR 17/10/86 2\14

Work at Gencor's Kinross gold mine, where two minor fires broke out this week, is back to normal, says the company

Earlier, the National Union of Mineworkers (NUM) called for the closure of the No 2 shaft at Kinross, the scene of this week's fires and a major disaster last month when 177 people lost their lives

Mr Bruce Evans, chief executive of Gencor's gold and uranium division, said the night and day shifts returned to work yesterday after the fires on Wednesday.

He said it had been established that the incidents were caused by an electrical fault

FM MAIL 17/10/86 ·

2¼

GOLD REPORTS

Search goes on

The latest annual reports from gold mines whose financial years end in June are a mixed bag, ranging from some bullish information on Rand Leases to official confirmation of analysts' fears on loss of ore reserves at Gencor's Buffels

Rand Leases chairman Steen Severin provides the reason why shares in this reborn West Rand mine have recently been so much in demand He says Rand Leases will hit full production of 35 000 t/month milled in June 1988, three years ahead of the schedule given in the rights issue circular Re-opening of underground areas from the former 6 Shaft has been less costly and quicker than expected The metallurgical plant is being built to handle 35 000 t/month from the outset, instead of 20 000 t/month initially Surplus capacity available until underground mining operations require this level of throughput will be used to treat surface rock and slime dumps

Underground production started from the No 6 shaft in August and it is planned to push the present production rate of 1 000 t/month to 15 000 t/month by next June, and 20 000 t/month next December

David Marshall, chairman of another old producer, **Modder B** on the East Rand, does not have such pleasant news There have been problems with the heap leach plant, which was built to generate income while the conventional gold plant was being constructed. It has not reached designed throughput of 5 000 t/month, and instead of generating income the company made a working loss of R2m in the period to June

The heap leach plant is operating profitably now and the loss will be offset by revenue earned when gold locked-up in the residues from the heap leach plant is recovered through the conventional plant Meanwhile, Modder B is sending ore not suitable for heap leaching to other plants for toll treatment

Re-opening the mine was justified on exploitation of the Main Reef Leader horizon but an exploration drilling programme has been carried out looking for Black Reef deposits Three Black Reef channel-type deposits were intersected and the technical advisers say drilling indicated 40 000 t of ore at 4,5 g/t in one channel — this, though, is disappointing compared with the rich Black Reef grades on neighbouring Cons Modder Modder B intends further evaluation of the three Black Reef channels, depending on funds

Buffels chairman Steve Ellis reveals that only 50 000 t of ore reserves have been built up in the heavily-faulted Strathmore East area, with the result that tonnage milled for the next few years could be up to 20% less than the 3,146 Mt milled in the year to June, and the 1986 year's figure was 10% down on the 3,5 Mt milled the previous year With grade also sliding and working costs reflecting SA's inflation rate — unit costs rose 24% during 1986 because of the lower tonnage — the outlook is discouraging

Buffels is making what some geologists have termed a "panic" search for new ore reserves and will spend R13,6m this year in exploration work looking at deeper areas east of the Strathmore block, to decide if a tertiary shaft system should be sunk It will spend another R6,9m on exploration south of the Vaal River, making a total outlay on exploration expenditure this year of more than R20m (R13m) A number of analysts have halved their life expectancy forecasts on Buffels to ten years, so potential purchasers of the shares might be advised to wait for clarification on new ore reserves

Randfontein Estates' new chairman Ken Maxwell says the mine should push production to 6,842 Mt milled in the 1987 year from 6,426 Mt last year The extension to Doornkop treatment plant, which will double capacity to 2,4 Mt/year, should be completed by June 1987 for R80m

Maxwell expects working costs this year to stay within the rate of inflation but Randfontein's costs will be hit by retrenchment packages for workers made redundant by new trackless mining equipment Introduction of the trackless system has been hampered by delays in availability of the equipment, which led to below-target production in the June and September quarters

However, Maxwell says that by the 1987 June quarter some 60% of Randfontein's total output should be mined by new mechanised methods Its grade is dropping as operations move into the south and east of the lease area, but Randfontein should be able to mine lower grades profitably because of lower working costs once the mechanised equipment is established

Earnings from the 1988 year onwards will benefit from expansion of Doornkop plant and rationalisation of the mining programme between Cooke 1 and Doornkop sections Capital spending this year is forecast at R235m (R195m)

Maxwell, commenting as chairman of **Western Areas**, says results of drilling south of the lease area continue to encourage but it will take at least another 18 months to "acquire sufficient knowledge for any proposal to be formulated for mining the area " Mechanised mining is being introduced here and the immediate benefit is in ore reserve calculations for this year While in-situ grade has dropped to 7,4 g/t (8,2 g/t), stoping widths have increased as wide and multiple reefs are being mined through trackless mining As a result the overall grade reserve figure is 2 050 cm g/t (1 418 cm g/t)

H J Joel will use trackless mining from the outset and the workforce will total only 2 500 at full production Single workers will be accommodated in apartment units designed for one or two employees a room instead of the industry convention of at least six a room Apartments at Joel can be converted into self-contained flats for married quarters when needed

Brendan Ryan

"Malbak will be exactly the same as it always has been — a number of portfolio directors will report to Grant Thomas "

It may be thought that Malbak is moving very fast, but Zirker emphasises that "Malbak will never run faster than it can operate, we intend to continue on the growth path " Earnings will obviously continue to benefit from acquisitions *Pat Kenney*

LIBVEST

Invest in Libvest

Liberty Life chairman Donald Gordon certainly believes in taking advantage of high stock markets to raise funds First there was the Liberty Life rights issue, then the UK subsidiary had a rights issue in London, and now Libvest, an investment company whose assets are mostly shares in the Liberty group, is to be listed

There is no doubt of its success At 200c, the issue price is under net asset value (218c post-issue) and deliberately pitched at a level the average investor can afford The issue is less likely to attract institutional investors, who can buy Liberty Life directly and probably have substantial holdings already

The question is how high the price will be bid up Though the insurance sector has fallen into disfavour, Liberty has a premium rating With the high prices of some new issues and the charisma Gordon has acquired, some brokers suggest the share could come on at 280c, others think 240c would be more reasonable, admitting that this is not a reasonable market for new issues

With forecast earnings of 9,3c, earnings yield on 280c would be 3,3%, against 3,2% for Liberty, but, point out analysts, Libvest should be on a higher yield, as much of its investment is in Liberty Life convertible preference shares

So the premium would be for "Gordon's ability to deal," as one analyst put it But it is not clear how or what these dealings will be Says Libvest director Farrell Sher "Obviously nothing will be done to the detriment of Liberty Life — we will never allow a conflict situation with Liberty We know the sort of investments we relate to and they might well be companies associated with the group, but we have nothing specific in mind "

Nevertheless, to justify the premium there will have to be some action (what one broker calls "intelligent dealing") with the R74m cash raised by the issue, or the price could fall back to reflect only earnings on present investments

With Gordon's well-known "intelligent dealing" ability, though, this seems unlikely, even though there are fewer and fewer potential deals in SA of a size that would interest him *Pat Kenney*

FIN MAIL 24/10/86 214

GOLD QUARTERLIES

Taxman moves in

The main feature of the gold mining September quarterly results was the hefty increase in tax provisions What one executive terms

MARKET TALK

Frasers doing well

While its price rose from 425c last December to 675c at the end of last month, Frasers has been a weak spot of late, and is now down to 600c Preliminary figures for the year to September show turnover 29% up, pre-tax profit 50% up, and earnings 42% up, at 58,6c a share (41,5c) The tax charge rose 8,2% to 47%, mainly because of higher tax rates in Lesotho.

Good as these figures are, they represent a slowdown in second-half earnings growth and are at the bottom end of analysts' expectations, the most optimistic of which were as high as earnings of 80c

The interim dividend, declared only a couple of months ago, was raised from 4c to 7c The company said this was in part to reduce the disparity between the two payments, but it will be disappointing if the final is not at least maintained at the historic 11c A total of 18c would yield 3%, slightly above average for the stores sector

Even a total of 20c would be three times covered, and yield 3,3% If disappointment at these figures pushes the price down further, there could be useful short-term recovery potential. *Michael Coulson*

E W Tarry without GM

General Motors (GM) made no bones about its pull-out being due to trading losses, though with a political rider (see *Business*)

E W Tarry, one of the largest GM dealers through subsidiary Williams Hunt (WH) and a member of the W & A group, could be involved in the management buy-out Irrespective of this, for shareholders in Tarry and Hunts (an intermediate holding company between Tarry and W & A) there is "not much downside and potentially a lot of upside," according to MD Brian Joffe GM SA has contracted to supply WH with Opel, Suzuki and Isuzu products for five years, but WH can give 30 days' notice of its intention to find another dealership, if this becomes necessary.

Even in a worst case situation, Joffe points out, Tarry's earnings without a motor dealership would be about the same as last year, WH's assets amount to somewhat under 20% of Tarry's total (less than 5% of Hunts' total). *Pat Kenney*

Rooiberg cuts production

The share **price** looks shaky after the September quarterly and this week's announcement on production cutbacks The counter was hovering at 715c at the close on Tuesday following news that the mine is still losing money and, in an attempt to return to profits at a time of depressed tin prices, has cut production 38%

Over the previous few weeks the share had inexplicably doubled from 400c to 800c before starting to weaken

Rooiberg is to close down its A mine complex, consisting of the A, B and Vellefontein mines, placing them on a care and maintenance basis while continuing operations at the C mine complex In 1985, the A mine complex produced 633 t, 37% of total output of 1 703 t tin in concentrate Rooiberg's sales for 1985 amounted to 1 612 t, of which some 60% was exported

The company lost R1,1m in the June quarter and a further R618 000 in September It reduced costs from R16 527 a sales ton in the March quarter to R14 124 in June, but these rose marginally in September to R14 246 Controlling mining house, Gold Fields of SA (GFSA), claims the cut in production and planned further reduction in overhead costs will return Rooiberg to profits at current tin prices

Sales revenue averaged R13 000/t in the September quarter compared with R11 929/t in June but prices during October have dropped back towards R12 000/t because of the stronger rand GFSA says a recovery from current prices of about £3 885/t is not expected until world stocks of about 80 000 t are significantly reduced, which could take two-three years *Brendan Ryan*

Midas shows touch

With its sparkling interim performance, Midas may have dispelled any remaining doubts about the state of the motor spares market, and its pre-eminence in that market Earnings for the six months to end-August rose 52% to 13,7c (9c), on the back of a 44,4% increase in turnover For the full year, the group seems set to beat convincingly the 27,9c EPS forecast in the prospectus

"Our expansion programme has accelerated because of increasing demand," says MD Georg von Loeper, who notes that changes in the structure of the vehicle market have been to Midas' benefit The second-hand market has grown by almost a third this year, this, combined with the tendency among car owners to delay replacing ageing vehicles, has led to a veritable boom in spares

"We had planned 80 outlets by February, but already have 82, compared with 53 last February " Budget is for 150 outlets by 1988 The share trades at 385c on a prospective p e of 12,8, a rating that Midas consultant Eric Levine believes is out of line for a company showing over 50% growth *Neville Glaser* his major shareholder — the Receiver of Revenue — cleaned up because profit margins soared with the move in the gold price to an average of about R30 000/kg from the previous quarter's R24 000/kg

Tax provisions were also boosted because September is the first quarter of the new financial year for mines with a June year-end, such as all the Gold Fields of SA (GFSA), Anglovaal and JCI producers

The first quarter is traditionally slow for capital expenditure outlays as mine managers watch budgets carefully The implication is that capex on these mines will spurt over the next six months to catch up the lost ground, so some of the hefty tax provisions will be written back

Among individual mining houses the main shock was provided by Loucas Pouroulis's **Golden Dumps**, which reported a 24% drop in grade at **Consolidated Modderfontein** from 5,27g/t in the June quarter to 4,01g/t The results also showed an all-round drop in the amount of development work, particularly on the Black Reef at the North-East Prospect (NEP) shaft, the high-grade sweetener that over the past two years has made the mine's fortunes.

According to a Golden Dumps spokesman, grade was lowered purely to take advantage of the higher gold price and will be increased slightly if the gold price remains around R30 000/kg for the current (December) quarter. He says the drop in development at NEP should not have occurred but resulted from emphasis being placed on other development, principally Black Reef at the new No 1 circular shaft

Some analysts are concerned that Cons Modder is running out of high-grade reserves and, with the operation due to start paying mining tax soon, prospects do not look attractive at such low grades as shown in the September quarter Cons Modder's NEP Black Reef ore reserves showed an average gold value of 7,2g/t at June 30 compared with 16,6g/t a year previously

At **South Roodepoort**, grade dropped by 10% to 3,72g/t from 4,14g/t in the June quarter

At **Anglo American Corporation** the most noticeable aspect was the effect on gold production of industrial relations problems on certain mines

Because of labour unrest and increased rockbursts underground, **Western Deep Levels** (WDL) expects gold production will only be slightly higher than last year's 37,5 t Chairman Peter Gush estimated in his annual review that production would rise 10%, which means the mine will lose some 3,75 t expected production, worth more than R100m That is something WDL can ill afford given its high cost structure, because of the depths at which the bulk of mining is carried out.

Elandsrand was also hit by rockbursts and illegal labour stoppages Its production is now expected to increase only marginally on 1985 levels, which means some 500 kg of gold production worth R15m will not be earned compared with earlier expectations

Star performer in the group was the **Simmergo** division of **Ergo**, where the treatment plant seems to have at last overcome the problems which beset operations during the past 18 months Simmergo pushed up gold production to 521 kg (previous quarter 494 kg) while acid production moved up to 7 439 t (6 738 t), despite drops in plant throughput

Simmergo more than doubled operating profits to R6,2m (R2,6m) and paid a royalty of R1,9m to **Simmer & Jack**, compared with R258 000 in the June quarter

Vaal Reefs took advantage of the higher average gold price to lower average grade 2,3% to 7,04g/t from 7,21g/t previously

SA Land has decided not to instal the proposed pyrite flotation plant, which is now considered uneconomic This means that instead of capex hitting R4,8m for the financial year to December the company will recoup about R1m

At **Freegold**, the main point of interest was the promising outcome of initial development on the Basal Reef at Erfdeel, where production is due to start next year Results of 19,9 g/t gold over a channel width of 75,9 cm gave an encouraging 1 510 centimetre grams a ton (cm g/t) Anglo cautions these results are from a very limited area

In the **Rand Mines** stable, star performer was **Durban Roodepoort Deep**, which pushed distributable earnings to 258c a share (87c) The share price has had a good run because of this marginal producer's gearing to the gold price and also because of its expansion prospects (*FM* August 29) The mine maintained tonnage milled despite an accident in the No 6 shaft which meant 32 000 t ore could not be hoisted

Blyvooruitzicht lost 14 000 t production because of a fire in the upper Western Section, which has been sealed off

At **JCI**, **Randfontein Estates** earned the going gold price for the first time in about 18 months now that its foreign exchange hedging programme has ended It received R30 173/kg compared with R22 462/kg in June, when the average industry gold price was about R24 000

Western Areas has reduced its exposure on forward gold sales and forward currency dealing to "a portion" of gold production from the previous position, described as a "significant portion" of gold production. The mine had a poor quarter with underground

GOLD EARNINGS

	Year end	*EPS(c) Jun	*EPS(c) Sep	**Accumulated Earnings	(c) +Declared
ANGLO AMERICAN					
Elandsrand	Dec	26,7	39,1	89,6	55
Ergo	March	40,1	52,6	92,7	—
Freegold	Sep	55,0	101,2	319,0	335
Vaal Reefs	Dec	545,2	526,4	1 513,1	900
Western Deep	Dec	130,7	158,6	381,5	255
ANGLOVAAL					
ET Cons	June	42,8	104 9	104,9	—
Hartebeestfontein	June	32 3	42,3	42,3	—
Loraine	Sep	65,8	37,8	203 8	—
GENCOR					
Bracken	Sep	18,4	40,2	108,2	100
Buffelsfontein	June	219 7	189,6	189,6	—
Grootvlei	Dec	26,1	46 2	106,9	60
Kinross	Sep	66,9	117,8	385,2	380
Leslie	Sep	13,4	16,2	66,1	60
Marievale	Dec	12,7	11,4	32,7	25
St Helena	Dec	78,1	68,7	253,6	160
Stilfontein	Sep	63,7	25,3	128,1	115
Unisel	Sep	45,1	65,2	209,2	190
WR Cons	Dec	22,4	16,7	67,1	40
Winkelhaak	Sep	104,0	158,7	518,1	495
GFSA					
Deelkraal	June	7,9	18,5	18,5	—
Doornfontein	June	29,8	69,4	69,4	—
Drie Cons	June	70,0	94,0	94,0	—
Kloof	June	18,0	36 2	36,2	—
Libanon	June	109,7	129,3	129 3	—
Venterspost	June	67 8	105,6	105,6	—
Vlakfontein	June	13,8	14,5	14,5	—
JCI					
Randfontein	June	239,0	536,2	536,2	—
Western Areas	June	1,9	(31,4)	(31 4)	—
RAND MINES					
Blyvoor	June	57,1	60,4	60,4	—
Durban Deep	Dec	86,6	258,2	339,8	—
ERPM	Dec	(165,2)	(201,9)	(458 4)	—
Harmony	June	62,0	72,6	72,63	115
INDEPENDENT					
Cons Modder	June	19,9	23,7	23,7	—
South Rood	June	60,4	95,7	95,7	—

