MINING - GOLD

JAN - MARCH 1987

Consgold inquiry widened

Star 2/11/89

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The Star Bureau

LONDON — The official inquiry into Minorco's controversial R12-billion move on Consolidated Gold Fields is being widened to include South Africa's involvement in what was the largest-ever take-over bid for a British company

The Monopolies and Mergers Commission is also to probe the precise relationship between Minorco, the Luxembourg holding company fronted up by Sir Michael Edwardes, and Harry Oppenheimer's Anglo-American Corporation, according to widespread reports here yesterday

Indications are that the MMC is particularly interested in the question of whether Minorco's acquisition of Consgold could open the way to possible manipulation of the gold market

DIAMOND CARTEL

Also under inquiry on this count — presumably with an eye to De Beers — is the possibility of an extension of the international diamond cartel

Financial commentators — including *The Observer's* City editor Melvyn Marckus — predict that the extent of the MMC's brief is unlikely to be well received by the "notoriously secretive" Oppenheimer camp in Johannesburg

At the time of the referral of Minorco's bid last October, Lord Young, Secretary of State for Trade and Industry, said there was concern about the possible effects on competition for certain high value minerals and metals, but named only 'titanium and zircon'

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Gold was the worst performing metal of 1988

Star 2/1/89

It was the year when base metals were most precious

By Neil Behrmann

LONDON — Those ancient alchemists who claimed that they could turn base metal into gold would have been excellent traders during the past year

Gold, that "marvellous store of value" was the worst performing metal last year, tumbling 13 percent Silver was second worst, sliding by 8 percent

Platinum, after all the massive sales campaigns by Johnson Matthey, managed to rise by a mere 8 percent — on par with short term dollar interest rates

Indeed the base metals looked precious in 1988 with nickel prices surging by 106 percent, zinc by 80 percent, aluminium by 30 percent, copper by 20 percent and lead by 8 percent This is the second year running that they have been top of the league tables

Will the alchemists be proved correct in 1989? The odds are against them, but before we peer into that murky ball, what were our forecasts like last year?

We failed to achieve the perfect fluke But, to borrow a golfing term, we still managed to beat par

Forecast

This is what was written ahead of Christmas 1987

We started with a solid drive by saying

"The prognosis for 1988 is that copper, nickel and aluminium could rise even higher in the first quarter, while lead and zinc will also be firm "

The iron shot, however went right into the rough when we continued "But if forecasts of the OECD and other economic teams turn out to be correct, prices will begin to slip as the world economy slows down "

"The extent of any decline will depend on whether stockmarkets fall further and a downturn becomes a full scale international recession"

Instead of a recession, major world economies continued to boom Base metals prices gyrated wildly, but at the end of the year copper, nickel and zinc in particular remained strong, helped by tight supplies

We got our third shot on to the green when we correctly guessed what was going to happen in the generally unpredictable precious metals markets

"On past performance, precious metals will continue to be erratic They will rise when people expect them to fall and vice versa On current trends , they too could reach their best levels in the first quarter and then slide towards the end of 1988 ," said our article at the end of 1987

"Once the dollar stabilises precious metals will be decidedly vulnerable With supplies well in excess of demand their fundamentals are weak"

Platinum

We missed the putt however because platinum, which fluctuated erratically in the first half, surged in the fourth quarter It only collapsed in December when Ford Motor Company said that it was experimenting with anti-pollution motor car catalyst that did not contain platinum

What does 1989 look like on a grey rainy holiday season in London?

Misty of course

Of the precious metals, GOLD should be the best performer, but if supply problems continue in Peru, there could be a sudden surge in SILVER prices At $6,17 an ounce silver is by far the cheapest precious metal But for several years people have been saying that it is cheap Persistent surpluses don't help

At $540 an ounce, PLATINUM has managed to recover from its recent low of $510 Johnson Matthey, the major distributor and refiner has been at pains to explain that the Ford invention will not dent platinum demand markedly

Yet the company has missed the point In an over enthusiastic sales campaign, Johnson Matthey encouraged investors and speculators in Japan, the United States and elsewhere to buy

Having been burnt in this volatile thinly traded market, investors will only be too anxious to sell whenever the metal rallies

Meanwhile unhappy consumers will be grateful if Ford finds a substitute which is cheaper than platinum

Platinum's premium over gold is 29 percent This price differential compares with a discount to gold in the mid-Eighties

Even though gold could be the best precious metal this year it will find it extremely difficult to break out of the $400 to $460 range

It has been disappointing because of excess and growing production during a period of high real interest rates A huge quantity of gold loans has also depressed the market

Investors would be buyers if gold rose steadily, but the market continually disappoints and since one can receive excellent real returns on currency deposits, there is little incentive to buy gold

Yet the Organisation For Economic Cooperation and Development warns of creeping inflation and if Opec foils market sceptics and oil rises towards $18, gold could recover This revival would take place if the dollar weakened and interest rates fell

The depression in the market could discourage producers from borrowing gold and then dumping it on the market So the supply demand balance could improve during 1989

Unpredictable

Base metals have become as unpredictable as precious metals, now that their prices are much higher

In the first half of the year, however, the supply situation, will dominate metals such as COPPER, NICKEL and ZINC

Prices could remain high and boost both ALUMINIUM and LEAD Yet higher interest rates will ultimately reduce residential and office contruction and sales of durable goods ranging from automobiles to refrigerators