* = Earnings after tax and capital expenditure ** = Distributable earnings for the mine's financial year to date + = Total dividends declared to date

production problems as tonnage milled dropped to 946 000 t (988 000 t), of which the contribution from surface dumps was unchanged at 21 000 t (22 000 t) Western Areas has also lost its long-running tax dispute with the Receiver and been forced to provide an extra R2,4m tax

Of the **Gencor** mines, **Beatrix** showed a further increase in yield to 6,5 g/t, building towards analysts' predictions that yield in the early years could run as high as 7 g/t

Kinross lost about 80 000 t production as a result of the disaster in which 177 miners were killed This will be reflected in the December quarter because the September quarter showed slightly increased mill throughput of 535 000 t (525 000 t)

St Helena is recovering from the serious rockburst in February and had to take only 15 670 t off low-grade surface dumps (38 012 t)

Buffelsfontein showed further drops in production to 733 000 t (751 000 t) and grade to 7 g/t (8,1 g/t) because of ore reserve problems in the Strathmore shaft

At **GFSA**, the worrying cost escalations at **Doornfontein** continued, with working costs up 10% to R114,6/t (R104,4/t) Doorns' costs are up 32% on the R86,8/t of the 1985 September quarter — horrifying for a house with a reputation for keeping tight control over costs

Libanon took a knock in grade to 5 g/t (5,6 g/t) because of a fire in a high-grade Ventersdorp Contact Reef (VCR) area, since re-opened

Kloof's grade recovered to 14 g/t from 13 g/t as a new high-grade VCR longwall came into production

In the **Anglovaal** group, **Hartebeestfontein** moved grade up marginally to 9,9 g/t (9,8 g/t) and production to 793 000 t (773 000 t) but profits were beheaded by an 88% jump in tax provision to R107m Capital expenditure dwindled to R6,5m (R36,3m) in the first quarter of the new financial year

Moving to the independents, **Rand Leases** will start trial milling in its new metallurgical plant this quarter, while **Sub Nigel** says commissioning of its No 1 shaft is three months ahead of schedule and its reduction plant is on schedule for completion in March next year

Southgo has pegged another 118 precious metal claims in the Noydedale area which will provide additional reserves

Egoli's West Witwatersrand Gold Holdings provided R5,5m for the acquisition of mining rights below the 305 m level at certain sections of Randfontein Estates' old Randfontein section as well as full use of the No 16 shaft and its infrastructure

Waverley's heap leach plant is still battling and could only manage a slight improvement in yield to 0,27 g/t (0,26 g/t)

Brendan Ryan

DATES TO REMEMBER

Last day to register for dividends:
Friday Oct 31: AT Coll 174c, Confed 11c, Farm-Ag 12c, Garcon 8,3c, Garlick 26c, Mobile 46c, NDH 7,5c, Nictus 2,5c, Rentbel 2,5c; SPL 2,8c, Trencor 150c, Umdoni 3c, Wit Coll 280c

Meetings:
Monday Oct 27: Safren (Cape Town)
Tuesday Oct 28: KWV Bel (Suider-Paarl), MCM (Harare).
Wednesday Oct 29: Nictus (Randburg), Rand Leases (Florida)
Thursday Oct 30: Dundee, Seardel (Cape Town); Tej (Steenberg)
Friday Oct 31: Concor, Ed L Bate (Boksburg North), Mermine (Randburg), Metro, Sasol (Sasolburg), Welfit Oddy (Port Elizabeth)

All meetings are in Johannesburg unless otherwise stated

GOLD QUARTERLIES

	Gold											Uranium				Profit	
	Produced kg		Cost R/kg	$/oz*†		Revenue R/kg	$/oz†	Milled 000 t*		Recovery g/t*		Milled 000 t*		Recovery kg/t*		Gold R'000	Uranium & other R'000
ANGLO AMERICAN																	
Elandsrand	3 050	(3 084)	12 202	152	(157)	30 128	378	472	(499)	6,5	(6,2)					53 951	3 059
Ergo	2 108	(2 089)				29 325	369	5 391	(5 974)	0,4	(0,4)	5 391	(5 974)	0,07	(0,07)	31 931	
Freegold	26 489	(27 324)	16 888	210	(214)	29 596	372	5 701	(5 594)	4,7	(4,9)					338 838	36 974
Vaal Reefs	20 749	(20 761)	11 391	142	(149)	30 109	378	2 949	(2 881)	7,0	(7,2)	2 346	(2 328)	0,21	(0,21)	379 695	69 531
Western Deep	9 155	(9 203)	12 716	158	(154)	30 140	378	1 461	(1 359)	6,3	(6,8)					160 093	5 787
ANGLOVAAL																	
ET Cons	887,27	(807,39)	10 262	128	(160)	29 648	369	91	(84)	9,7	(9,6)					17 201	767
Hartebeestfontein	7 851,00	(7 560,41)	10 364	129	(139)	30 303	377	793	(773)	9,9	(9,8)	793	(773)	0,15	(0,15)	156 538	8 816
Loraine	2 234,25	(2 267,88)	19 145	238	(239)	30 044	374	398	(398)	5,6	(5,7)					24 352	3 591
GENCOR																	
Bracken	794	(764)	17 955	223	(237)	29 622	365	245	(225)	3,2	(3,4)					9 994	448
Buffelsfontein	5 615	(6 089)	15 902	198	(193)	30 394	377	733	(751)	7,7	(8,1)	733	(751)	0,22	(0,18)	81 532	−6 986
Grootvlei	1 403	(1 367)	19 564	243	(276)	29 873	370	463	(445)	3,0	(3,1)					14 510	267
Kinross	3 218	(3 179)	11 675	145	(157)	29 755	362	535	(525)	6,0	(6,1)					58 778	2 510
Leslie	863	(850)	21 065	262	(280)	29 688	366	358	(350)	2,4	(2,4)					8 083	585
Marievale	241	(253)	25 025	311	(286)	29 009	355	86	(86)	2,8	(2,9)					1 073	60
St Helena	2 212	(2 610)	18 750	233	(222)	29 499	372	543	(580)	4,1	(4,5)					23 864	2 498
Stilfontein	2 018	(2 254)	23 964	298	(276)	28 350	355	426	(426)	4,7	(5,3)	590	(558)	0,11	(0,11)	8 946	−1 708
Unisel	2 384	(2 401)	8 960	112	(118)	30 257	372	348	(348)	6,9	(6,9)					51 820	−48
WR Cons	950	(1 001)	25 786	321	(322)	27 801	344	510	(520)	1,9	(1,9)					1 950	−557
Winkelhaak	3 624	(3 462)	10 306	128	(146)	29 629	364	606	(602)	6,0	(5,8)					71 747	2 471
GFSA																	
Deelkraal	1 850,1	(1 912,5)	15 694	195	(213)	29 282	364	375	(375)	4,9	(5,1)					25 230	2 436
Doornfontein	2 086,2	(2 195,2)	20 100	250	(244)	30 542	380	366	(366)	5,7	(6,0)					21 890	2 598
Drie Cons	15 184,5	(14 686,0)	9 070	113	(124)	30 003	373	1 425	(1 425)	10,7	(10,4)	239	(223)	0,09	(0,10)	317 850	4 404
Kloof	7 560,0	(7 023,0)	7 684	96	(115)	30 053	373	540	(540)	14,0	(13,0)					169 467	9 763
Libanon	2 189,5	(2 435,6)	16 549	206	(192)	29 706	370	435	(435)	5,0	(5,6)					28 915	3 410
Venterspost	1 545,7	(1 442,7)	21 711	270	(305)	29 820	371	390	(390)	4,0	(3,7)					12 623	1 538
Vlakfontein	225,6	(255,6)	16 254	202	(178)	30 542	380	210	(210)	1,1	(1,2)					1 329	599
JCI																	
Randfontein	6 624	(7 005)	13 624	170	(167)	30 173	375	1 656	(1 592)	4,0	(4,4)	795	(822)	0,17	(0,18)	109 786	11 248
Western Areas	3 784	(4 150)	23 899	297	(298)	26 780	333	946	(988)	4,0	(4,2)	174	(182)	0,39	(0,37)	11 701	6 782
RAND MINES																	
Blyvoor	3 370,9	(3 622,0)	15 888	198	(191)	30 552	380	588	(589)	5,7	(6,2)					49 433	−1 042
Durban Deep	1 867,5	(1 938,4)	25 516	317	(319)	30 063	374	602	(602)	3,1	(3,2)					8 492	1 290
ERPM	2 363,1	(2 235,7)	31 591	393	(411)	30 234	376	715	(664)	3,3	(3,4)					−3 205	312
Harmony	7 449	(7 309)				29 911	372	2 141	(2 076)	3,5	(3,5)	1 194	(1 377)	0,06	(0,07)	77 721	
INDEPENDENT																	
Cons Modder	617,1	(802,5)	14 614	179	(150)	30 947	379	154	(152)	4,0	(5,3)					10 077	498
South Rood	305,0	(347,7)	18 174	229	(228)	30 659	386	82	(84)	3,7	(4,1)					3 808	570

* Figures in parentheses refer to previous quarter † Calculated at R1=$0 40 when dollar figure not given by mine
§ Deliveries to Joint Metallurgical Scheme

Anglovaal earnings leap by 39% to a sparkling R92-m

(214) SAM
24/10/86.

Anglovaal has produced sparkling annual figures with a 39 percent increase in consolidated taxed profit to a record R92 million in the year ended June 30 (R66 million in the previous year)

Last year's profit was an impressive 25 percent up on the 1984 figure. The annual report issued today shows that compound earnings' growth rate averaged 23 percent in the past 10 years. Dividends appreciated 17 percent annualy in the same period and return on investment averaged 19,5 percent a year.

Total assets of Anglovaal, subsidiaries and associated and managed companies rose by 14 percent to R5 049 million (R4 410 million) The total turnover was 17 percent higher at R4 342 million (R3 712 million), leading to a 25 percent pre-tax profit increase at R966 million (R775 million) and an after-tax figure 34 percent up at a record R505 million (R377 million)

For Anglovaal itself, 1985-86 consolidated turnover rose by 19 percent to R2 590 million (R2 178 million), and pre-tax profit was 21 percent up at R223 million (R185 million)

Tax rose to R85 million (R73 million), while equity accounted earnings totalled R26 million (R18 million).

Minority interests absorbed R72 million (R64 million) and preference dividends R300 000 (R299 000) Attributable taxed profit was therefore 39 percent higher at R92 million (R66 million), equivalent to ordinary share earnings of 2160c (1551c) each

The dividend was lifted by 25 percent to 450c (360c) a share, covered 4,8 (4,3) times by earnings

Chairman Basil Hersov says that the rise in mining investment contribution to income, from R20 million to R56 million, was mainly the result of better rand receipts as a result of the weak rand/US dollar exchange rate

Despite inflation, Anglovaal mines contained their costs

The average rand gold price received by the group's mines rose by some 37 percent and the mines have brought forward certain major Capex programmes

Group industrial companies also contributed to higher earnings, performing "very creditably under difficult circumstances to produce an overall earnings increase of 15 percent in Anglovaal Industries (AVI)"

Prieska Copper Mines contributed the equivalent of 295c a share (or 14 percent) to the group's consolidated earnings

Mr Hersov warns about the indirect inflationary effects of rand/dollar depreciation

"Apart from very heavy cost increases of both imported consumables and equipment, it is also adversely affecting locally produced goods and labour costs — the justification for which is questionable.

"The pernicious effects of persistent double digit inflation rates can only be tempered by increased productivity This implies the maximum utilisation of existing skills and the urgent education and development of the entire working population "

Sanctions threats and the collapse of world oil prices had altered views about the coal industry's potential, leading to a postponement of plans to build additional coal capacity at Richards Bay which was essential for the development of Anglovaal's potential coal export mine, based on the group's Bethal reserves

With sufficient stockpiles to meet existing export contracts, Grinaker Desert Spar had closed its two Natal mines where coal reserves were almost exhausted

But it had decided to open a new export colliery at Klipspruit Initial production would commence about mid-1987 and be limited to 300 000 sales tons annually of high-quality coal This would be increased to 700 000 tons when Durban's coal handling facility had been upgraded — Sapa

EAST RAND

Mining

A Business Day Survey

Edited by Melanie Sergeant

Gold boosts depressed East Rand

THE WEAK rand has seen gold mine profits soar despite heavy recession coupled with SA's turbulent economic and political conditions

This is reflected in the state of the mining and allied mining supply and service industries, many of which are East Rand-based

Although continued unrest has undermined investor confidence, and government's attempts to stimulate the economy and reduce unemployment while trying to control inflation are incompatible short-term goals, figures show a boom — on paper

But an Associated Chambers of Commerce (Assocom) spokesman has described the industry in "heavy recession" although statistics available — including gold — reflect a boom

Slightly up

Physical volume of mine production in June 1986 was slightly up at an index of 104,3 points, compared with 103,9 last June, on a 1980 basis of 100 points, he said

However, the total — including gold — fell to 97,9 in June 1986 from 99,1 last June

Anglo American Industrial Corporation's (Amic's) latest annual report lists the average gold price for the financial year to end-March as $328/ounce, lower than average for 1985

Yet Assocom sales figures for the industry stood at R2,3bn this June, compared with R1,6bn for June 1985 The massive increase resulted from prices and foreign exchange benefits received by exporters, the spokesman said.

Gold figures were R1,3bn this June, up from R880,2m in June 1985.

This boom trend is reflected in results of off-shoot industries, such as mining suppliers. Most mining-related companies canvassed by *Business Day* reported a small upswing in business this year, and expected modest growth next year

One was Exdin Engineering MD Dave Botha, who said there had been an industry upswing, with equipment predominantly sold to the gold mines "which are flush with cash right now"

Rub off

He expected this to rub off on to smaller sub-contractors, and forecast about 10% growth next year with new mine developments

In spite of a fall in the dollar price of gold for the second year in succession, the fall in the dollar exchange value of the rand resulted in a 31% increase in the average rand price, to R741/ounce, the Amic report said

Refinery dominates

THE Rand Refinery, established in 1921, was primarily founded to service the refining needs of Chamber of Mines members

The refinery, which became operative in 1922, holds a dominant position in refining all newly-mined ore for chamber members as well as independent producers, says a spokesman.

Bullion received from mines is 84% gold, 11% silver and the balance comprises impurities

The refinery converts this into a commercially marketable form, basically the London good delivery gold bar of 12,6kg (400 troy ounces) — which must contain a minimum of 99,5% gold

This forms the bulk of the refinery's basic work, but also involves recovering and selling the silver present as an impurity

High-purity gold of 99,99% purity is also recovered for use in various industrial applications.

Rand Refinery's by-products operation includes the recovery of gold and silver from low-grade materials from slags, sweep, spent crucibles, refractories and other sources

From this material, about 1,5kg gold-/ton and 3kg silver/ton are recovered.

Gold comprises about 10,7% of SA's gross domestic product and 45% of SA's exports

Cutting costs but keeping the standard

FOLLOWING the company policy of reducing dependence on imported spare parts for mining shovels, Alrode-based Harnishchfeger is now able to supply locally-manufactured ring gears for their mechanical mining shovels.

These ring gears carry the full upper assembly swing load of the machine during each machine cycle. They must therefore be produced to the same high standards and quality-control regulations as dictated by the US-based parent company to withstand the duty cycle of South African open pit mining.

The first two ring gears under manufacture by Harnischfeger SA each have a diameter of 4,01m, and are for the 2100 BL machines.

Announcing the new developments, Harnischfeger parts marketing manager Alan Birdsall, said: "We are committed to support in every way possible. We are committed to offer the best possible product at the least possible price consistent with the required quality standards."

Wadeville expanded

IN March 1972, Rustenburg Platinum Mines and Johnson Matthey formed a joint company — Matthey Rustenburg Refiners — to refine all the material produced by Rustenburg Platinum mines.

Processing operations at that time were carried out in the UK and SA. The newly-formed company acquired the existing plant at Wadeville from Johnson Matthey Refiners. Subsequently, the Wadeville plant has been expanded to meet the increased production from Rustenburg Platinum Mines, and also because a larger percentage of the refining activity has been transferred to SA.

The Wadeville refinery receives a concentrate containing platinum group metals from the base metals refinery at Rustenburg — where separation of the nickel/copper matter from the platinum group metals takes place.

The concentrate is then further refined to separate the platinum group metals — namely: platinum, palladium, rhodium, ruthenium, osmium and iridium — and to bring them to a high degree of purity before shipment abroad.