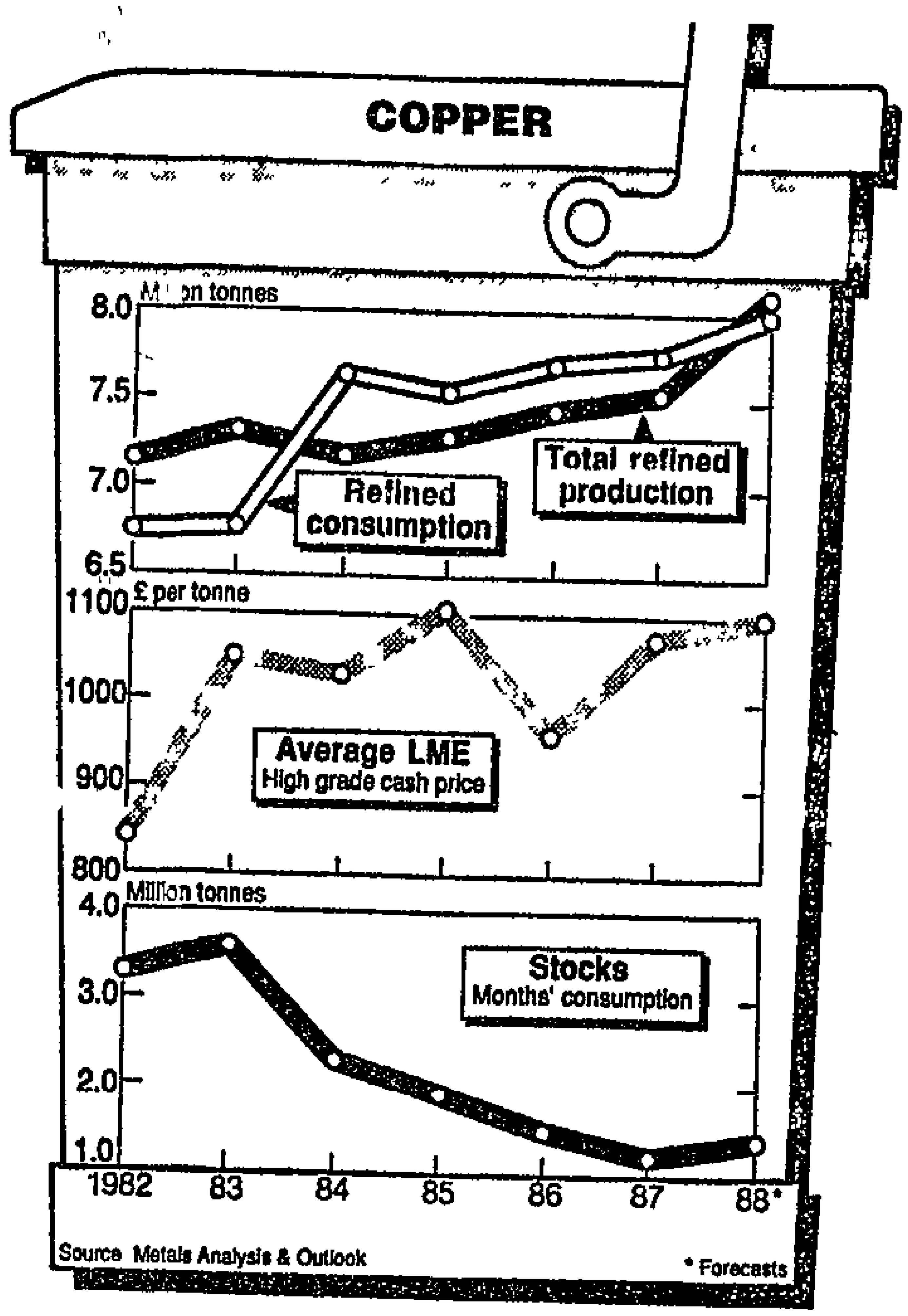
If the OECD's forecast of a slowdown in the second half is indeed correct this time round, this downturn will reduce consumption of metals and other raw materials

There will be a time lag of around six to nine months between any changes in economic activity and metals consumption, particularly since metals inventories are still low Strikes and disruptions in South and North America plus transport problems in Africa could also push prices upwards

Yet speculators have become active in the base metals markets and if there are signs of falling economic activity, they will sell and prices could decline sharply

Still, even if quotes fall in an economic slowdown, base metals prices will remain at much higher prices than levels seen in the mid-Eighties

In general, prices of base and precious metals are likely to trade erratically in a sideways trend GOLD, however, could surprise its sceptics and shuffle from last place to the first three



Copper, along with nickel and zinc was one of the star performers, price-wise, in 1988 due to reduced supplies and greater demand

New agenda for inquiry into bid for ConsGold

Cpt Tim 3/1/89 214

Own Correspondent

LONDON. — No stone will be left unturned by the Monopolies and Mergers Commission's (MMC) deepening inquiry into Minorco's £2,9bn bid for Consolidated Gold Fields.

A four-page letter sent by the MCC to both sides ahead of critical hearings this week specifies no less than 29 areas of inquiry

They include gold, platinum, potential damage to the Amey Roadstone (ARC) aggregates group and claims that SA could have undue influence if Minorco succeeded

The MMC's initial reference had only cited concern over the strategic metals zircon and titanium It was on that understanding that Minorco CE Michael Edwardes agreed to co-operate with the inquiry following a "monumental row" within the Department of Trade & Industry

Both the extent of the new inquiry agenda set out in the MMC letter and the language used will give little comfort to Minorco

The commission asks about

- Whether Minorco can act independently of Anglo-American
- The "previous limited success of SA enterprises operating abroad".
- The likelihood of cartelistic practices being attempted.
- The political risk to ARC and the competition implications of widespread loss of contracts to a major competitor (Tarmac)
- Additional possibilities of manipulation in the gold market
- For a detailed investigation of Anglo's control over the platinum market
- And the possible extension of collusive arrangements such as the international diamond cartel and those alleged to have been operated between the major platinum producers since the 1970s.

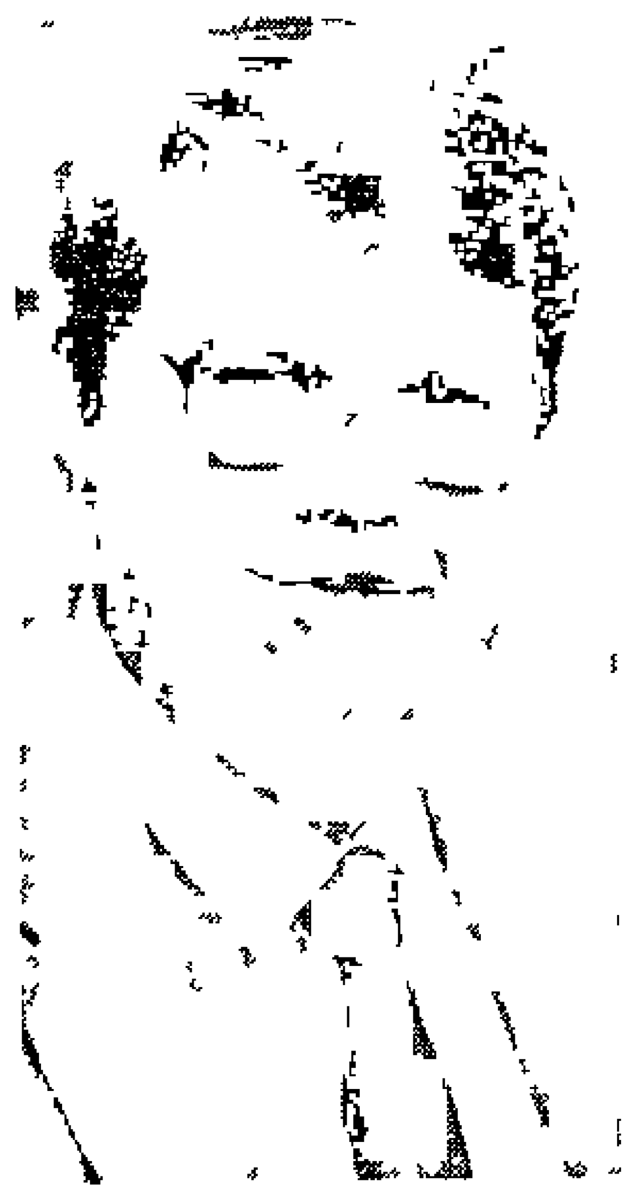
Finally, the MMC is examining whether it can veto on Minorco preventing it from selling any of ConsGold's assets including holdings in Gold Fields of SA (GFSA) and Newmont to Anglo or, indeed, to any SA company