Local axles will help beat sanctions

THE mining industry is exhibiting an ever-increasing commitment to mechanisation, and with this increased dependency on machines the question arises what happens in the event of sanctions?

An important step forward in this field has taken place with the establishment of a local manufacturing programme for axles for load haul dumpers (LHDs).

This initiative is an extension of Eimco SA's programme for the establishment of full local manufacture of LHDs that has been in progress for the past five years. The company recently announced that it has fitted locally-produced axles to its more popular models of LHDs.

Eimco selected its four-ton carrying capacity 922 model to start the programme nearly two years ago It uses the same axle in the front and rear.

The Eimco axle design is almost 20 years old and has proven itself in more than 1 000 machines worldwide Minor changes and improvements have been made during this period, but overall there has been no need for significant changes This means that local componency is fully interchangeable with the imported item.

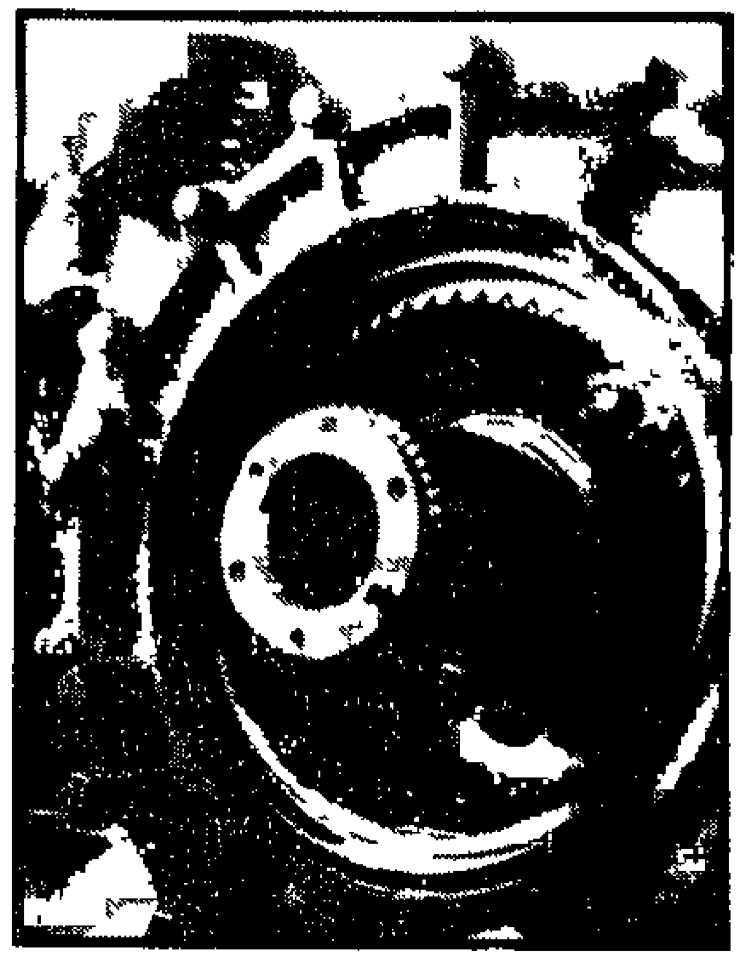
In March this year, the first SA axles were installed in a locally-manufactured 922 and are proving successful. In June next year, the locally-manufactured 913 axle is expected to be in service after gaining SABS approval More than 75% of components are common to the 922 axle

The later development — of the nine-ton 925 axle — will be of particular benefit to this country as this size is one of the most frequently used in LHDs in mining.

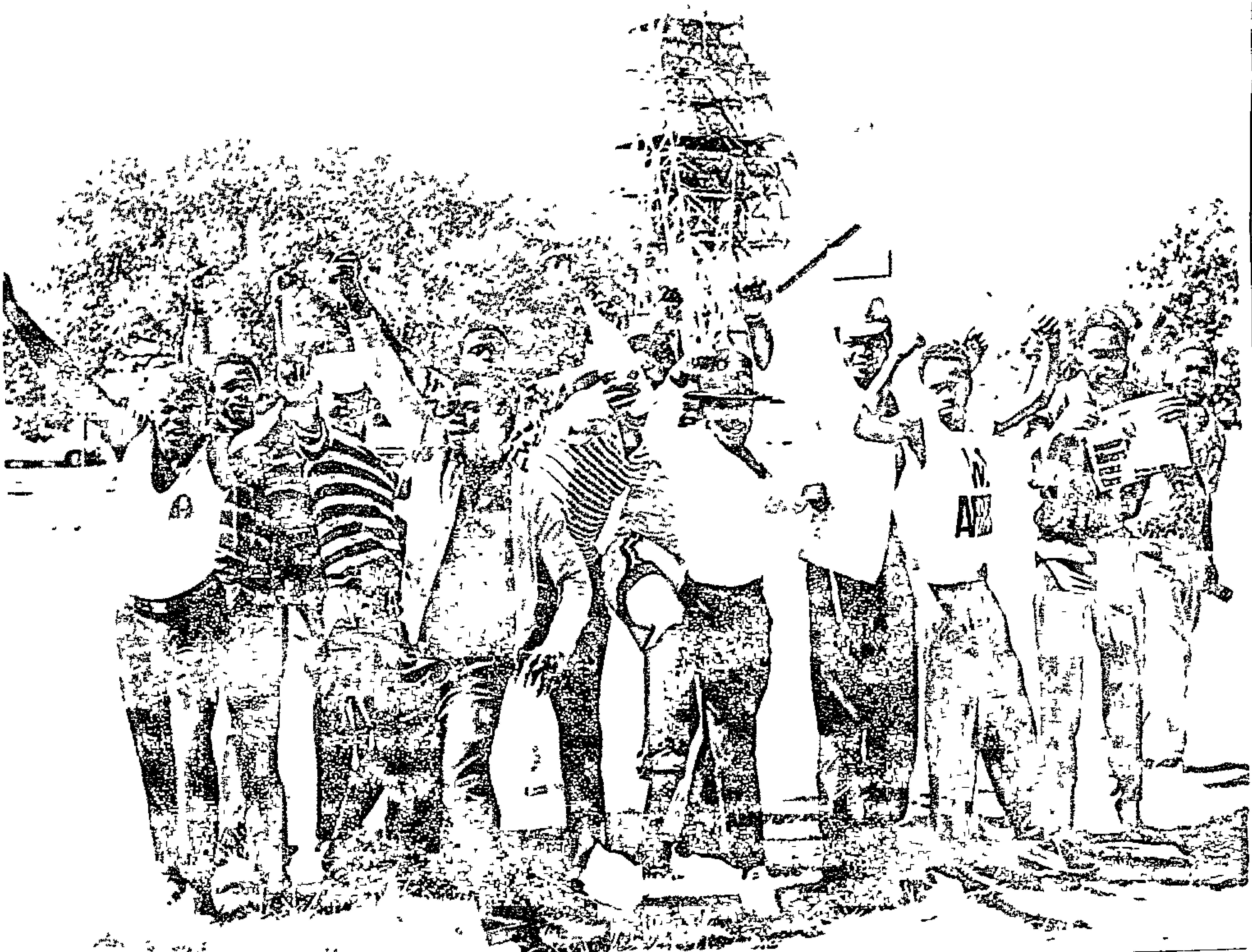
Local manufacture of Eimco axles produces price stability and obviates problems or delays encountered in obtaining axles or related componentary.

Eimco is part of the international Baker Mining group and, with the transfer of technology, the local company spent R5m on vertically integrating its manufacturing capability. This, coupled with genuine sourcing of components, allows up to 80% local content on the 920 series LHDs.

Local manufacture also assures the supply of underground face drill rigs This compressed air range has been manufactured for the past 25 years and currently has 98% local content.



☐ Eimco axles for LHDs being manufactured in SA. This is a new development and a major factor in assuring local production in future



A group of mineworkers who refused to report for duty yesterday pose at Gold Fields's Doornfontein mine outside Carletonville. Most mineworkers spent yesterday in their rooms, others strolling around the mine premises

Management may meet union over mines strike

STAR 2/14 [illegible]

By Mike Siluma and Sheryl Raine

As the strike by up to 35 000 black mineworkers entered its second day today at three Gold Fields mines in the Western Transvaal, indications are a meeting may be held between the National Union of Mineworkers (NUM) and the company.

The strike for higher wages began on Kloof, Deelkraal and Doornfontein goldmines on Sunday night.

NUM Press officer Mr Marcel Golding said the union had repeatedly approached Gold Fields to settle the dispute.

He declined to comment on the legality of the strikes, saying only that a telex had been sent to the company early today indicating the union's willingness to negotiate

Mr Golding said 18 workers had been arrested in the Western Transvaal

There have been reports of violence at seven mines in the region

Gold Fields spokesman Mr Attie Roets confirmed that three mines were still affected by a strike by at least 25 000 workers Early this morning he could not confirm that a request had been received from the union for talks with the company today. "However, in general, we are willing to discuss the issue with the NUM and want to get people back to work as soon as possible"

Mr Roets said since July 1 pay rates at the company's gold mining affiliates had risen by 21,3 percent, and by 23,7 percent at affiliated collieries Gold Fields believed these increases compared favourably with the average increases agreed to by the Chamber of Mines and the NUM yesterday The average Chamber increases calculated by Gold Fields were 21,1 to 21,6 percent

Gold Fields and Rand Mines collieries were not parties to yesterday's wage agreement between the NUM and the Chamber, representing JCI, Anglo American, the Rand Mines gold division and Gencor The agreement includes

- Increases from October 1 ranging from 19,5 to 23,5 percent for surface and underground employees.
- Increased accident leave for staff employees, from 42 — 56 days a year to 112 days accumulative a year.
- Increased accident leave for non-staff employees, from 21 days for six months service (accumulative up to 24 days a year) to 56 days on engagement, accumulative up to 112 days a year
- In the event of an employee being permanently transferred to a lower-paid job on account of a mine accident or work-related injury, or certain occupational diseases, the employee's wage will be maintained at his pre-incapacitation basic rate of pay for six months
- A request will be sent to the Government for a commission of inquiry to investigate public holidays If a commission has either not been appointed or has not made recommendations relating to Labour Day by February 1, the Chamber will reopen negotiations in February for possible implementation in May 1987

29/10/1986. STAR (214)

No decision on new gold mine 'until mid-1990s'

The rush of excitement about the possibility of a new gold field, with two or more new gold mines, sparked by New Central Wits' latest borehole results is fuelled by prospecting details in the company's annual report, just released

At the same time, the cautionary words sounded recently by the company are reiterated by Mr MW King, in his chairman's review

Results from drilling on Gerhardminnebron farm No 139 IQ show that four conglomerate bands in borehole MGM1 and one conglomerate band in borehole MGM2 have returned gold values greater than 700 cm g/t

"These results have understandably been the basis for thoughts about a new gold field," said Mr King "500 cm g/t is said to be enough for a most profitable mine even allowing for cost inflation above any parallel rise in the gold price in coming years"

However, Mr King cautions "In assessing these results, it must be borne in mind that in view of the depths involved and the need to establish the lateral continuity of the conglomerates, a full evaluation of the company's mineral rights will not be possible until extensive further drilling has been undertaken, which is unlikely to be completed much before the mid-1990s"

During the year the company continued to benefit from its "sound portfolio of investments", achieving a 29 percent increase in investment income, which rose to R2 215 000 from R1 721 000 in the year to end-September

Dividends from Anglo American Gold Investment Company, at 1525c a share (1985 1175C) accounted for 44,8 percent of total investment income (1985 44,4 percent), while the higher dividends from the company's direct holdings in gold mines, mining finance, coal, platinum and diamond interests also contributed to "satisfactory growth"

Earnings after taxation increased by R474 000 to R2 118 000, equivalent to 119,9c a share (1985 93,1c) and in line with the company's policy of distributing all the earnings, a dividend of 119c (93c) a share has been declared — Sapa

Mine strike may end today

29/10/86

SMK

The wage strike by nearly 35 000 members of the National Union of Mineworkers (NUM), in progress at three Gold Fields mines since Sunday, may end today

Talks with management broke down after only one session yesterday when the company insisted on a return to work before negotiations could continue

A Gold Fields spokesman said workers on morning shift at one of the strike-hit mines, Doornfontein, had resumed their duties this morning Strikes at Kloof and Deelkraal mines were continuing

NUM Press officer, Mr Marcel Golding, accusing Gold Fields of "intransigence" during the abortive talks, said the union would attempt to meet Gold Fields tomorrow through the Chamber of Mines

The Gold Fields spokesman, confirming that the company "could not negotiate in good faith" while strikes continued, said talks were likely to be held "soon"

Demands by the strikers include an improvement in wages, income security for workers incapacitated by work-related injury, improvements in holiday leave bonus and the release of 18 colleagues.

Gold Fields pulled out of talks which led to a wage agreement between NUM and four mining companies, guaranteeing improvements in income security and wage increases ranging between 19,5 and 23,5 percent for surface and underground workers

(214) FINMAIL 31/10/86.

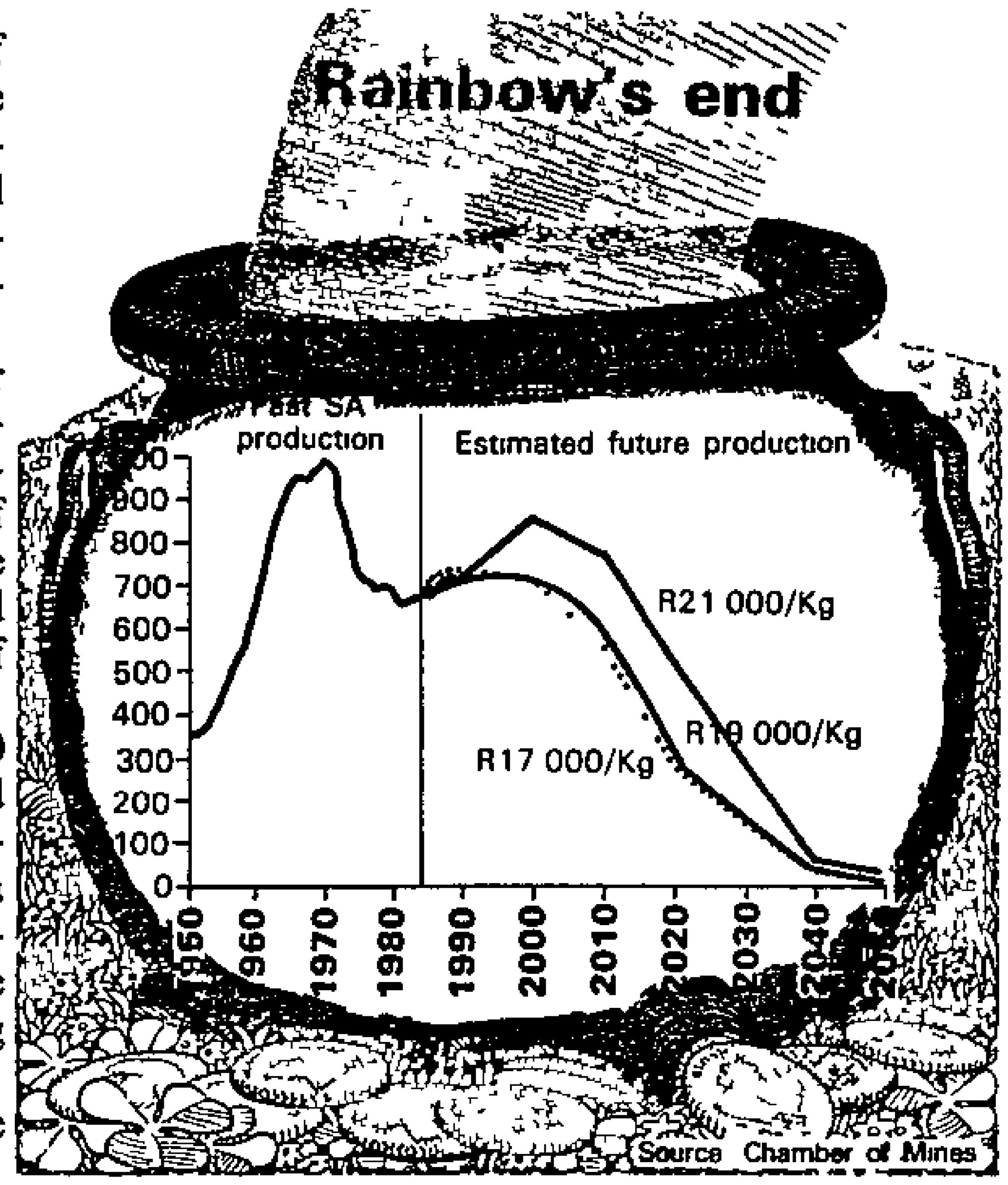
GOLD MARKETING

On the bright side

In an effort to prevent a world glut of gold, producers in five countries have agreed to form a new promotional organisation, the World Gold Council (WGC) Chief executive of SA's Intergold, Chick Hood, will become the council's CE early next year

The new organisation will take over the international operations of Intergold, set up 16 years ago by the Chamber of Mines to promote gold on behalf of South African producers, while the South African operations of Intergold will continue promoting the interests of local producers

Intergold has offices and staff in 10 countries in Europe, the Far East and north America, and the move will provide gold producers worldwide with a fully established organisation to promote the use of gold in jewellery and the many bullion coin programmes being developed (*Business* September 26) Producers involved so far come from the US, Canada, Australia, SA and Brazil



Motivation for gold promotion lies in the substantial increase in world production as a result of accelerated exploration and new technologies The West's gold output rose by 23% from 954 t in 1980 to 1 176 t in 1985 and this is estimated to increase another 7% to 1 255 t by the end of this year

And, according to the Chamber's Tom Main, the trend looks set to continue, with output from all major producers rising substantially and even doubling by the middle of the next decade

Soviet sales, too, have risen from 90 t in 1980 to an estimated 300 t this year The combined effect of increased production and these sales on world gold supplies has been an increase of 547 t, or over 52% since 1980 What's more, China will become a major producer in the next decade, while it is expected that scrap gold will also continue to come on the market at a rate of about 200 t a year

The major contribution made by SA to world supplies is shown in the graph Using three hypothetical gold prices, the graph indicates production, assuming a 10% annual price increase and a 10% annual rise in working costs In all three cases, projections indicate average South African gold production remaining in the region of 700 t a year at least until the turn of the century

The Chamber's Clive Knobbs says the WGC will be fulfilling the same functions as Intergold, but on a worldwide scale and, hopefully, with more funding "The rapid increase in gold supply has made it imperative for producers to encourage its permanent removal from the market to reduce pressure on the gold price

It has been the function of Intergold to promote consumption of the metal in jewellery, coins, investments and industrial forms and in 1985 it spent R105m on these activities

"Now, hopefully, there'll be funds forthcoming so that, in particular, much more use can be made of television as a promotional medium "

World demand for gold rose from 850 t in 1980 to around 1 400 t in 1985, with 898 t being absorbed in carat gold jewellery That demand is expected to rise to 1 100 t this year

Gold used in official coins amounted to 240 t in 1980, but fell to 80 t in 1985, mostly as a result of sanctions on Krugerrands

However, this figure is expected to increase to about 200 t this year as plans proceed to strike coins in Japan, Australia, Luxembourg, the US and Canada

Industrial demand is likely to remain at around 260 t, while official purchases look set to account for some 75 t this year, leaving a market surplus of 200 t for investment gold by private individuals and institutions

Intergold has developed a campaign to focus attention on the advantages of physical gold investment products available in the market

It also publishes generic material on gold in industry and provides a scientific and technical information service It also has an R & D programme to discover new uses for gold

It is this established structure which attracted the WGC As acting chairman Gordon Parker says, the council "will get off the ground almost immediately, as it will inherit a fully operational and highly professional gold promotion infrastructure "

Parker, who is chairman of major US and Australian producer Newmont Mining Corporation, says neither Intergold nor the Chamber of Mines will have any say in the running of the council, although South African producers will have minority representation on the board and executive committee

Knobbs says some compensation may be paid for Intergold's foreign assets — mainly office equipment — but no payment will be made for any goodwill, "which would in any case be difficult to quantify " ■

CSIR GOES TO MARKET

In a radical departure from its traditional role, the CSIR is to adopt an "out and about" policy to promote productivity and proper resource uses in the South African manufacturing sector, which last year accounted for 23% of the GDP.

CSIR president Chris Garbers announced this week that the organisation is to market itself as a professional service in research and development, the implementation of research findings and the resultant technology to South African industry (see *Face to Face* interview with Garbers in this issue)

He says the CSIR's approach will be first to determine South African market needs and then to set out satisfying identified needs within timescales acceptable to the market place.

The initiative follows an investigation into an industrial development strategy and the release of a White Paper last year.

Most important structural changes to the organisation include the selection and promotion of staff on merit, zero growth budgeting, the privatisation of the SA Inventions Development Corporation, and the formation of a technology company

BusDay 31/10/86 (214)

Sappi issue successful

THE Sappi rights issue to raise R201m by issuing 14 389 651 new preferred ordinary shares at R14 a share has been successful.

Senbank and Barclays National Merchant Bank said applications for 14 242 791 shares were received.

This meant the issue was 99% subscribed and the remaining 146 860 shares would be taken up by underwriter Gencor

Sappi MD Eugene van As said "Shareholders were quick to appreciate that the company would be repaying debt and, because of Sappi's tax position, the company's marginal cash cost of borrowing is at, or related to, prime overdraft rates

"This means the return Sappi will obtain on a substantial portion of the R201m we raised will approximate the prime overdraft rate, an attractive after-tax return "

Van As confirmed Sappi anticipated paying a dividend of about 40 cents on ordinary shares for the year to December.

Wit Nigel sinks deeper into the red

WITWATERSRAND Nigel gold mine, plagued by problems linked to the loss of more than half its working face, sunk deeper into the red during the September quarter.

Sharply higher costs and reduced production aggravated the situation, pushing the loss to R731 000, against a loss of R229 000 in the previous quarter

The state-assisted mine increased its tonnages milled slightly, but a lower recovery yield left the operating figures at a loss of R791 000.

Wit Nigel's underground problems are the result of a cave-in which resulted in breakdowns and production hold-ups.

Wit Nigel chairman Peter George says "With producing panels having been restored to adequate levels, it will be possible to reduce costs The mine should show a return to profit in the current quarter."

Gencor mines win safety competition

2\10\1 3ME

214

By Sheryl Raine

Gencor's Unisel and Stilfontein mines have been declared winners in their respective classes in the Chamber of Mines' quarterly safety competition, Gencor has announced

Safety on the mines has become a major issue in recent years since the formation of the National Union of Mineworkers

In a statement yesterday Gencor said the Unisel Gold Mine near Welkom won Class II of the competition with a 44 percent improvement on its previous performance.

Stilfontein Gold Mine came first in Class III with an improvement of more than 67 percent.

The competition was established in 1973 and 47 gold mines, which are members of the Chamber of Mines, participate. The competitors are ranked in order of the highest percentage improvement shown in their casualty rate for falls of ground, over a period of three months

Since its inception Gencor mines have won the competition 53 times out of a possible 105 times, said the company.

The trophies will soon be presented to the respective general managers, Mr Clive Archer of Unisel, and Mr Trevor Holmes of Stilfontein

Stilfontein also recently recorded one million fatality-free shifts

Rand Mines comfortably exceeds its profit forecast

SMR (214) 31/10/86

By Peter Farley

Rand Mines turned in a solid performance in the year to end-September, with a 21 percent increase in attributable earnings to R134 million.

This comfortably exceeds the 15 percent full year growth forecast at the halfway stage and paved the way for an increase in the year's dividend payout to 425c a share from 1985's 350c

The only blight on an otherwise strong, all-round, performance was the depressed state of the local property market Chairman Dammy Watt says that had it not been for sluggish conditions in property the results would have been even better. Rand Mines Properties last week reported a R6 million decline in net earnings.

The second half boost came from continuing improvements in the rand income of gold and coal receipts, together with a stronger performance in the base minerals division

Apart from the income statement, the strong performance by the group in the past few years has considerably strengthened the balance sheet. Total assets have leapt to R1,7 billion from R1,3 billion at the end of theprevious financial year, with net asset value up to 8 728c a share from 5 637c

Watt has, however, given no indication of prospects for the current financial year, though the indications must still be pretty good The gold price has failed to sustain its upward momentum in recent weeks, and is close to the $400 mark

But if the price can consolidate and advance from these levels and the exchange rate remains favourable, the short term outlook for Rand Mines — and other producers — must still be buouyant

SUN TIMES · BUSDAY (214) 2/11/86.

De Kaap plans its own bourse

DE Kaap Gold Mining Co wants to start its own unlisted securities market.

It held a seminar on the subject and issued two brochures on the "Unlisted Securities and Private Placings Market" (US&PPMarket), which will be administered and regulated by an official-sounding National Association of Securities Dealers and Investment Advisors (NASDIA)

De Kaap invites companies to offer their shares and would-be shareholders to buy A brochure does not make clear who will constitute the network of licensed NASDIA members, but it appears that numerous share brokers operating for De Kaap will form the nucleus

NEGATIVE

De Kaap claims to have successfully hawked R4-million of its own unlisted shares to the public It has even managed to sell some at R5 a share There are 12-million shares in issue, so at R5 a share the company values itself at R60-million

In its financial statements dated August 31, 1985, it had negative shareholders' funds of R727 000 and accumulated losses of R1,8-million

So the company has every reason to feel successful as a hawker of shares, if not as a gold producer yet

It also appears to have every reason to feel frustrated with the JSE's exacting listing requirements

At one stage De Kaap aimed at a listing, but stockbroker EW Balderson has declined to go ahead for lack of information Shareholders have still not heard the outcome of independent investigations of its vaunted New Machavie mine by consultants Cyril Heever, Brian Spratley and Felix Mendelsohn

OFTEN LATE

It appears that De Kaap wishes to be listed on its very own stock exchange with requirements determined by itself

It says "Unlisted companies will not have to produce drawn-out accountants' reports but rather a shorter summary will be in order, provided that this summary refers to the asset base of the company in question"

De Kaap's financial statements have often been late and on occasion "audited but unsigned"

The US&PP brochure says it is out to emulate the success of the over-the-counter market in the US and the Unlisted Securities Market in the UK It does not mention that listing requirements on the London and New York stock exchanges are much tighter than those of the JSE's Development Capital Market

A company can list on the DCM with an acceptable three-year profit record and pre-tax profit of R250 000 Any company smaller than this does not deserve to be listed, for we would be talking of a taxed profit of R150 000 and a market capitalisation of about R1-million

Bearing in mind that controllers usually retain at least 80% of businesses listed on this type of market and that only 10% of a company's free shares generally trade, we would be looking a turnover of R20 000 a year One can hardly establish true market prices on such tiny trade So it is hardly true that the constraints of a listing in SA are severe

One hopes that De Kaap appreciates the complexity of what it seeks to do Running a market is more than merely buying and selling Clearing, settling and administration are not easy tasks

De Kaap believes the cost of listing will be 10% of the funds raised That is enormous by JSE standards Dealers, it appears, will not charge brokerage, but will take a turn on the spread between buying and selling prices

OBSTACLE

It appears that there is one obstacle in the way of De Kaap's ambitious plans — Section 3 (5) of the Stock Exchanges Control Act which provides that only a stockbroker, merchant bank or discount house can conduct a market in shares

As JSE president Tony Norton says "That regulation is not for nothing It is designed for the security of users to keep securities dealing under the control of the Registrar of Financial Institutions"

 Cape Times 3/12/86

Rand Mines dividends reflect gold price boost

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JOHANNESBURG — Higher gold prices are reflected in the latest dividends from gold producers, say the directors of in the Rand Mines group

Blyvooruitzicht has upped its interim by 15c to 115c, while marginal producer Durban Roodepoort Deep has declared a same-again final of 100c, after having passed its interim

Cash squeeze

As expected, there is again no dividend from ERPM, where full-scale work on the R300m far east vertical project is holding the mine in a negative cash flow squeeze

The 100c final for Durban Deep is in line with the forecast made by chairman Clive Knobbs, who said in his last statement that, given an average gold price of R25 000/kg, shareholders would enjoy further dividends in 1986

Durban Deep's average gold price in the first three quarters January to September — was well above that level at R26 300

"Durban Deep could have declared a higher dividend, but the directors decided to retain some earnings in order to accumulate as much cash as possible pending a decision on the future of the area to the south west of the present lease location," says Knobbs

The increase in Blyvoor's interim also meets the forecast made by Knobbs, who said an average gold price of R28 000/kg this year would enable shareholders to look for a total 1987 payout of 230c (against 200c last year)

Blyvoor's average gold price in the September quarter was R30 552 With gold moving around the R29 000/kg mark so far this quarter (October to December), the mine's rand receipts are holding up well

All earnings

"In declaring the 115c interim, Blyvoor has followed the usual procedure of paying out to shareholders all earnings after Capex," says Knobbs

ERPM will clearly remain out of the dividend paying stakes until its far east vertical project is complete and bearing fruit

The mine had a net cash outflow of just over R50m in the first three quarters of 1986 — an indication of the tempo of work on the project which, once completed, will give the mine a new lease of life — Sapa

De Kock defends the money squeeze

Benefits of gold boom squandered

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4/11/86 STAR

Finance Staff

The financial authorities squandered the benefits of the gold boom in the early 1980s, according to Reserve Bank governor Dr Gerhard de Kock

He told a seminar last night the authorities were guilty then of unjustified expansionary policies, a lack of proper financial controls and excessive pay rises in the public sector

And, he said, the circumstances which led to the drastic tightening of monetary policy in August 1984 could have been avoided

Addressing a Mercabank seminar in Johannesburg, he said they could have been prevented by more appropriate fiscal and remuneration policies in the public sector in the previous two years

But, he said, once a situation such as that in 1984 had come about, a tightening of monetary policy was imperative in the interests of the economy

"The moral of the story is that, if at all possible, monetary authorities should not allow situations like that which prevailed in South Africa in August 1984 to arise"

Dr de Kock said it was unfortunate for the Reserve Bank the burden of policy at the time had to fall on monetary policy

"It would have been better if, in accordance with earlier Reserve Bank advice, fiscal policy had been less expansionary and if more appropriate remuneration and administrative pricing policies had been followed in the public sector during the preceding two years

De Kock

justified spending spree of 1983/84 would then not have occurred to anything like the same extent and it would not have been necessary for interest rates to rise as much as they had to in August 1984"

Dr de Kock said events further back in history also had an effect on the situation

It was evident the gold boom of 1979 and 1980 was not handled as well as it might have been, he said

When the gold price moved up sharply in 1979 and 1980 to a peak of $850 an ounce in January 1980, steps should have been taken to prevent the money supply rising as high as it did and interest rates from falling to levels abnormally low in nominal terms and substantially negative in real terms.

Such steps could have included a relaxation of exchange control and special issues of Government stock aimed at building up a large stabilisation fund.

"In retrospect, it is also clear that a policy of adhering to a predetermined money supply target in the years 1979 to 1981 would have greatly eased the handling of the subsequent adjustment problems that inevitably followed the decline in the gold price, the drought and the capital outflow."

Dr de Kock said the "spending spree" that preceded the 1984 tightening of monetary policy could have been prevented by more effective demand management policy at a time when the gold price was declining and the drought was taking its toll

The Budgets of March 1983 and 1984 were excessively expansionary, he said, and so were the large wage and salary increases in the public sector in those years

"In addition, the Reserve Bank's monetary policy was too accommodative

"But when the gold price suddenly slumped further in July 1984 (by about $40 an ounce) the writing was on the wall

"Given the inadequate amount of fiscal policy in the overall policy mix at that time, there was no alternative in August 1984 but to tighten monetary policy".