Edwardes is reported to be in SA It is understood the MMC letter has been the subject of discussion at the highest level in Johannesburg of Anglo American and De Beers, which own 60% of Minorco

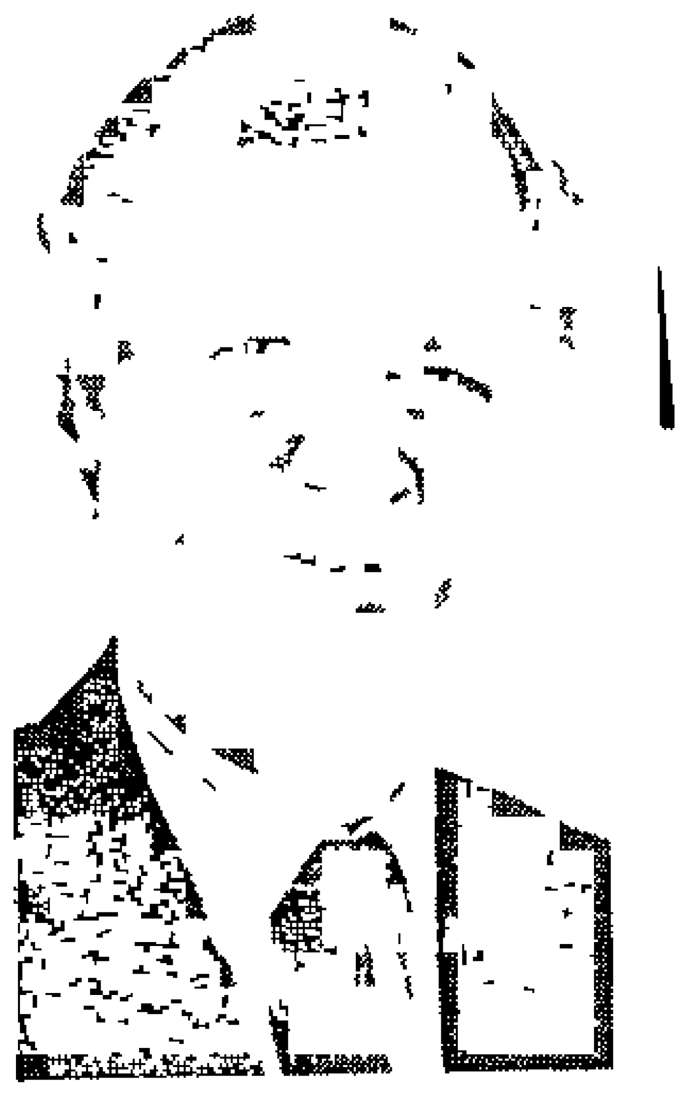
But in spite of the claims in the Consgold camp that Anglo would back away from a full-scale probe, Minorco is determined to press on.

Minorco director Roger Phillimore said on Sunday "From the outset we have co-operated fully with the MMC as we have full conviction in the merits of our case

"We have no doubt that we can quickly and totally satisfy the MMC on all points it puts to us"



Marinus Daling has been appointed to the board of Genbel Investments Ltd



Derek Keys has been appointed to the board of Genbel Investments Ltd.

Derrick Ollewagen has been appointed manager of Nedbank Ltd's Bellville branch.

Gold shortage likely as buying moves east

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B/Day 3/1/89

LIZ ROUSE

OVERALL, it looks as if there will be a shortage of gold in 1989, with the incentive for buying having passed from the west to the east

This is the opinion of Kaplan & Stewart analyst, Robin Pegler, who outlines the metal's direction in 1989 in his latest monthly newsletter

He says government relaxations in Japan and Taiwan have strongly encouraged private buyers

Willing

Far Eastern nations have a trade surplus with the US The result of this is that their central banks hold large quantities of dollars With the dollar a suspect currency, they will want to diversify, and will have an incentive to buy strong currencies, and also a certain amount of gold

The main question now seems to be how high they will be willing to bid

The gold price in yen terms is at its lowest for many years There is a major resistance level between 57 000 and 59 000 yen

A gold price of 57 000 yen at 115/$1 yen would be equivalent to $500 an ounce, and Pegler believes that Far Eastern buyers will be prepared to pay up to this price in 1989

Gold struck a bad patch in the past year because of a number of adverse factors

Western countries' inflation was well under control, money supply was tightened and interest rates raised, while the over-supply of oil was also anti-inflationary

Increased production by non-SA mines is estimated to have added 125 tons to supply Certain non-SA mines made use of gold loans and forward sales

These sales have been estimated to be about 400/500 tons, though this may be somewhat high This means an increased supply to the market this year, but a reduction in supply in the future

The falling gold price induced Swiss portfolio managers to sell gold These sales have been estimated to be about 700/800 tons though this too could be on the high side

There have been certain off-setting elements Jewellery demand has been buoyant in western countries, absorbing perhaps an additional 100 tons

More important, Far Eastern demand for fabrication, investment snd central bank purchases have been conservatively estimated at more than 1 100 tons for 1988

Sentiment

There has been a change in market trends At the time of the October 1987 crash, investors and speculators were not only fully invested, but had borrowed up to the hilt So there was no additional money available for investment

Conversely, at a time of universal pessimism, investors are generally liquid, so that when sentiment improves, there is plenty of scope for the market to rise

There is good reason to believe that the latter situation now applies to the bullion market, says Pegler

Mixed fortunes at Evander mines

BDay 3/1/89

LIZ ROUSE 3/1/89

(214)

FORTUNES are mixed for Gencor's Evander mines, with only Winkelhaak expected to maintain tonnage and recovery grade this year

Kinross's tonnage milled should be maintained but recovery grade will decline, hence the decision to sink two decline shafts to expose ore reserves at a cost of R23,5m

But at this stage it looks as if Bracken and Leslie have only a few years to live, according to the annual reports