Gold market entering crucial testing period

Star 5/11/86 (214)

By Neil Behrmann

LONDON — The gold market has entered a crucial testing period because of above average sales from the Soviet Union and a revival of the dollar

Prices briefly tumbled below $400 after the Russians sold an estimated 50 tons in the past 10 days, said London and Swiss bullion dealers

The sudden spurt in Russian selling came at a time when the market was already weakening Western producers and Far and Middle Eastern hoarders began stepping up their sales when gold attempted, but failed to breach an important resistance area of $450

Simultaneously Japanese buying — the most significant influence on the market during the past year — dried up As the price weakened, US and European investors began to bail out of stale bull positions

Then the Russians stepped in and had to open telex lines to the bullion dealers asking for bids, said dealers

"This was very confusing," said Ed Arnold, metals analyst at Merrill Lynch in London "Normally the Russians are shrewd operators and only sell secretly and in strong markets"

But in October and November last year they were also selling actively So dealers believe that economic committees have decided to clear metals stocksbefore the year-end

The Bank for International Settlements (BIS) estimates that Communist bloc countries, mainly Russia, sold 250 tons last year, 100 tons higher than in 1984 Sales estimates for 1986 range between 200 and 250 tons

The Russians were on a gold selling spree earlier this year and analysts estimated that in the first two months alone 50 to 60 tons were sold

But until the past week, the Russians have been discreet, say Swiss and London bullion sources They bought gold at times and helped the price surge through $400 a few months ago

"While they were buying in one centre, they could have sold in another," notes a Swiss dealer

Swiss dealers say that the Russians began selling when the price was trading between $430 and $440 an ounce in September

Metals & Minerals Research Services estimates that Communist bloc gold sales could reach 300 tons this year But the consulting firm reckons that the supply estimate will include sales of 100 tons by China

Most of China's gold — sold mainly in the middle of the year — went to Japan, which imported 491 tons in the first nine months of this year against 197 tons in the whole of 1985

Bullion dealers are unsure about future trends in the gold price If the price substantially penetrates $400 again, they expect the decline to set off "stop loss orders" in the futures markets These are automatic sell orders to protect speculators against further losses

But if the price begins to settle, the market will attract physical buyers from Japan and the rest of the Far East The price would then gently rise again There were signs of larger physical orders early this week

"Gold coin demand is excellent Japan is minting a further five million Hirohito coins, over and above the present 10 million, and the entire 558 000 US Eagle coins were sold by the mint with ease," says David Williamson, head of metals research at Shearson Lehman in London

"Don't panic chaps," he tells his clients

Other advisers are more cautious and will only become bullish again if the price manages to hold above $400 for several weeks

The key to the market, they say, is the dollar, a firm oil price and the intentions of the Soviet Union

4/11/86 BusDay

214

MINING

Randfontein losing support

CHERILYN IRETON

RANDFONTEIN ESTATES has been losing favour among institutions which have been advised to reduce their shareholdings and to take profits

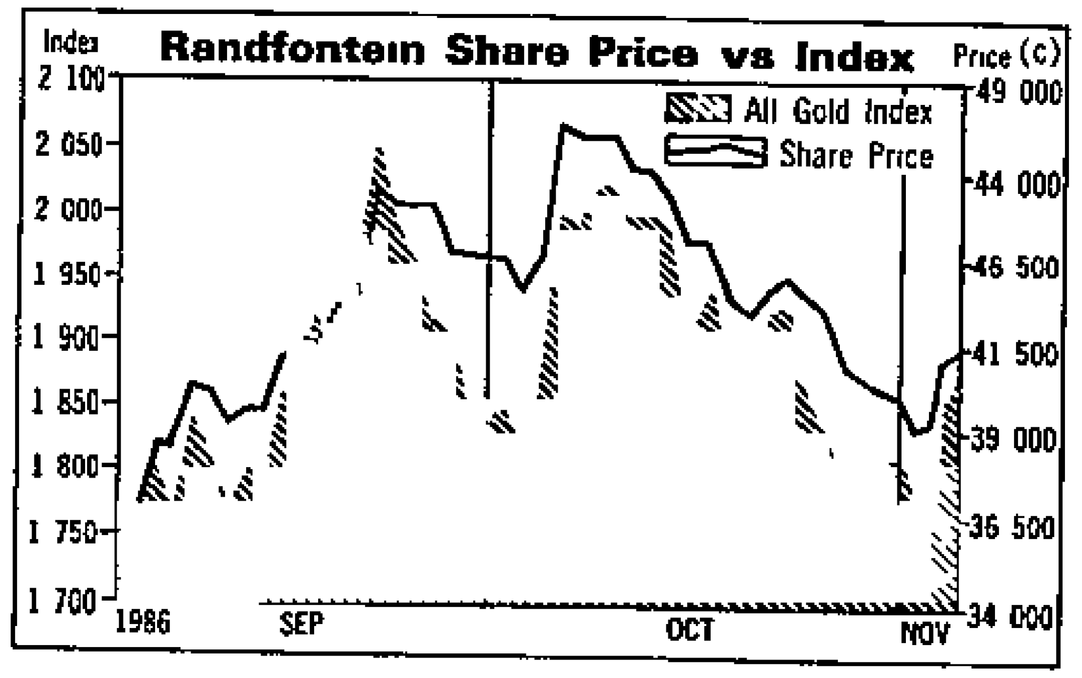
Reasons for the short-term lack of confidence in the Johannesburg Consolidated Investments (JCI) gold mining company are its recent production performance and its forecast dividend yield, says gold analyst Peter Hibberd of stockbrokers Edey, Rogers.

"Recent production results have been poor and the official announcement concerning expected grades of 4g/t, plus increased costs and capex indicate that the performance for 1987 will be below average," says Hibberd

In a recent research report Hibberd concluded that Randfontein was considerably overrated for a low-grade, medium-cost producer which had doubts hanging over the viability of its major new mining section, Doornkop

Doornkop, which will swing into production during 1987, could be a severe testing ground for mechanised mining techniques.

Hibberd says that while the switch will undoubtedly prove advantageous in the long term, Randfontein's results have yet to show the benefits. This situation could persist until the Doornkop section is established



Even then Randfontein's management will have to cope with the Kimberley reef which, apart from being patchy with distinct pay shoots, is disrupted by small faults which may cause problems to mechanised operations thereby aggravating working costs

Initial recovery grades from Doornkop are expected to be between 3g/t and 4g/t. Since this material is due to replace the richer ore from Cooke 1, it confers further negative grade implications for 1988

Cooke 1 is the oldest section, and although gold values are high, reserves are dwindling rapidly and mining is planned to be phased out gradually from 1987

The other areas being mined by Randfontein are the newer Cooke 2 and 3 areas where mechanised mining accounts for about 25% of the total production

In the year to June Randfontein posted "poor results" which were affected by poor hedging transactions and labour disturbances.

The company's historic results are masked by the change of year end from December to June, hence giving an 18-month accounting period for the 1985 financial year.

Annualised figures show, however, that while tonnage milled increased by 14%, an 18% drop in recovery rates meant a fall in gold production. Working costs (R/t) jumped 16% after an increase of 38% in 1985.

Concern about the future dividend yield is based on a picture of static earnings which emerged from annualised figures The 1986 dividend of 1700c a share represents a payment 25% in excess of earnings Hibberd fears Randfontein may have to dip into its reserves to provide dividend growth as, at current gold prices, his forecast earnings of 1650c a share will be below previous dividends.

For the current financial year Doornkop is not expected to significantly influence production results but costs are likely to jump by at least 16% due to increased labour rates, mechanised mining and various teething problems at Doornkop.

Kloof to extend its lease area

BU7.9.91

(214)

10/11/86

KLOOF Gold Mine's application for an extension of its lease area has been approved in principle by the Mineral and Energy Affairs Minister, Gold Fields of SA has announced.

This effectively rubber-stamps the provisional agreement reached with government more than a year ago for incorporation of the Leeudoorn extension into the mine's lease area

The area comprises about 1 301ha at the south-~~east~~ boundary of the existing lease area

Work is already in progress on the Leeudoorn No 1-shaft complex, with expenditure in the year to June 1986 totalling R87m

Current-year expenditure of about R90m is planned

Good results from Egoli

Mining Editor

EGOLI Consolidated Mines has posted a 50% rise in earnings in the six months to September, compared with the same period last year

Earnings a share, at 21,9c, are up nearly 16% The difference is accounted for by the number of shares on issue increasing from 20-million to 26-million

A 5c per share interim dividend payout is covered 4,38 times by earnings

Unaudited figures published today put earnings at R5,68m, as against R3,79m for the comparative period last year, and R11,25m for the full year to March 1986 The operating and dividend income improvement, however, is not directly comparable as the previous year's results include sales of mining assets and subsidiaries totalling more than R10m

An Egoli spokesman, while describing the year-to-date results as "very good", noted that the bulk of investment revenue was not yet through and would accrue in the second half of the year

Strike talks resume today

10/11/86 STAR (214)

Negotiations are due to resume today between the National Union of Mineworkers (NUM) and Kinross gold mine management to end the strike which started on Thursday

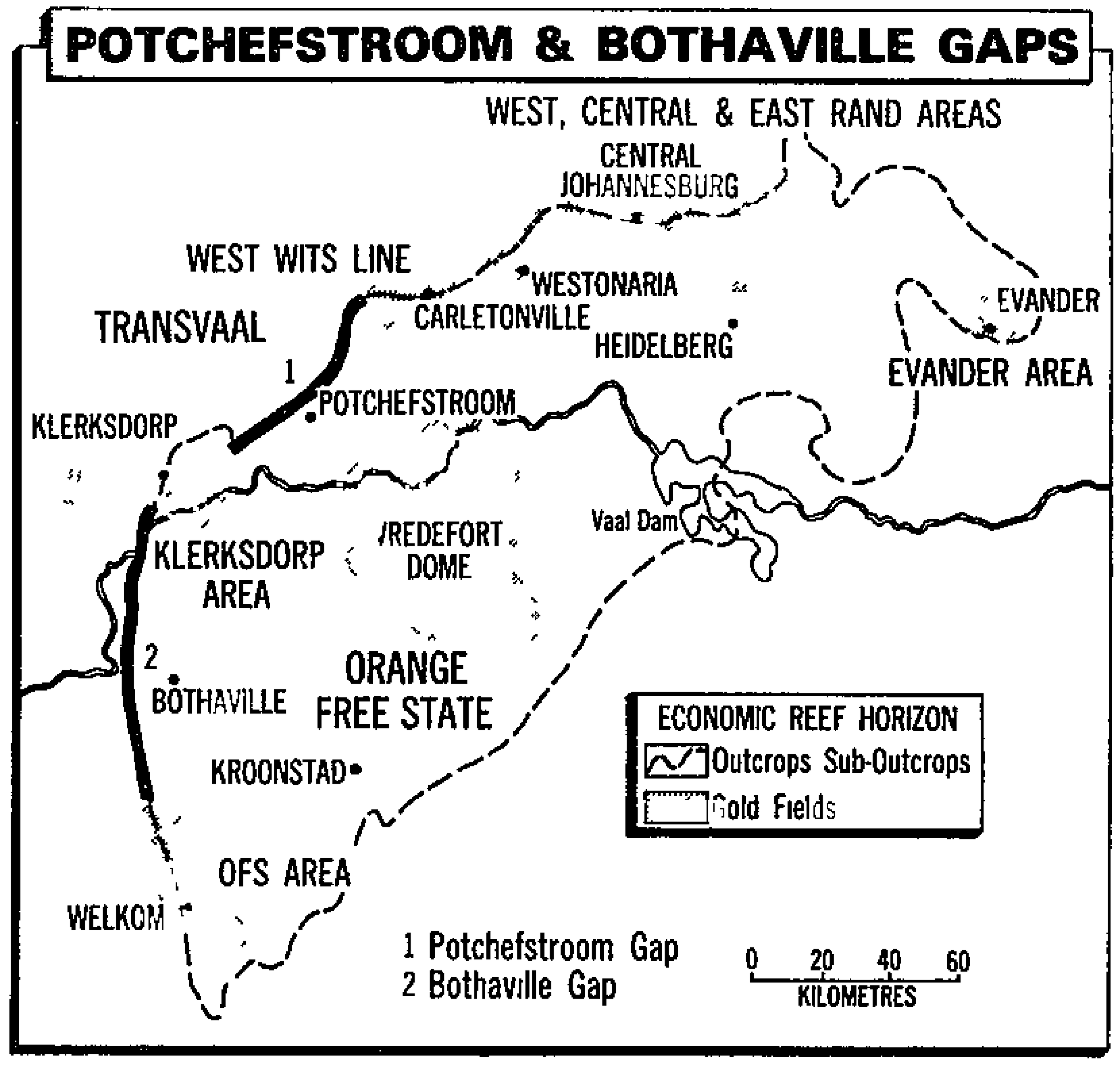
According to the NUM, nearly 6 000 workers were involved Management puts the figure at about 4 000

The strikers are demanding the reinstatement of NUM Eastern Transvaal chairman, Mr Eric Vala, dismissed for his alleged role in the disruption of a management-organised memorial service for Kinross mine disaster victims, and of three union members fired in the wake of underground work stoppages over production bonusses

Mr Harry Hill of Gencor said 70 percent of the workers at Number 2 shaft had reported for work on Saturday. He denied an NUM allegation that they had been forced to return but confirmed that disciplinary action was being taken against three stewards

● The Congress of SA Trade Unions will take solidarity action with the Kinross workers if Mr Vala and the other three are not reinstated

A new gap of gold for the Western Transvaal



CHERILYN IRETON

BusDay 214 11/11/86

BOREHOLE results from the Western Transvaal have dispelled the theory that the Potchefstroom district is a barren gap in the Witwatersrand gold basin

Gold has been found on a farm just 30km north-east of Potchefstroom, fuelling speculation that a new gold mine could be established in the district within the next few years.

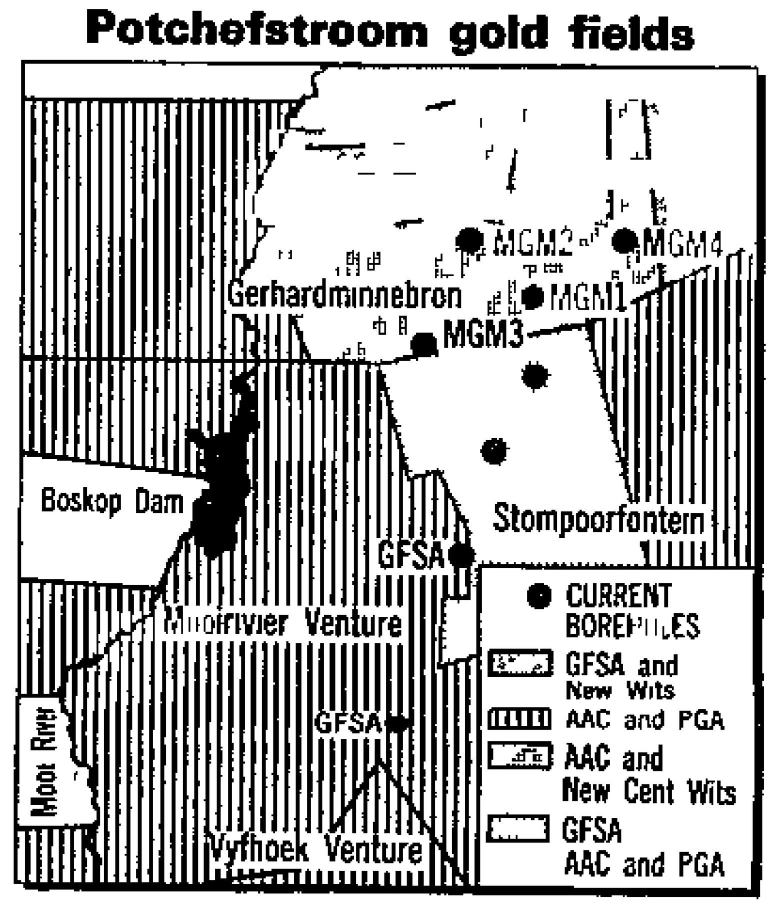
While mining circles are confident that at least one new mine will be developed in the region, Anglo American has cautioned that it is still too soon to take such a decision The drilling programme underway by New Central Wits will take well into the 1990's and only then will results be analysed and feasibility studies undertaken

But if the economic mineralisation justifies the development of a new gold mine, this would be the first significant development in the Potchefstroom gap of the gold basin, so called because of the absence of payable reefs between the farms to the west of Deelkraal Gold Mine to Stilfontein.

Gold was detected in the area in the late Forties, when boreholes intersected the Witwatersrand Reef But values were not on a par with those mined at Carletonville and so funds and energies were diverted to the more promising Free State gold fields

Now, with mining houses concerned about shrinking gold reserves, they have redirected their attention to the Potchefstroom gap. In their search for gold in this area, exploration companies had been drilling for an extension of the Ventersdorp Contact Reef or the Carbon Leader Reef, both of which are mined in the Carletonville area Drilling was concentrated in areas where they believed these reefs would be developed. The first borehole, sunk by Anglo's prospecting arm for New Central Wits, intersected the conglomerates of the Johannesburg sub group. Since then, three boreholes are believed to have intersected the reef, one on Gerhardminnebron and two on its southern neighbour Stompoorfontein Five boreholes on Gerhardminnebron belong to New Central Wits, which first intersected the reef in April in borehold Mgm1, at a depth of 3184m assaying 1 756cm g/ton The second borehole, Mgm2, intersected the reef at a much shallower 1 341m, assaying 1 438cmg/ton

Potchefstroom gold fields



New Central Wits says the other three have yet to intersect the reef Borehole Mgm3 has reached a depth of 1 439m while boreholes Mgm4 and Mgm5 are still only about 345m deep.

However, speculation is rife that a further two intersections have been made on the farm south of Gerhardminnebron, Stompoorfontein, at depths of 3 500m and 2 000m. At first glance, these two farms seem likely to be the site of any prospective development Goldfields has one borehole on Stompoorfontein, while the mineral rights are divided between Anglo (50%), Gold Fields (25%) and Iscor (8%)

Potchefstroom Group Areas has a 10% subscription right in any new venture undertaken by Anglo Prospecting in the Mooiriver area According to a prospecting map produced by stockbrokers Anderson, Wilson, the mineral rights on Gerhardminnebron are divided between New Wits (23%) and New Central Wits (67%).

In terms of a contract with Anglo, New Central Wits must sink another three boreholes before deciding whether to continue prospecting operations.

This first phase of drilling should be complete by 1991 Meanwhile, geologists believe the reef intersections may indicate another entry point to the Witwatersrand basin.

The OFS, Carletonville, Witwatersrand and Klerksdorp gold mines are all situated on areas thought to be prehistoric fan-shaped fluvial inlets to the basin

During various stages of the earth's development, gold was deposited in these areas, leading to the formation of the gold-bearing reefs

While it is still too early to prove this is the case on Gerhardminnebron, mining houses are keeping a close watch on the drilling activities in progress

If another alluvial fan exists, gold deposits may extend over a wide area and, if payable, could lead to the development of several new gold mines

Another important factor is that the reef which has been exposed — at a 40 degree dip — appears to be the same horizon that is payable in the Vaal Reefs area

If the drilling of many more boreholes proves this, economic mineralisation could extend from Klerksdorp to Gerhardminnebron

With this in mind, even those with no vested interest in the area are excited about the initial drilling results and see the door open for the development of another noteworthy goldfield

Sacked union official: mines willing to talk

Star 11/11/86

Gencor yesterday said it was ready to resume negotiations with the National Union of Mineworkers over the dismissal of a senior union official from the Kinross gold mine

This follows the suspension by the union yesterday of a three-day strike, pending negotiations

The strikers are demanding the reinstatement of NUM regional chairman Mr Eric Vala and three other leaders

The union claims Mr Vala was dismissed for his alleged role in the disruption of a management-organised memorial service for the Kinross mine disaster victims

Gencor says Mr Vala was dismissed for unruly behaviour in a bar and assault

● The Congress of SA Trade Unions says it will take solidarity action with the Kinross workers if Mr Vala and the other three are not reinstated.

NUM rejects latest Gold Fields offer

12/11/86

ALAN FINE

THE National Union of Mineworkers (NUM) yesterday rejected an offer made by the Chamber of Mines on behalf of workers in recognised bargaining units on some mines in the Gold Fields group — leaving the way open for a possible second round of strikes against the group

The talks follow a wage strike by about 25 000 miners two weeks ago.

Gold Fields has offered the NUM the same deal on income security for incapacitated workers agreed with other chamber mines recently But it declined to offer improvements on actual wages

The chamber said "The wage levels at the mines which remained in dispute with the NUM compared favourably with and, in some cases, exceeded the wage levels on mines which had settled with the union on October 27, 1986"

Although Gold Fields withdrew from the chamber negotiations in June, it implemented a wage adjustment in August

However, the NUM has begun official proceedings to have the "unilateral increase" declared an unfair labour practice on the grounds that it was intended to subvert the union's position and it was disadvantageous to workers in the lower job categories

NUM plans taking strike ballots

13/12/86 BUSDAY

THE National Union of Mineworkers (NUM) plans to begin conducting strike ballots at seven Gold Fields mines and Rand Mines' Douglas colliery complex this week, as soon as the companies agree to a request for balloting facilities.

The move follows the union's rejection of a Chamber of Mines offer on its members' behalf yesterday A Rand Mines spokesman says the request has already been granted, while Gold Fields was considering its response yesterday.

The two groups have offered to implement an agreement on income security for incapacitated workers already agreed with other chamber mines, but have refused to revise their wage rates

Gold Fields says that, following an adjustment in August, its rates are similar to those on other mines. The NUM contests this Rand Mines says it implemented lower percentage increases because its basic wages are already the highest in the industry for 95% of its workers

An NUM spokesman yesterday predicted workers would choose to strike.

Cost inflation squeeze threatens SA gold mines

STAR 17/11/86 214

By Stan Kennedy

All the symptoms are present on South Africa's gold mines for the average costs a ton to rise to $185 an ounce in the next six years, with serious implications for the gold mining industry

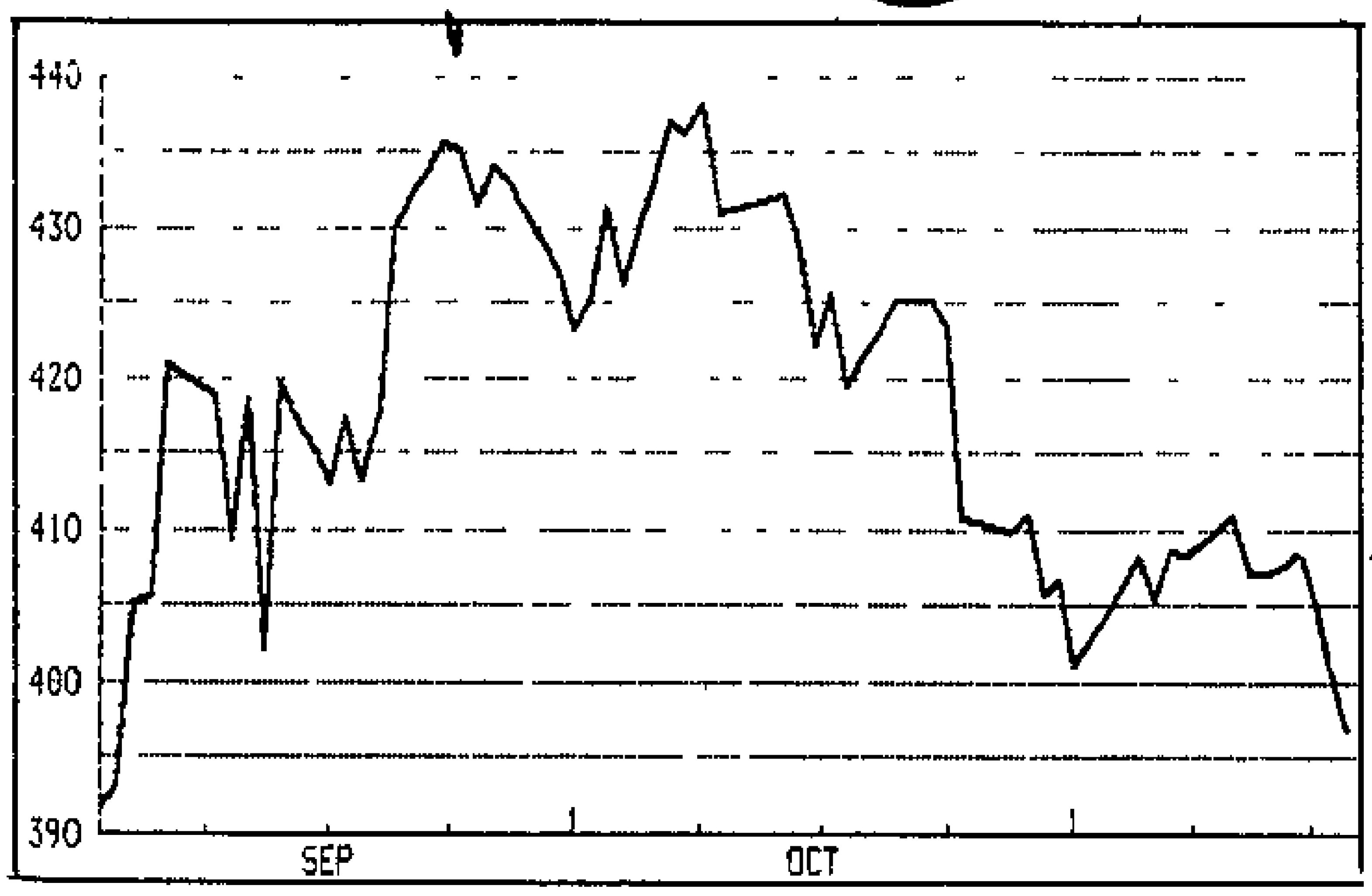
Alternatively, the commercial rand would have to fall to $0,19 to maintain the present cost/revenue relationship For the overseas shareholder, the alternatives are squeezed profits or a drastic fall in the value of the rand dividend

In its latest review of SA gold mines, Warburg Securities, a division of the financial services group Rowak, points out working costs in the last quarter rose by 5,5 percent to give an increase over September last year of 16,2 percent

"This is no real problem in the short term," it says, "because the high rand gold price has more than compensated But a quick look at the last six years will show that the longer term implications of this sort of annual price increase are very serious"

Between the third quarters of 1980 and 1986, average costs a ton have risen from R36,19 to R81,93, an annual compound rate of 14,6 percent Another six years at this rate and costs an ounce will be more than the current price of gold

"Obviously much can happen to gold and other things over the next six years but it is difficult to see how inflation on the mines can be curbed, particularly as the black/white pay gap is still substantial



The international bullion price appears vulnerable after i. slumped through the psychological $400 mark in New York on rriday and weakened further in Hong Kong today. It opened this morning in the Far East at $397,75, more than $1 down on Saturday's close — *Graph: Simpson Frater.*

"The ability of the mines to raise grades to compensate is also becoming limited The South African gold mining industry faces serious pressures on results from rising costs over the next few years, which will be to the detriment of overseas shareholders, whatever happens"

Labour unrest has yet to affect the mines significantly, it says Most companies have enough stockpiled ore on surface or "rainy day" gold in the strong room to get over minor stoppages of the sort that has happened so far

The potential for more serious disruption in the future is, however, growing as the black union becomes better organised.

In the near term, a high rand gold price will outweigh rapidly rising costs and sporadic labour unrest and rand profits and dividends will stay high

Judging by the Johannesburg gold share index and rand gold price movements since the last quarter of 1984, Johannesburg prices have not run ahead of gold and should hold present levels if gold stays above $400

On the other hand, a quiet gold price and the present stream of adverse news from South Africa will continue to exert downward pressure on the financial rand and therefore on overseas prices

"We remain optimistic that gold's next major move will be up but it could consolidate in the $400-$440 region for some time and overseas prices therefore look likely to weaken further in the near term or, at best, move sideways"

It says yields do not look particularly attractive now, except on short-life mines like Blyvoor, Bracken, Grootvlei, Leslie, Venterspost, Stilfontein, Durban Deep and East Rand Prop, and it regards the shares mainly as trading counters on sharp gold price moves

The outlook for a continuing strong rand gold price looks good The SA Reserve Bank is not going to allow the commercial rand to rise much above $0,45, principally to protect the rand value of the dollar-denominated exports like gold

"On the other hand, any weakness in gold will undoubtedly be accompanied by a fall in the rand and the rand gold price may not fall very much In broad terms, therefore, we expect the rand gold price to hold at least in the R26 000 to R30 000 region for the time being"

14/4/86
WEEKLY MAIL

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Gold Fields 'no' to NUM strike ballot

By SEFAKO NYAKA

GOLD FIELDS yesterday rejected a request from the National Union of Mineworkers for strike ballot facilities at four of its mines

According to NUM representative Marcel Golding, strike ballot facilities were refused at the Kloof, Doornfontein, Venterspos and East Driefontein mines

Facilities were granted at the West Driefontein, Deelkraal and Libanon mines

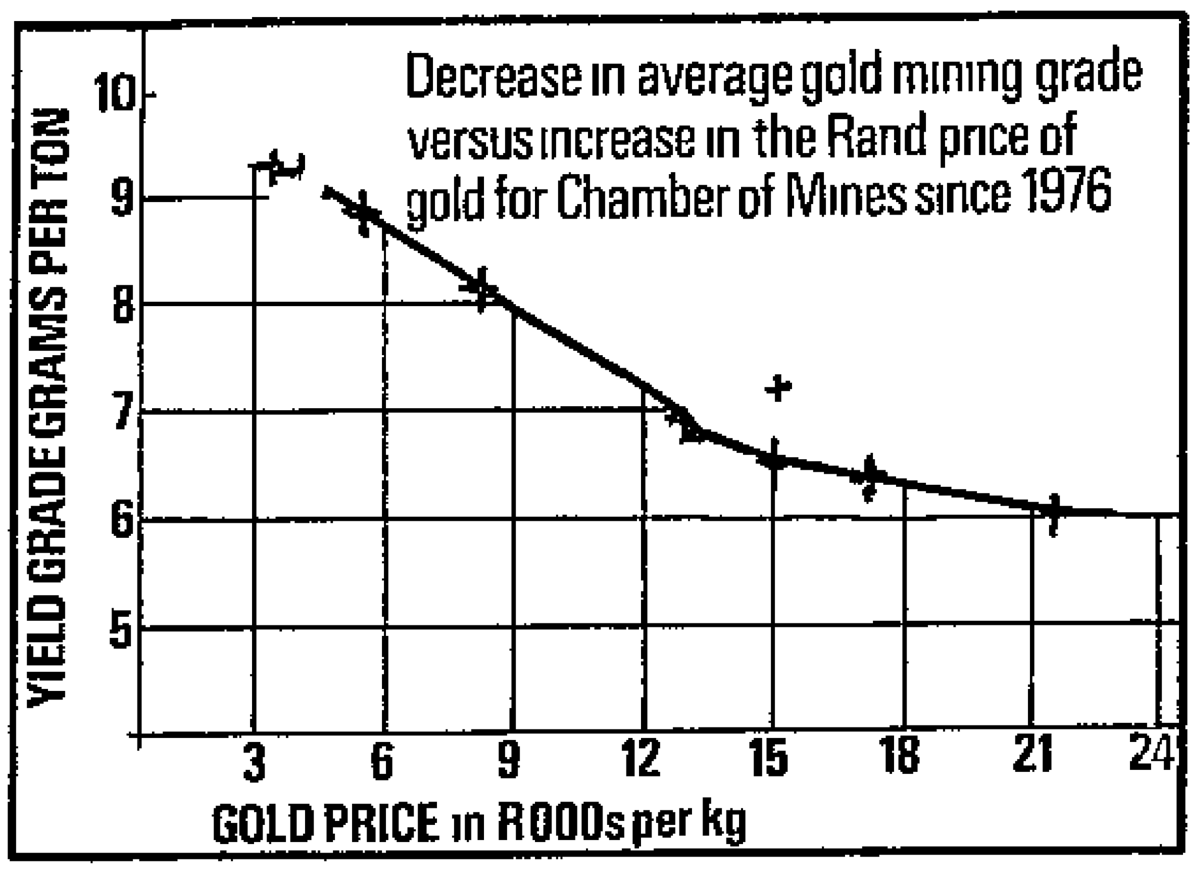
The NUM requested strike ballot facilities after it rejected a Chamber of Mines statement that wage levels at Gold Fields mines involved "compared favourably with, and in some cases exceeded, those at mining houses with which the union reached agreement last month"

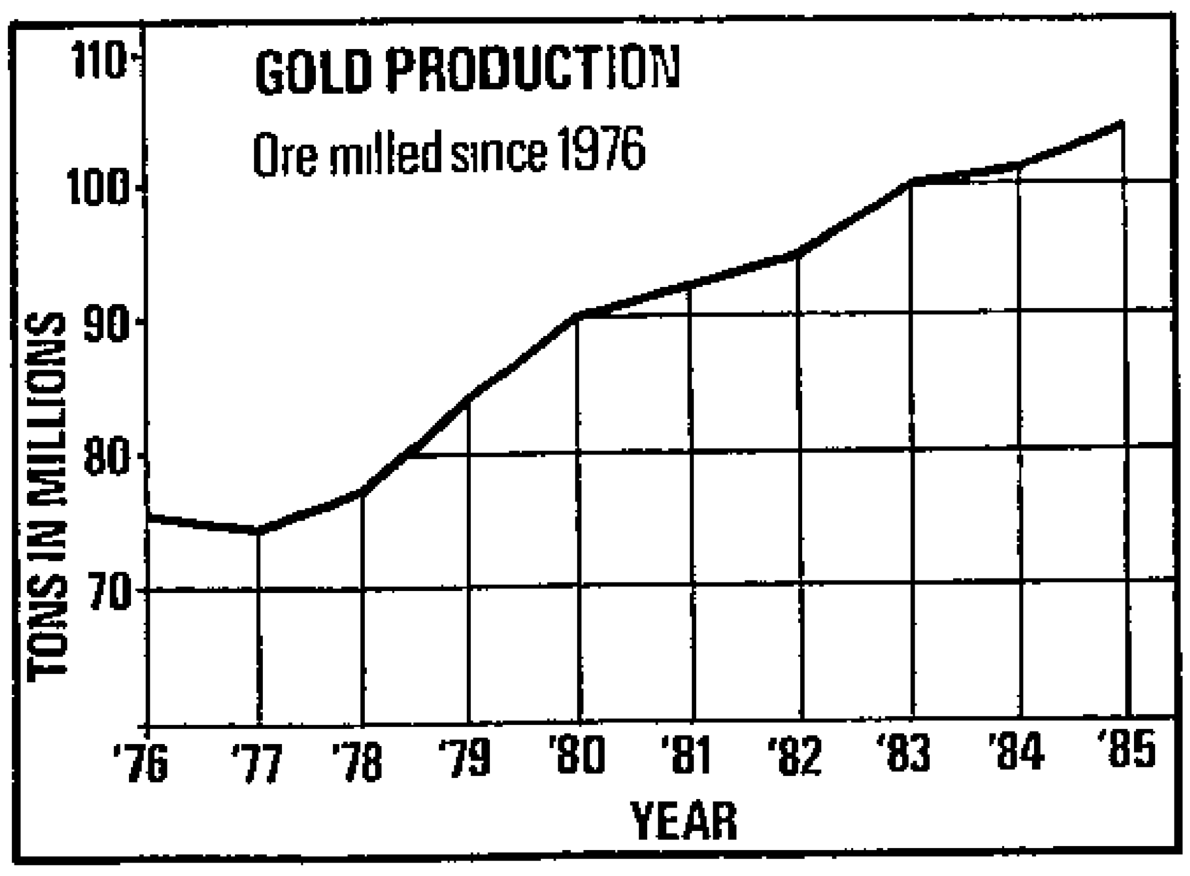
Gold Fields pulled out of talks when the NUM indicated that an agreement on the income security proposal would not stop the union from pushing ahead with further wage negotiations

A four-day strike by Gold Fields miners followed When it was called off, the union and Gold Fields agreed on the income security proposal, but Gold Fields refused to negotiate further on wages.