Winkelhaak chairman B Gilbertson says in his review that output from the No 6 ventilation shaft is expected to be less than planned due to severe faulting being encountered at 4, 5 and 6 levels Emphasis will be placed on containing the rate of cost increases

The mine's cost per square metre mined increased by 21,2% last year mainly as a result of wage increases and increased spending on renewals and replacements The labour complement will be reduced by about 7% to improve productivity

Winkelhaak is now operating on a recovery grade of 5,6g/t and annual tonnage milled is just over two-million tons Turnover rose to R382,9m in the year to September 1988 (1987 R360,2m) as a result of a higher rand-gold price Capex declined and distributable income was slightly higher at R39,7m (R39,4m), but dividend distribution was reduced to 315c (355c)

At Kinross, the No 1 decline shaft will be sunk from 15 level initially on the eastern side of No 1 Shaft and No 2 decline from 18 level to 19 level in the northern area The first phases of the projects will be completed during the last quarter of 1989, says Gilbertson

Kinross's turnover increased by 11,3% to R372,7m (R334,8m) in the year to September as a result of higher tonnage milled and a higher average gold price But higher working costs and increased capex reduced distributable income slightly to R54,4m (R56,3m) and dividends paid decreased to 270c (345c)

Leslie's future continues to be largely dependent on the exposure of new ore reserves in the western area, where the greater part of development is being carried out, says chairman G Maude in his annual review

The western area has shown generally erratic values of lower grade

A higher average gold price offset Leslie's lower gold recovery in the year to September and turnover was up at R103,3m (R98,1m), but income was lower because of higher costs However, lower tax on the increased capex resulted in a slight rise in distributable income to R12,1m (R11,6m) Dividends paid were down by 10c to 50c

Bracken's future depends on a higher gold price and the ability to contain costs, says Maude

At best, the mine is expected to continue for the next few years at a reduced milling rate while maintaining the present recovery grade of 2,9g/t

With yield and tonnage milled down, Bracken's gold production declined by 8% and turnover fell to R78,6m (R79,6m) Working income plunged by 54% to R9m (R19,7m) and distributable income fell to R7,2m (R8,9m) Dividend distribution was cut to 45c (65c)

Brokers tip Gencor shares

B/Day 3/11/89

ADAM PAYNE

BROKERS in Johannesburg and London still recommend buying Gencor shares

JSE brokers Simpson McKie say investors should accumulate Gencor and Anglo American shares, which they regard as relatively cheap and essential core holdings in every medium- to long-term investment portfolio

Simpson McKie analyst Rodney Yaldwyn says "Given their marketability and broad diversity of interests, these two are relatively inexpensive"

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Yaldwyn forecasts a growth in Gencor's earnings a share of nearly 20% to 800c, giving a prospective earnings yield of 13,5% The dividend was expected to rise about 16% to 290c, translating into a prospective dividend yield of 4,9%

London brokers James Capel confirm this view, saying "Gencor are looking good and are a buy in the SA market"

They forecast Gencor's earnings at 850c in the year to August 1989, which would provide a prospective earnings yield of 14,6% on the share price R58,25

"In the eight months to August 31, 1988, earnings improved by more than 16% and the dividend of 180c a share represented an 8% improvement on 1987," Capel says

"Just over half of the attributable income was derived from the mining operations, a marked decrease compared with the previous year

"Gold earnings fell as a result of lower grade and higher costs, while platinum income was unchanged because of high capex necessitated by the decision not to raise external financing for Karee"

Trans-Natal coal was barely profitable as costs rose and revenues fell, with the mining sector highlight being the performance by Samancor, Gencor's 50%-owned manganese and chromium producer

Gencor's non-mining income includes Sappi, Malbak and Genbel

Sappi reported a 44% increase in operating income but a heavy deduction for deferred tax meant distributable earnings grew by only 12%

Malbak and Associates enjoyed an excellent peformance with earnings more than doubling

Capel say Malbak should improve and Genbel offers long-term attractions

Loraine explores future trends

(214) B/Day 3/11/89

TANIA LEVY

LORAINE Gold Mines has reassessed its long-term exploration, drilling and development programme in the face of a further real-terms decrease in the rand-gold price, says chairman David Crowe

Read against the mine's inherent high working cost structure, the decreased rand-gold price will again adversely affect the operating pay limit, which rose 40% during the past year

The negative effect of the higher pay limit far outweighed the benefit from the increased development advance and was responsible for a sharp drop in the ore reserve

Loraine is to emphasise the accessing of additional payable ore reserves, says Crowe Investigations are being conducted into the optimum rate of exploitation Capital expenditure has been restricted to the completion of existing projects

Sharp drop in SA's gold share

BDay 3/1/89 (214)

EDWARD WEST

SA's share of non-communist world gold production fell from 70% in 1980 to 44% in 1987, Chamber of Mines spokesman David Kennedy said yesterday

The overall production of gold in non-communist countries in 1980 was 959 tons of which SA produced 675 tons In 1987 world production in non-communist countries was 1 373 tons of which SA contributed 604 tons, he said

These figures indicate a drop of 10,6% in SA production and an increase of 180% in the production of gold in non-communist countries

The decline in the SA output was attributable to lower grade ore being exploited, reducing overall production and a gold-price increase in rand terms, he said

Anglo American spokesman Paul Clothier attributed the decrease in SA production to inflation and to lower average grade of gold being produced He cited Anglo's Free State mines producing at an average 4g of gold per ton with the grade steadily declining

Kennedy said the increase in gold output in non-communist countries was due to "frenzied exploration for gold" because of the relatively favourable dollar price during the 1980s and the decline in base metal markets

Australia, Canada and the US are the largest new producers of gold in the non-communist world And these new mines, using improved technological methods, can produce gold far more cheaply and quickly than SA's mines

Kennedy said nearly R2bn was needed to start a new mine in SA with a time lag of nearly ten years before full production was attained Starting up a new mine in Australia cost $A100 million with production flowing about six months after initial development Most new overseas mines were low-grade open-pit projects

Technological developments made overseas production much cheaper Most overseas producers were using carbon-in-pulp and heat bleaching technologies, Kennedy said

Clothier said competition for gold production was determined by a mine's ability to keep down production costs During recent years SA had moved from

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Drop in SA share of gold production

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● From Page 1

being the lowest-cost gold producer in the world to being the highest among big producers

Kennedy attributed SA's high production costs to the gold mines being deep and capital intensive, the falling ore grades, and the continuing escalation of labour costs

Clothier pointed out that SA had the largest gold reserves in the world even though the grades were declining

This was confirmed by Kennedy who said it was estimated there was 30 000 tons of gold in the Witwatersrand basin — 50% of the world's reserves