"It is clear that Gold Fields is trying to prevent the union from exercising its statutory right and this act is clearly seen as part of an attempt to undermine the union," Golding said

Gold Fields could not be reached for comment late last night.





Low grades cut SA gold output share

SUNTIMES (24) 16/11/86

SOUTH Africa is still losing its share of the Western world's gold production

By Dave Edwards

This is perhaps surprising for SA boasts the lowest working costs and 62% of world reserves It produced 56% of the world's gold in 1985 compared with 74% in 1976

Output dropped by 30 metric tons in 1980 and has never recovered In the same time Australia and Chile have trebled production, Papua New Guinea and the United States have more than doubled output and other major producers, such as Canada, Brazil and the Philippines, have all recorded substantial increases

The reason is that legislators force SA's gold operations to mine at the average value of their published ore reserves When the price of gold rises, the pay limit declines, and lower-grade ore is mined The reasoning is that this benefits the industry in the long term by stretching reserves and eliminates high grading

Using 1976 as a base, the rand price of gold has increased nearly tenfold — a comfortable statistic for anyone with investments in the sector — and average gold-mining grades for Chamber of Mines members have fallen by more than 34%

In fact, average yield grade for those mines for the first three quarters of 1986 has fallen to 5,68 grams a ton — 42% of the 1969 high of 13,34 grams a ton

However, as the graph shows, the curve is flattening

Other side

How much farther can grades fall? Not much if the graph curve means anything But in the longer term, more low-grade mines could open if the outlook for gold remains bullish Operations like Southgo and Rand Leases expect to make profits by winning more gold from old mines where the high-grade shoots have been mined out These grades are significantly lower than the industry average

The other side of the production story is tons milled The second graph shows how tons milled for Chamber of Mines members have grown since 1976

The rate of increase is healthy, but is not as strong as in the late 1970s

Although mill throughput is rising by 3-million tons annually, it is enough to counter the effect of the drop in grade

Highest ever

Since 1983, production has levelled off at between 670 000 and 680 000 kilograms of gold a year

With most plants operating at full capacity, capital expenditure is the driving force behind increases in mill throughput

In 1985 capex for the gold-mining industry totalled R1,9-billion, 16% up on the previous year Capex for the first three quarters of 1986 is R1,73-billion, suggesting that the year's figure will be nearly R2,3-billion

The 1986 total could be as much as 33% higher than in 1986 This does not appear to be a significant rise when the high inflation is taken into account

Chamber figures give an average grade for the first three quarters down to 5,68 grams a ton and tons milled of 80,6-million tons

Production for Chamber mines in the three quarters was 458 000kg, suggesting a year's total of 610 000kg — a fall from the 636 000 kg in 1985

The higher rand price of gold has stimulated the opening of mines and the expansion of existing ones But there will be a considerable time lag between concept and production In the meantime South Africa has once again lost ground in the Western production stakes

Nevertheless, rand earnings are the highest ever

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CITY PRESS 16/11/86.

We'll talk with NUM — Gencor

THE Kinross Mine owners are "willing to talk" to the National Union of Mineworkers about reinstating a union official and other grievances but no worker representative has come forward, a Gencor spokesman said this week

"We have said we are willing to talk and have stated our position quite clearly and it's now up to the workers But so far no one has come forward," Harry Hill said

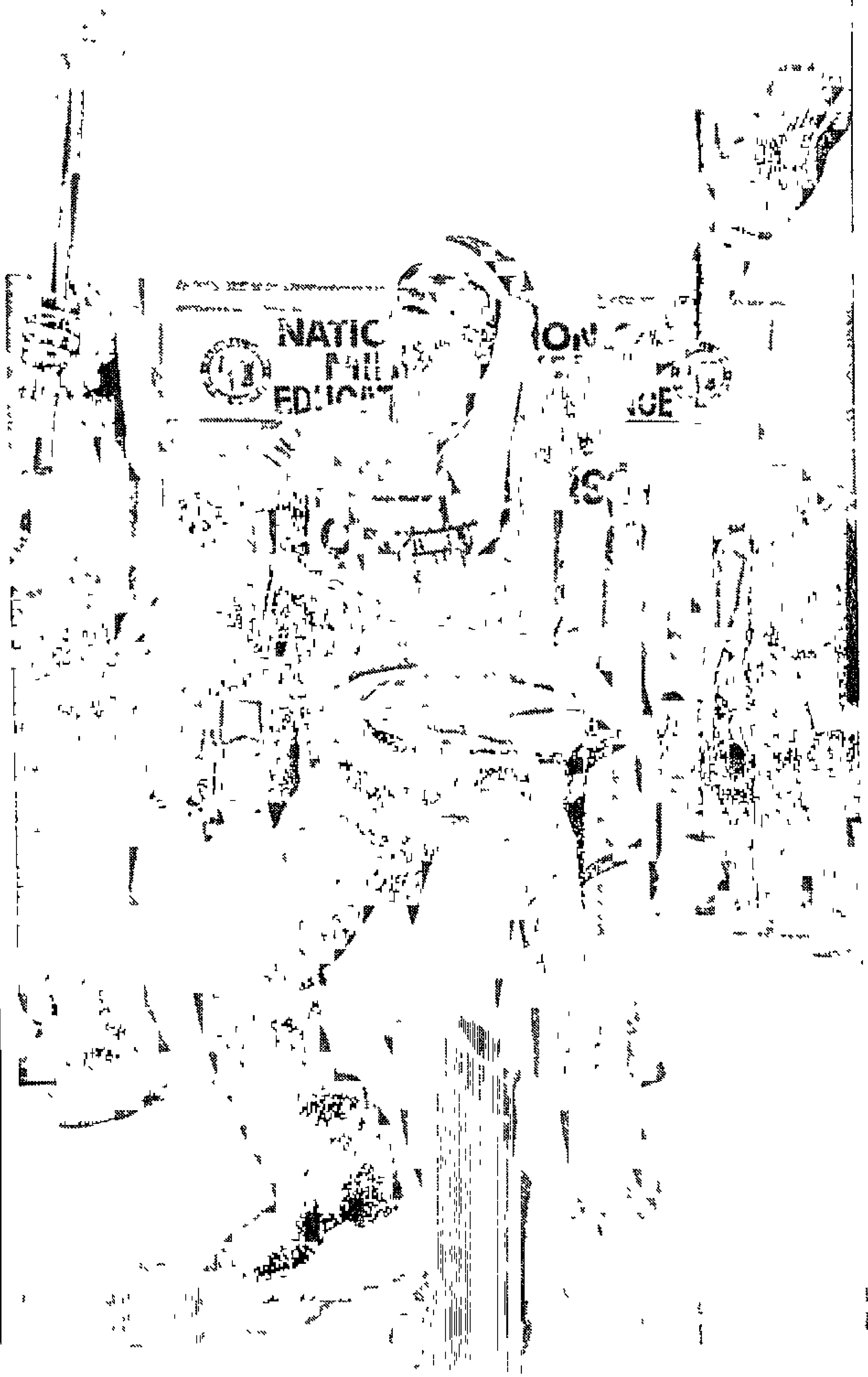
NUM spokesman Marcel Golding could not be contacted yesterday morning, but he had said on Monday that shop stewards would be meeting to discuss the matter

Striking Kinross miners returned to work on Sunday night after downing tools on Thursday

NUM demanded the reinstatement of union official Eric Vala and three other workers and the discontinuation of a disciplinary hearing into a recent sit-down strike – Sapa

★ **The Congress of SA Trade Unions' largest affiliate, the National Union of Mineworkers, held an education day at Soweto's Jabulani Amphitheatre at the weekend – and, as always, the mass singing and demonstrations of solidarity were the highlight of the day.**

Workers rallied round the Cosatu and NUM banners to show their commitment to NUM's campaigns for a living wage and an end to job reservation. Pix: AFRAPIX.



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INVESTMENT

Steep costs rise seen for gold mines

From STAN KENNEDY

JOHANNESBURG — All the symptoms are present on South Africa's gold mines for the average costs a ton to rise to $185 an ounce in the next six years, with serious implications for the gold mining industry

Alternatively, the commercial rand would have to fall to 19 US cents to maintain the present cost-revenue relationship For the overseas shareholder, the alternatives are squeezed profits or a drastic fall in the value of the rand dividend

In its latest review of South African gold mines, Warburg Securities, a division of the financial services group Rowak, points out working costs in the last quarter rose by 5,5 percent to give an increase over September last year of 16,2 percent

IMPLICATIONS

"This is no real problem in the short term because the high rand gold price has more than compensated," it says "But a quick look at the last six years will show that the longer term implications of this sort of annual price increase are very serious"

Between the third quarters of 1980 and 1986, average costs a ton have risen from R36,19 to R81,93, an annual compound rate of 14,6 percent Another six years at this rate and costs an ounce will be more than the current price of gold

"Obviously much can happen to gold and other things over the next six years but it is difficult to see how inflation on the mines can be curbed, particularly as the black-white pay gap is still substantial

"The ability of the mines to raise grades to compensate is also becoming limited The South African gold mining industry faces serious pressures on results from rising costs over the next few years, which will be to the detriment of overseas shareholders, whatever happens"

Labour unrest has yet to affect the mines significantly, it says Most companies have enough stockpiled ore on surface or "rainy day" gold in the strong room to get over minor stoppages

The potential for more serious disruption in the future is, however, growing as the black union becomes better organised, increase its membership and, as seems inevitable, becomes more politicised At the very least, the review says, the union will keep the pressure on for higher annual wage increases

In the near term, a high rand gold price will outweigh rising costs and sporadic labour unrest and rand profits and dividends will stay high

In August and September, share prices rose sharply as gold moved over $400 an ounce with overseas prices getting an extra boost from a stronger financial rand

More recently, overseas prices have fallen back as the financial rand has weakened

Judging by the Johannesburg gold share index and rand gold price movements since the last quarter of 1984, Johannesburg prices have not run ahead of gold and should hold present levels if gold stays above $400

On the other hand, a quiet gold price and the present stream of adverse news from South Africa will continue to exert downward pressure on the financial rand and therefore on overseas prices

"We remain optimistic that gold's next major move will be up but it could consolidate in the $400-$440 region for some time and overseas prices therefore look likely to weaken further in the near term or, at ' əst, move sideways"

The outlook for a continuing strong rand gold price looks good The Reserve Bank is not going to allow the commercial rand to rise much above 45 US cents, principally to protect the rand value of the dollar-denominated exports like gold

"On the other hand, any weakness in gold will undoubtedly be accompanied by a fall in the rand and the rand gold price may not fall very much In broad terms, therefore, we expect the rand gold price to hold at least in the R26 000 to R30 000 a kg region for the time being"

Mine fire: arson fear

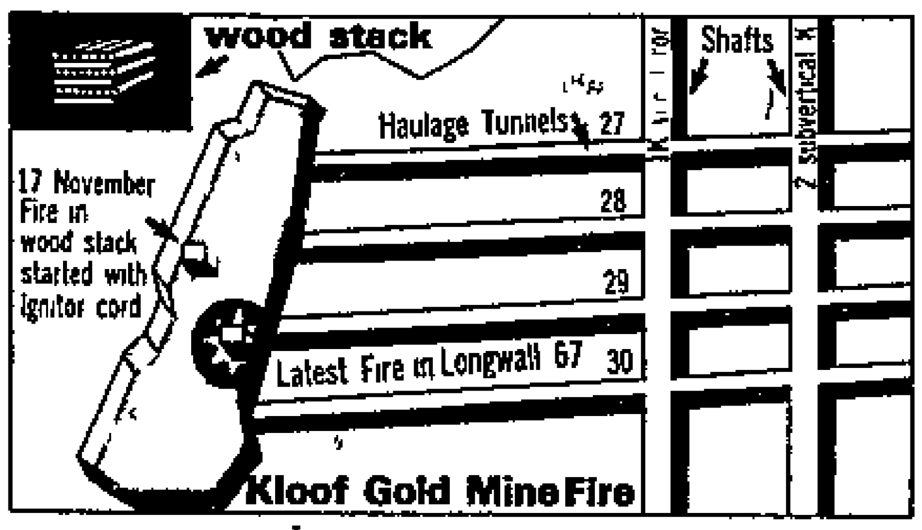
MINING EDITOR

A FIRE 2 300m underground at Kloof Gold Mine continues to burn, amid speculation that it was caused by an act of sabotage

A spokesman for the mine said it may take "some weeks" before the fire is brought under control

Proto teams are still being deployed in relays to monitor the situation

Based on the mines high average grade of about 15g a ton, and a 20% cutback in production as a result of the fire, production losses could run at more than R600 00 a day



The fire, detected at 7pm on Wednesday night, has halted production on the 67 longwall, the mine's most southerly stoping area, 3km from the No 1 shaft main complex

So far one person has been hospitalised as a result of exposure to gas, but his condition is reported to be satisfactory.

The area was sealed off to contain the blaze Steps are now being taken to install concrete plugs with a view to flooding the affected area

The plugs will seal off four crosscuts leading to the longwall, on levels 28 to 31. The affected area is approximately

● To Page 2

Arson possible in mine fire

214

BUSDAY 21/11/86

● From Page 1

1 000m by 220m

It is planned to start flooding next week, but because of a limited supply of surplus water (over and above what is needed for production) it may take some weeks to quench the fire and cool the working places

The extent of damage is not known and management are not forecasting when production will return to normal Yesterday about 10% of the mine's 8 500 underground workforce had been re-deployed elswhere

Chamber granted board hearing

24/11/86 BUSDAY 214

THE Minister of Manpower has granted an application by the Chamber of Mines for a conciliation board to resolve a dispute between the chamber and the white Mineworkers' Union (MWU) over an alleged unfair labour practice.

According to the chamber, the dispute arose when the MWU rejected a proposal that union members assist in the training of coloured winding-engine drivers on the same basis as they assist white trainees

The work of winding-engine drivers can be performed only by "scheduled persons" in terms of the Mines and Works Act

In terms of current legislation, all coloureds are regarded as "scheduled persons".

British television attacks Consgold

2/4

Dispatch Bureau

LONDON — The British-controlled mining group, Consolidated Goldfields (Consgold), has been condemned on television here as a vehicle for apartheid, cruelty and the exploitation of cheap black labour

In a film shot secretly after Consgold refused to co-operate, the Independent Television current affairs programme, This Week, reported on Monday night that the British company lagged far behind groups like Anglo-American, which showed a "real concern" for the future of South Africa and its people

The TV report could add to already strong criticism here of Consgold The programme claimed that the group banked on "repression" of blacks continuing for a number of years

This Week reported that while taking profits of R1 840 million out of South Africa in the past 10 years, Consgold, unlike other mining houses, was refusing to pay black miners basic pay increases

In spite of "phenomenal profits," the group had squandered the chance of contributing to the development of a just and democratic future in South Africa, said a professor of economics at the university of the Witwatersrand, Dr Frank Wilson, in an interview

This Week alleged that Consgolds security force represented the largest "private army" in South Africa and their operations, run on military lines, actively supported the enforcement of apartheid

UK firm 'has an army in SA'

Cape Times 26/11/86

914

Own Correspondent

LONDON — In a tough television documentary here, the London Consolidated Goldfields group (Consgold) have been accused of perpetuating apartheid and ruthlessly exploiting cheap black labour in South Africa.

The programme alleged that confidential documents it obtained showed that the Consgold "private army" liaised with regular police, spied on workers and unions and reported back to the government's industrial defence authority, the National Key Points committee

The film, by Independent Television's (ITV) current-affairs programme "This Week", laid responsibility at the door of the London company, but spokesmen maintain that the management of their South African interests is the responsibility of Goldfields of South Africa (GFSA), in which Consgold has a 48 percent holding

While Consgold London declined to comment on the programme, a spokesman for Goldfields SA, Mr Attie Roets, said from Johannesburg last night that "we have asked for a copy which will be with us tomorrow"

'A smear campaign'

"We will view it in the morning and because of the fact that at this point we do not know what was said or what was shown, we would like to view it ourselves and then possibly comment"

But another senior Goldfields source, who asked not to be named, said "from what we have heard, this film is a lot of nonsense, it is a smear campaign"

Consgold, which has frequently been attacked for the reportedly harsh employment policies of Goldfields SA, rejected invitations to take part in the "This Week" report

It is understood that directors felt the programme would be biased against them and their participation would have given the report the appearance of balance

One Consgold source said "It is a sort of no win situation But now some of us have seen the film we feel our decision was correct"

'Massive profits'

The sources indicated that if the specific charges made in the film required answers, this was the duty of Goldfields SA which was responsible for the management of the mines in South Africa

There was no response at the London headquarters to the key criticism in the film, that in the past ten years Consgold had taken massive profits of R1 840-million out of South Africa but continued to exploit black migrant labour and had put nothing back into the country

The film argued that Consgold should take responsibility for the alleged abuse of cheap black labour and the activities of its "private army" of security police

Rand Mines considers a new mine in Transvaal

By Frank Jeans

The Rand Mines group is "actively considering" the establishment of a new gold mine in the Eastern Transvaal.