SA's share of gold cake at its lowest in 37 years

Star 4/11/89

(214)

By Roy Cockayne

South Africa's share of non-communist world gold production last year slumped to its lowest level in 37 years

Statistics contained in the annual report of the Chamber of Mines reveals that last year South Africa's percentage share of non-communist world gold production had dropped to 44,1 percent — its lowests level since 1950 when it was 43,9 percent

The Republic's 1987 figure is also far below the all-time high of 79,1 percent attained in 1971 and the first time South Africa's share has dropped below 50 percent since 1953

In addition, the 605 metric tons of gold that made up the Republic's 44,1 percent share of non-communist world gold production last year is the lowest tonnage supplied to the world market in at least the past 10 years Tonnage figures prior to 1978 are not provided in the report

South Africa's proportion of the world market was also only above 700 metric tons a year in the first two years of the 10-year review period between 1978 to 1987

Lower tonnage

Despite the lower tonnage, the average value per fine ounce of gold in 1987 was a record at R903,92 while the realised value of South Africa gold output since the start of operation in 1884 also touched a record high last year of R17 492,6 million

Countries or groups of countries that have increased their percentage share of non-communist world god production the most in the past 10 years include

The United States, whose share has jumped from 3,2 percent in 1978 to 11,3 percent last year

Oceania, including Australia and Papua/New Guinea, which has increased its share from 4,6 percent in 1978 to 10,7 percent last year

Canada, whose share rose from 5,7 percent to 8,8 percent in this period.

The United States, Canada, Australia and Brazil collectively produced 467 tons — 100 tons or nearly 27 percent more than the previous year's figure of 367 tons

In an address at the Chamber of Mines general meeting last year, Chamber president Mr T I Steenkamp said "earnings from minerals sales in 1987 fell for only the second time in more than four decades of steady earnings growth

He added that the high inflation rate was driving mine working costs to uneconomic levels and had to be reduced

"Six of our gold mines, employing some [illegible]0 000 people, are in a loss situation with working costs per kilogram higher than the prevailing gold price he said

Milling capacity

In an addendum to his presidential address, Mr Steenkamp said for the past 11 years gold mines had regularly increased milling capacity but 1987 saw the end of this trend

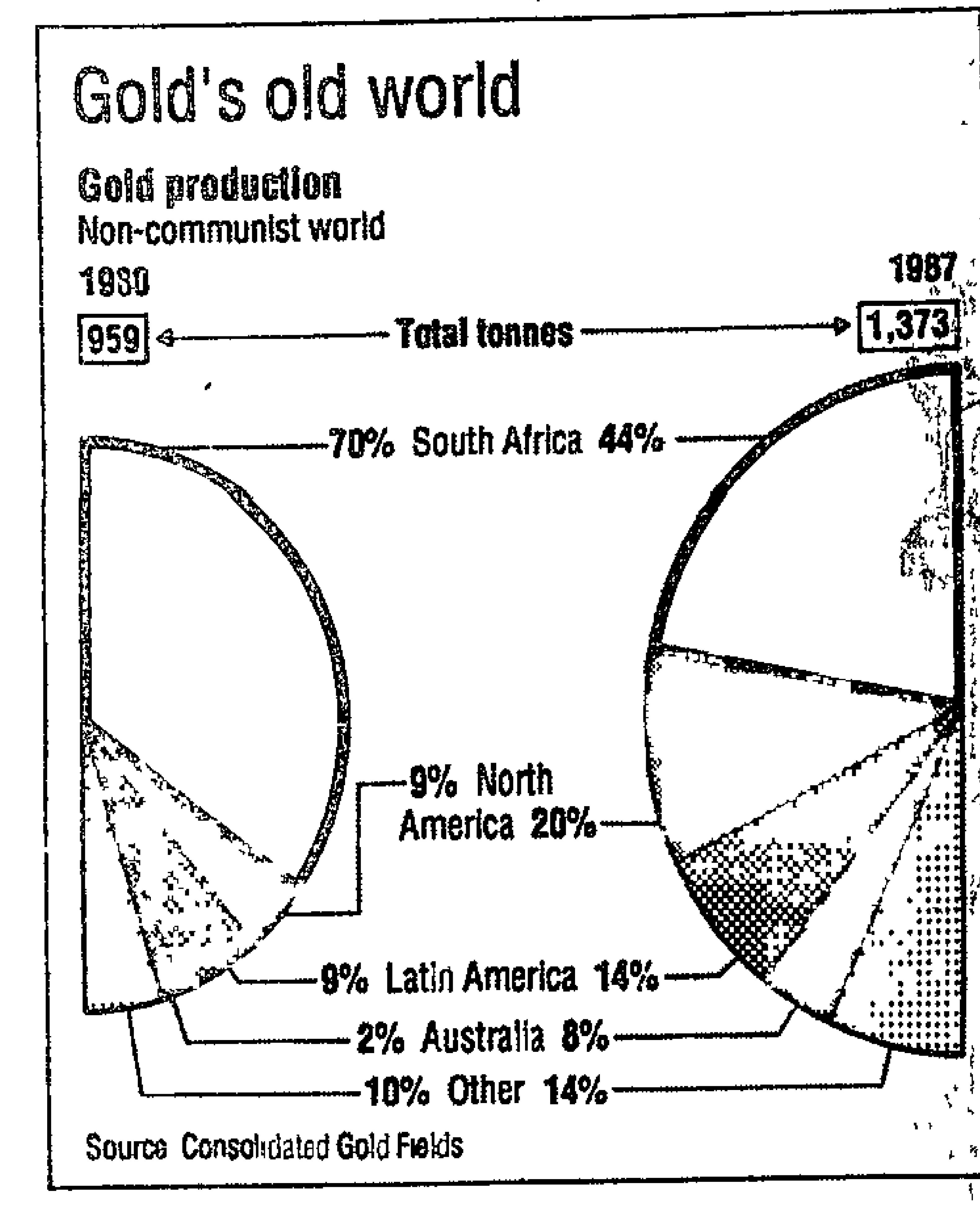
He said tons milled fell slightly from 107 674 million tons in 1986 to 107 634 million tons in 1987 while grade also fell — by 6,2 percent from 5 63 grams ton in 1986 to 5 28 gams, ton last year

"The net effect was a substantial 6,1 percent fall in gold output from 606 tons in 1986 to 569 tons in 1987 Overall, South African production fell from 638 tons in 1986 to 605 tons in 1987

"That the industry did not continue the expansion — in terms of ore throughput — which has characterised the past 11 years was due inter alia to the effects of the strike instigated by the National Union of Mineworkers in August 1987 Some but by no means all the Chamber's member gold mines were affected while others maintained full production

The fall in grade last year perpetuates a long established trend based on a tendency by the mines to reduce grade as the gold price improves

" Last year's fall was exacerbated by some mines' need during the strike to mill low grade surface stockpile material because of the disruption in underground supplies," he said



Bracken's hopes are pinned to gold price

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Star 4/1/89

By Sven Forssman

The future of Bracken, one of four gold mines on the Evander Goldfield, depends on the strengthening of the gold price and the ability to contain costs, chairman Mr G Maude says in the annual report

He says the area remaining to be developed is very limited and the potential for opening-up and mining small blocks of ore is restricted

At best the mine is expected to continue at a reduced milling rate while maintaining the present recovery grade

Turnover for the year to September 30 decreased by 1,3 percent to R78,6 million due to a eight percent decline in gold production This decreased production is in line with the further depletion of payable ore and is reflected in the decrease in both the yield and tonnage milled

After taking into account tribute payments and net sundry income, income before taxation and State's share of income amounted to R10,6 million, a decrease of 51,5 percent over the previous year

LESLIE

The outlook for Leslie, another Gencor mine, continues to be largely dependent on the exposure of new ore reserves in the Western Area, where the greater part of the development is being carried out

These values have continued to be disappointing and development is continuing on a selective basis

The Western Area has shown generally erratic values of lower grade, resulting in a higher-than average rate of development required per unit of payable ore exposed in order to replace mined out reserves

KINROSS

At Kinross, the tonnage milled is expected to be maintained at a similar level to that attained during 1988

The recovery grade will decline due to the lower value of ore reserves, as well as the treatment of low grade waste material

Tonnage and recovery grade are expected to be maintained at Winkelhaak, south of the village of Kinross, and emphasis will be placed on containing the rate of cost increases to acceptable levels

UNISEL

The outlook for Unisel, situated between Welkom and Virginia in the Orange Free State, is encouraging

Tonnage milled will be maintained, but the yield is planned to increase marginally An investigation to determine the concentration of higher values in the Leader Reef horison is ongoing and preliminary findings have indicated a higher value middle section

BUSINESS DAY, Wednesday, January 4 1989

MINORCO HAS NO FEARS ABOUT MUCH DEEPER PROBE

MIKE ROBERTSON

LONDON — Minorco has scotched rumours that an official probe might persuade it to abort its £3bn take-over bid for ConsGold.

Britain's Monopolies and Mergers Commission intends going deeply into Minorco's SA links and activities of shareholders Anglo American and De Beers. B/Day 4/1/89

The commission wrote to Minorco and ConsGold before Christmas to say it had broadened its investigation.

The agenda for this week's hearings includes competition in markets (gold, titanium and aggregates); Minorco's contact with Anglo American; and SA influence (commercial and political).

Inclusion of SA influence opens an investigation into the world diamond and platinum markets.

The commission seems likely also to focus on several other SA enterprises abroad.

Some reports suggest this would be to Minorco's disadvantage given the limited success achieved by Anglo's flagship, Charter Consolidated, and Barlow Rand's J Bibby.

The same reports also suggest that, rather than have the commission scrutinise their activities, Anglo and De Beers would bring pressure on Minorco to pull out of the battle.

Minorco commercial director Roger Phillimore yesterday dismissed these. He said Minorco welcomed the commission's thoroughness.

Minorco believes the commission is obliged to investigate perceived public interest matters and Minorco is co-operating fully.

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Minorco undaunted by scope of MMC inquiry

BID 5/11/89

LONDON — Minorco had pledged to press ahead with its bid for ConsGold — in spite of the enormous breadth of the Monopolies and Mergers Commission (MMC) investigation into possible effects of a takeover, the London Guardian reported yesterday

It said the MMC had set down a 29-point agenda for its latest meetings with Minorco and ConsGold as the two sides argued the cases for and against the £2,9bn bid A MMC report should be delivered to UK Trade Secretary Lord Young within three weeks

Minorco CE Sir Michael Edwardes told the Guardian "We have every intention of co-operating with the MMC inquiry to the end There is no question of our abandoning the bid"

But, the Guardian said, the stock market believed the breadth of the MMC inquiry — taking in the effects of a merger on the gold and platinum markets, De Beers' history as a major manipulator of the world diamond market and the likely impact of SA ownership on ConsGold off-shoots — such as sand and gravel operation ARC — had reduced Minorco's chances of having the bid cleared — Sapa

Brokers see RTZ selling BP stake in gold companies

B/Day 5/1/89 (214)

MIKE ROBERTSON

LONDON — Brokers believe RTZ is likely to sell BP's $216m stake in three southern African gold companies if its planned $4,3bn acquisition of the oil giant's mineral operations goes ahead

"The sale of BP Minerals has been agreed in principle.

RTZ will then become the third largest gold producer outside SA with output set to reach 1,6-million ounces in the early 1990s

Among assets RTZ will get with the purchase are a 33,6% stake in Unisel, 30,4% of Oryx Gold Holdings and an 11,8% stake in Gold Fields Namibia.

RTZ says it has sufficient syndicated bank facilities to finance the deal but Roger Chaplin, of brokers Alexander Laing & Cruickshank, believes the company will dispose of these assets because they are not likely to fit into RTZ's profile

Chaplin says RTZ could expect to raise about $216m by disposing of these minority stakes in the southern African companies.

"It is likely they will look around for an SA buyer The same might apply to the stake in Gold Fields Namibia."

He says, however, it is unlikely RTZ will sell BP's 42,5% holding in Richards Bay Minerals

"It fits the bill of what they are looking for. It is a major producer and is strong on marketing."

Colleague Christopher Spreckley says in a research document, published before the announcement of the sale this week, that Richards Bay Minerals is believed to have been a strong cash-earner over the past few years and is understood to own the largest single proven deposit of titanium sands other than CRA's new WIM150 deposit.

If the sale goes through, RTZ's exposure to SA will be increased from 2% of total assets to about 4%.

An RTZ spokesman said it would not consider any disposals for at least the next three months but confirmed RTZ preferred to hold majority stakes and manage its mining operations.

The deal will boost RTZ's share of Western world copper output from 4% to 6,5% and its share of uranium production from 8% to 10%.