In his annual report, chairman Mr D T "Dammy" Watt said investigations into the Barbrook project were complete, and, if the go-ahead was given the mine would operate under the Barbrook Mining and Exploration Company banner, a joint venture with Anglo American.

Mr Watt also predicted an average gold price of more than R28 000 a kilogram next year if expectations on a rising US dollar price materialise.

This compares with an average price of R26 242 kg for the first nine months of this year

He also foresaw a dollar/rand exchange rate hovering at 43c to 46c

Reporting gratifying results, considering "harsh and difficult circumstances" under which the group had to operate, Mr Watt had little doubt that the future of coal was assured in the light of continuing uncertainty in the pricing of crude oil and renewed concern about the safety of nuclear power

"However, greatly expanded world production of fuel resources is going to ensure that oversupply continues, and real coal price rises are not expected before the early nineties," he The introduction of sanctions by the US and other countries, too, must inevitably have an adverse impact on group profits.

Group turnover jumped by 19 percent to R787,2 million. Before-tax profit rose by 22 percent to R281,9 million, supported by "better operating techniques, improved cash management and wise investment decisions".

Rand Mines may form new gold mine

(214) N\M 28\11\86

JOHANNESBURG—The Rand Mines group is considering the establishment of a new gold mine in the Eastern Transvaal, chairman Mr D T Watt said in the annual report

Mr 'Dammy' Watt heads one of the country's larger mining groups with 100 000 workers

'The establishment of a mine is now under active consideration,' he said

If established, the mine would exploit the precious metal claims held by Barbrook Mining and Exploration Co — a 50/50 venture with Anglo American

Uranium

Mr Watt said there is potential for a gradual improvement in uranium prices 'Over the near term most demand is likely to be dominated by trading firms and end-users re-stocking inventories Longer term demand for reactor fuelling should invigorate the market

'Based on current projections of mines already in production, under construction and on the drawing boards, the market should return to equilibrium by the end of the decade

'Unless any new major sources of supply enter the market, this should allow positive real price appreciation,' he said

He went on to call for the urgent scrapping of the 'scheduled person' definition — the last remaining statutory job reservation in the mining industry based on racial classification

'It is imperative that this racially discriminatory legislation be removed from the statute books as soon as possible, without substituting it with some other restrictions which are not acceptable to the black trade unions,' Mr Watt said

'The mining industry is prepared to accept an industrial council and give safeguards to white employees who have given dedicated service and made valuable contributions to the industry over many years

'The industry is dedicated to the principle of appointing persons on merit and ability rather than racial classification,' said Mr Watt

Turning to union activity in the industry, he said 'I believe that relations between employers and the black trade unions will improve as the unions mature and achieve centralised leadership, and as the political reform process gathers momentum'

He says the Rand Mines group welcomes the interest being taken by the trade union movement in safety matters

'As long as this interest is responsible and dedicated to the wellbeing of employees, and not motivated by extraneous posturing and particularly political ambitions, it can only be of benefit to all in the mining industry'

Underlining the increased incidence of wild-cat and un-co-ordinated strikes in the industry, Mr Watt notes that in some cases the officials of the National Union of Mineworkers (NUM) have distanced themselves from these illegal activities

'There is evidence to show that the union cannot always control the activities of belligerent shop stewards in remote areas,' Mr Watt says

Wages

Sanctions will result in a transfer of wealth from South Africa's un-skilled poor people to the other nations of the world which have the commodities to replace South African goods squeezed out of the market by embargoes

The poor and the hungry of southern Africa are going to become poorer — a result of sanctions

Mr Watt said 'We in the business community have been seeking to increase wages, to improve conditions of employment and to enhance the quality of life of unskilled workers, and thereby to achieve a more equitable distribution of wealth

One of the most horrendous effects of sanctions will be to counter this re distribution'

He says although the initial assessment of the economic impact of the sanctions already adopted appears to be minimal, it is nevertheless certain that they will result in the destruction of a large number of jobs

Sanctions

'Unfortunately, the jobs destroyed will be mainly in the unskilled category, and in that population group already heavily afflicted with unemployment

'I believe that the net effect of the sanctions already adopted will be no more than the totally unjustifiable reduction in the wealth of the unskilled population of Southern Africa,' says Mr Watt

It is futile to believe that sanctions will expedite the reform process in South Africa

'To hold this belief is to demonstrate a complete failure to understand the subtleties of the South African social fabric In fact, it is most likely that sanctions will, in the fullness of time, be shown to have been entirely counter-productive insofar as political reform is concerned'

CMT 7/10/13 28/11/86 (214)

Gold price boosts Anglo dividend by 25%

Own Correspondent

JOHANNESBURG. — An improved gold price has contributed to a 25% interim dividend increase for Anglo American Corporation (Anglo).

The R21bn mining house has lifted its interim dividend to 62,5c (50c previous year) from earnings of 176c a share (140c) in the six months to September.

Chairman Gavin Relly expects the results for the year end to show a similar improvement.

At the halfway stage, equity accounted earnings — which include a portion of the retained profits of associated companies — had risen by 27% to R579m or 254c a share.

Anglo's net worth at the end of September was 9 369c a share, almost double its value of 5 469c calculated the at the previous half year Yesterday the share was trading at 6 750c.

The increase in profits was chiefly due to the higher gold price, which boosted investment income to R400m (R304m). Increased dividends from De Beers, its platinum and ferroalloy interests also contributed to the satisfactory growth.

The higher gold mine dividends reflect a 22% in the rand gold price in the first six months of 1986, during which period it averaged about R758 an ounce (R622). The rand gold price was boosted by the continuing weakness of the rand in relation to the dollar and the 11% increase in the dollar price to $343 an ounce ($310).

Trading income rose 5% to R235m due to an increased contribution from Amcoal. Other net income shot up from R6m to R43m.

Taxation, which rose to R182m (R140), wiped out much of the benefit from the higher profits

VENTURES

ARGUS 28/11/86 (2/4)

New Rand Mines gold mine likely

JOHANNESBURG — A new gold mine is likely to be established by the Rand Mines Group in the Eastern Transvaal

This emerges from the latest annual report, in which chairman Mr D T "Dammy" Watt says investigation of the Barbrook project is complete and "the establishment of a mine is now under active consideration"

If established, the mine would exploit the precious metal claims of the Barbrook Mining and Exploration Company — a 50-50 venture with Anglo American

The annual report shows that Rand Mines increased its after-tax profit by some 65 percent from R81,5-million to R134,2-million in the two years 1984 to 1986

However, the outlook for next year points to marginally lower earnings than in 1986, according to Mr Watt

"The socio-political environment and the local economic malaise, combined with the effect of sanctions and embargoes are expected to depress the group's performance in the year ahead

"However these adverse factors will be partiallly offset if the gold price is sustained at present levels,," says Mr Watt

The essential condition for an improved economic outlook, he says, is the acceleration of the political reform — Sapa

28/11/86

Date is set for R526m cash deal

GERALD PROSALENDIS
Economics Editor

THE DEAL between Barclays plc and Anglo American will be settled on December 19 in one of the largest cash settlements in SA corporate history

On that day, cheques worth R526m will be deposited in a Johannesburg financial rand account in the name of Barclays plc

Southern Life Association will make the biggest payout of R220m; Anglo American and De Beers will together pay R46m for their share plus the R86m which will be offered to Anglo American shareholders; and various institutions and a trust will contribute R154m, says Barclays Merchant Bank MD Rod Zank.

The money will flow through Barclays National Bank and will be reinvested in the money market on behalf of the UK bank. It will have no impact on market liquidity because it does not represent a flow of new funds but merely a shifting of balances held by large institutions

"The decision on how to invest the money will come from London, and will have to be in terms of regulations controlling financial rand accounts," says Barclays treasurer Sandro Burzacchi.

The UK bank's strategy will possibly be to deal in blocks of financial rands with foreign investors, thus bypassing the official financial market, which is extremely thin and characterised by small transactions.

Shifting the capital out of the country will be a long, drawn-out process — probably extending beyond five years, which means that investment decisions will be crucial to the London bank's return on the locked-in funds.

Says Burzacchi "I would be surprised if we are instructed to invest the money for periods of longer than three months. It would not make sense to have it tied up"

Also, the UK bank's investment options are limited because aquiring SA government and Escom stock, one of the avenues open for financial rand investment, would be considered politically "tainted".

MINING

Staff offered stake in mine

GOLD Fields of South Africa has offered selected staff members a stake in the new R559m Northam platinum mine.

They will be able to participate in the rights issue currently on offer to Northam's existing shareholders. Shares are being offered at R10 each.

The funds raised from the rights offer will be used to acquire mineral properties and to finance exploration.

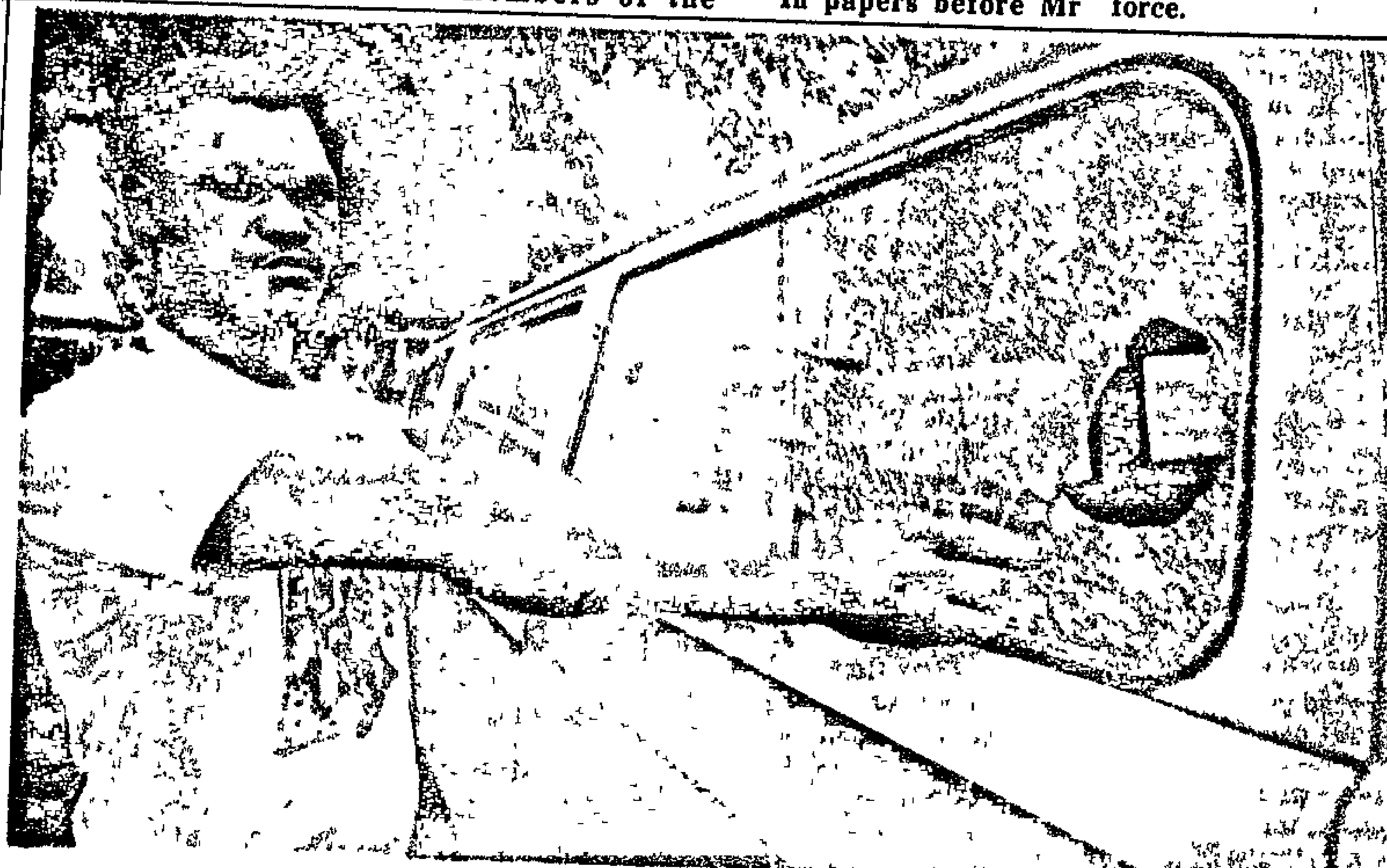
Gold output dips

GOLD mines which are members of the Chamber of Mines milled 80,6-million tons of ore in the nine months to September. They produced 457 863kg of gold from an average 5,68g/t (6,15g/t) ore grade.

Output a year ago was 4,8% higher at 480 073kg.

Working revenue in the first three quarters totalled R11,44bn.

The couple must con- and members of the In papers before Mr terdict remained in force.



Mr Paulos Mjeje holds up empty cartridges and a container found after the mine shooting.
Picture: Herbert Mabuza.

Gencor mine strike ends with 5 000 back at work

5/12/86

The 5 000 striking mineworkers at Gencor's Grootvlei gold mine near Springs have returned to work. They went on strike yesterday after a union member had been shot dead

Mr Bruce Evans, chief executive officer of Gencor's gold and uranium division, said the night and day shifts had reported for duty after talks with worker representatives and the National Union of Mineworkers (NUM).

The strike was sparked by an incident involving the police at the mine on Wednesday night.

Police said a miner threw a bottle at a policeman. Gencor said there was a disturbance involving between 100 and 200 mineworkers which spilled over into neighbouring areas, prompting residents to call the police. NUM said the police action was unprovoked.

Mr Evans said· "The workers were under the impression the mine had been involved in the action. Union and worker representatives accepted that the stayaway was incorrect and agreed to persuade them to return to work."

Mr Evans said the strikers would not be paid for the day but management had conceded that no disciplinary action would be taken against them.

...tarctic Treaty

All treaty decisions are taken by consensus.

The UN has debated Antarctica annually since 1983, mainly at the initiative of various developing countries, who say the entire international community should have a voice in decisions about the region and its possible mineral resources. — Sapa-Reuter.

Death sparks strike

WEEKLY 214

VIRTUALLY the entire day-shift of about 5 000 employees at Gencor's Grootvlei Gold Mine near Springs went on strike yesterday, after one person died and eight were injured in a "disturbance" in and around mine property, according to a statement by the mining house. 5/12/86.

Gencor said the incident followed an authorised union meeting. Residents in the area "apparently summoned the South African police to quell the disturbance", the statement said.

"This resulted in the death of one person and the injury of a further eight persons. Mine security personnel were not involved in quelling the disturbance." — Sapa

Sanctions hit coin exports

STAR 214 21/12/86.

By Claire Robertson

South African gold coin exports bear the brunt of sanctions against this country, a "Sanctions Scoreboard" compiled by the Indicator SA, a quarterly report from the University of Natal, shows

Twenty-one countries have a total statutory ban on the import of Krugerrands and it is discouraged in Japan Only Argentina and Brazil still allow their import, the survey shows

The survey traces a "countdown to sanctions" from a warning by the French Minister of External Relations warning to the United Nations in October 1984 that anti-South African sanctions would be counter-productive, to the passage of the Comprehensive Anti-Apartheid Act of 1986 in the United States in October this year

Statutory bans

That sanctions package severely curtailed trade ties between the US and South Africa

But New Zealand and Australia lead the field with total statutory bans on the following

New investment, loans to the SA Government and parastatals, loans to the SA private sector; the import of SA gold coins, the import of steel, iron, uranium and coal from South Africa, the import of SA agricultural produce and wine, the export of crude oil and petroleum products, computers and computer technology, nuclear equipment and technology, the export and import of military equipment, a discouraging of sporting, cultural and scientific links, landing rights for SAA, and the promotion of tourism to SA

New Zealand has also severed diplomatic relations with South Africa

After the two island nations, France has taken the toughest line on anti-South African sanctions

France differs from New Zealand and Australia in that it still has diplomatic ties with South Africa, allows the import of agricultural products and wines, allows SAA landing rights, and sanctions the export of computer technology to South Africa.

But that country's total ban on SA coal sets it apart from its European Community partners in the sphere of imports

France also will not sanction loans to Government or parastatal organisations in South Africa, nor to the private sector and it has a total ban on new investment These measures have also been adopted by the United States

Bans on new investment have also been adopted by Canada, Iceland, Finland, Sweden, Norway, Denmark and Japan.

The export to South Africa of crude oil and petroleum products is banned by 18 countries, as is the export or import of military equipment