Minorco to press ahead

(214)

5/1/89

Foreign Staff

LONDON — Consolidated Gold Fields will today present further evidence to the Monopolies and Mergers Commission in the ongoing inquiry into Minorco's R12 billion bid for the British mining finance house

The Commission, whose inquiry was ordered by Lord Young, the Secretary of State for Trade and Industry, on October 25 and was told to report back within three months, has this week heard further evidence from Minorco

The Commission's recent widening of the scope of its reference, to make it clear that 29 additional aspects were to be considered, has sown investment doubts as to whether the original January 25 deadline can be reasonably met, or whether delivery of the MMC findings to the Trade Secretary will be delayed

A separate Department of Trade and Industry investigation into dealings in ConsGold shares and options ahead of Minorco's formal September 21 announcement of a bid is still underway, leading to suggestions that the DTI report must be to hand before the MMC report is published.

Meanwhile, Sapa reports that the *Guardian* yesterday quoted Minorco chief executive Sir Michael Edwardes as saying: "We have every intention of co-operating with the MMC inquiry to the end There is no question of our abandoning the bid."

But the *Guardian* said the stock market believed that the breadth of the MMC inquiry — taking in the effects of merger on the gold and platinum markets, De Beers' history as a major manipulator of the world diamond market and the likely impact of South African ownership on ConsGold off-shoots like sand and gravel operation ARC — had reduced Minorco's chances of having the bid cleared

JOHANNESBURG

OUTLOOK '89

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GOLD

By Robin Pegler
Analyst at Kaplan and Stewart

In any market, it is important to be alert for a change in trend. For example, at the time of the October 1987 crash, investors and speculators were not only fully invested, but had borrowed up to the hilt. So there was no additional money available for investment, and the resultant forced liquidation was very severe

Conversely, at a time of universal pessimism investors are generally liquid, so that when sentiment improves there is plenty of scope for the market to rise. There is good reason to believe that the latter situation now applies to the bullion market, though it could be late 1989 before a material improvement is seen.

Gold-watchers tend to confine their attention to four aspects of the bullion market: inflation, oil, other precious metals and the increasing supply of gold from non-South African western producers

In fact, there are many other factors which need to be considered, such as the level of jewellery demand and the motives of Far Eastern buyers, whether official (e.g. the Taiwan Central Bank) or private.

Most of the supply of gold is absorbed by fabrication, of which jewellery comprises the greatest part. The remainder is available for investment, and the smaller the surplus, the more favourable the metal's price. But no matter how small the surplus, gold must appear to be a worthwhile investment if it is to appreciate in price

The gold price declined during 1988 for the following reasons:

- Tightening money supplies in the leading Western economies were anti-inflationary. The accompanying rising interest rates created a disincentive to holding gold.
- Oil was in oversupply. The fall in price has been reversed to some extent by the recent agreement by Opec members to restrict production However, they have a long record of cheating, and we would not expect the oil price to advance too far.
- Increasing production by non-SA gold mines could have added some 125 tons to total world supply. This factor has been well publicised, and added to adverse sentiment.

Out of favour

These influences have meant [...] scale. Taiwan was anxious to reduce its trade balance with the US, so it bought a substantial quantity of US gold in the first half of the year. The United States objected to this practice and it was stopped in July.

To predict the gold market for 1989, we need to examine the 1988 factors and see which of these are likely to continue and which will probably fall away or go into reverse. New influences should also be looked for.

Inflation

Inflation and oil give no encouragement to the gold price. However, it is doubtful whether there are now many investors who are holding gold purely as an anti-inflationary hedge. A repeat of this year's drought in the US would spark inflationary fears

Demand for coins is so low that it is unlikely to become any worse. Western investors will still hold some gold, which may be dumped on the market next year, even in a rising market, but the quantity is likely to be somewhat less.

Gold output by non-SA producers will certainly advance further, and Australian producers will mine as much as they can before tax become payable in 1991.

It is difficult to estimate how much gold loans added to supply during 1988, and the largest of them appear to have taken place early in the year. There are indications that they will take place on a reduced scale during 1989.

Demand for jewellery in the West is likely to continue its improving trend in the course of this year.

The Third World debt crisis has been a threat since 1982, and US banks are in a stronger position now than they were then.

If one took into account only these influences, the outlook for 1989 would look neutral to bearish But if Far Eastern demand was the main determinant of the gold price last year, it is likely to be even more so this year, and it is here that we must look for a change in trend.

Gold in yen terms is at present about Y51 000 an ounce, marginally above the low point for several years, which was reached during November. Such a cheap price will give incentive to Far Eastern investors, who are less obsessed with charts and tend to take a longer view than their vourable the metal's price, but no matter how small the surplus, gold must appear to be a worthwhile investment if it is to appreciate in price.

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Out of favour

These influences have meant that gold has been out of favour in the Western world. Sales have fallen drastically from about 170 tons in 1987 to perhaps as low as 40 tons in 1988. Large investors, such as Swiss portfolio managers, have sold very extensively.

- The October 1987 crash limited the scope for non-South African developing mines to raise capital They raised loans in the form of gold from major banks, at a low rate of interest. This gold is sold in the market, then subsequently repaid from the mine's production. Thus, the supply of gold increased, but will be reduced later on.
- A strong dollar which reached a high of over Dm1,91 and 135 yen in August Currency fears were largely in abeyance.

The adverse factors were so severe that the gold price might have been expected to fall to about $300. The fact that it performed as well as it did, means that there will have been certain offsetting elements These include:

- Demand for gold jewellery varies considerably with the price. Cheaper gold leads to larger sales. There will have been benefits derived from the current buoyant demand for diamonds and from prosperity in the leading industrial countries. Fabrication of gold for jewellery purposes may have increased by 20 percent worldwide
- Considerable buying from the Far East Jewellery demand has been as keen there as in the West, while deregulation and changes in tax laws have encouraged private investors.

Finally, some of the Far Eastern central banks have purchased gold on a considerable during 1988, and the larger of them appear to have taken place early in the year There are indications that they will take place on a reduced scale during 1989.

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Large trade surpluses with the US will mean that central banks, such as Taiwan, will have substantial quantities of dollars. With the dollar a suspect currency once again, they will want to diversify their portfolios of currencies and buy yen, D-marks and Swiss francs The low price in their terms will encourage them also to buy gold.

The US trade deficit came down slowly last year, and it will take considerable bargaining between the Bush administration and congress if the budget deficit is to be reduced substantially. The odds are that the dollar will fall during 1989.

There are still quantities of gold in investors' hands which must be absorbed before the price can advance materially, and it will take perhaps the greater part of next year to mop these up. However, once these are out of the way, the scope for improvement is considerable.

When gold was falling in price earlier last year, there was considerable support in the Y56000 to Y59000 band. This may become an upward resistance level when gold recovers At Y57500 and an exchange rate of Y115 to the dollar, gold would be priced at $500, and nearly $525 if the dollar fell to Y110

Up to this level, Far Eastern buyers could have a preference for gold, but above that level the central banks are more likely to invest in hard currencies.

This gives some idea of the level to which gold could eventually rise. We shall need to have patience, but it looks as if gold is about to turn the corner.

Business Da
AY, JANUARY 6 1989 60c (54c + 6c tax)
L and CAPE 80c (71c + 9c tax) A TIM

Minorco escapes US divestment action

Business Day 6/1/89

SIMON BARBER

WASHINGTON — Minorco had been exempted from Michigan's sweeping divestment law because it was neither a "national corporation" of SA nor a US company with ties to SA as defined by the state's anti-apartheid law, a spokesman for the state treasury said yesterday.

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Michigan's public employee pension system is by far the largest US institutional investor in Minorco, having acquired in 1983 more than nine-million shares which are now valued at more than $100m.

Under the new law, which was signed by Governor James Blanchard last July and went into effect on January 1, the state is having to sell holdings valued at $1,25bn in Ford and General Motors, both mainstays of the local economy, because even though they have formally left SA they maintain licensing and management agreements.

The discrepancy has been seized upon by a US subsidiary of Consolidated Gold Fields, ARC America, whose CEO, Keith Orrell-Jones, publicly demanded yesterday that Michigan change its policy to include Minorco.

"State Treasurer (Robert) Bowman's 'see no evil' stance towards SA-controlled Minorco is astonishing, given that SA's most powerful businessman Harry Oppenheimer himself has called the company his 'major vehicle for investment in the US and elsewhere outside SA'."

In spite of lower gold revenue . . .

Goldfields lifts profits by R13,7m

CT 6/1/89

JOHANNESBURG — In spite of slightly higher working costs and lower gold revenue, Goldfields reports that after-tax profits were R13,7m up, to R347,4m (R333,7m) for the quarter ended December last year

The group said yesterday that pre-tax profit fell by R46,4m to R550,9m (R597,3m)

It said, however, because of a decrease of R60m for the provision for tax and the State's share of profit, the after-tax profit figure was up on the September quarter

Mill throughput for the group increased by 7 000 tons to 3,779m tons (3,786m tons) in the last quarter of 1988 This, combined with a slight increase in yields from 7,9 g/t to 8 g/t raised gold output from 30 009,5 kg to 30 414,5 kg.

The group said the average price for gold received declined by R1 642/kg to R32 425/kg (R34 067)

The group said management controlled the rise in working costs to 0,9% which totalled R469,6m for the quarter (R465,3m).

At **Driefontein Consolidated** the group reported that working profit in the gold division was R309,568m, while the uranium division lost just over R500 000

Profit after tax and State's share of profit for the quarter was R149,133m (R149,355m).

A dividend of 80c a share has been declared

Mill throughput dropped by 10 000 tons to 720 000 tons

Yield on East Driefontein remained unchanged at 11,3 g/t and was also unchanged on West Driefontein at 9,8 g/t

Vlakfontein's after-tax profit dropped to R732 000 (R1,010m) probably as a result of a fall in grades from underground sources from 3 g/t to 2,7 g/t.

The interim dividend was passed but a final will be considered at the financial year-end

At **Libanon** working profit declined from R13,842m to R8,205m This resulted in a marked decline in tax and State's share of profits that after-tax profits stood at R11,205m (R11,677m)

Mill throughput remained static at at 435 000 tons

Gold revenue declined to R59,157m (R62,339m)

A dividend of 20c a share was declared

Kloof reported after-tax profits of R129,275m (R125,835m), while gold produced rose slightly 7 242 kg compared to 7 235 kg in the previous quarter.

Yield was static at 13,5 g/t Mill throughput also remained static at 540 000 tons

A dividend of 60c a share was declared

Venterspost's after-tax figures were down with the final for the quarter at R4,929m (R5,483m in September).

Grade fell slightly from 3,7 g/t to 3,6 g/t, while throughput remained static at 405 000 tons

Price received per kg dropped to R32 295 from R34 366 in the previous quarter

A dividend of 13c a share has been declared

Doornfontein's figures looked good with a rise in after-tax profit to R7,257m (R5,481m), following a rise in grade in the last quarter to 5,3 g/t (4,8 g/t)

Mill throughput was static at 366 000 tons.

A dividend of 10c a share was declared

At **Deelkraal** after-tax profits were sharply up at R4,377m (R2,962m) with an increase in grade from 6 g/t to 6,5 g/t.

Mill throughput was static at 405 000 tons, while gold produced increased from 2 430 kg to 2 632,5 kg

Working profit increased to R45,783m (R42,699m)

A dividend of 30c has been declared

Northam Platinum reported a after-tax profit of R3,838m but said that all income and expenditure had been capitalized as pre-production mine expenditure — Sapa

Deelkraal is GFSA's star performer

B/Day 6/1/89 (214)

REINIE BOOYSEN

GOLD Fields of SA's success in lifting gold production during the December quarter was subverted by a decline in the average gold price received by the house

While GFSA's gold production rose to 30 415kg, from 30 010kg in the September quarter, the average gold price declined from R34 067/kg to R32 425/kg

The star performer of the group was clearly DEELKRAAL, where gold production rose 8% to 2 632,5kg as a result of a similar rise in grade, from 6g/t to 6,5g/t

Although costs were well maintained, a 4% decline in the gold price received by Deelkraal affected the bottom line, so that working profit only rose by 7% to R46m (R43m)

GFSA director Allan Wright said the improvement in grade at Deelkraal was a welcome windfall, but added the grade was unlikely to remain that high

"It will probably drift down to the region of 6 to 6,2g/t over the next quarter or two "

The grade also improved at DOORNFONTEIN, by 10,4% from 4,8% to 5,3% — lifting gold production to 1 927,6kg from 1 747,1kg But Wright said Doornfontein was "still facing difficult times ahead"

He said the mine would "battle to maintain the grade at 5,3g/t"

The only other GFSA mine which managed to improve gold production significantly was WEST DRIEFONTEIN, but Wright said this was expected as gold production had been adversely affected in the previous quarter by a fire This also partly explained the drop in costs during the December quarter

Wright said GFSA was engaged in discussions regarding the sulphuric acid plant at Driefontein

"There is a strong possibility that the plant will be closed in the current quarter "

A drop in costs at VLAKFONTEIN failed to compensate for the drop in the gold price received, and profit declined to R732 000 (R1m)

Wright said LIBANON had now returned to Main Reef production

"There is very little Ventersdorp Contact Reef being stoped There is virtually nothing left "

Libanon had the greatest cost increase in the group, but Wright said this was not so serious "if one considers that the costs were even last quarter"

He said the drop in the gold price had a bad effect on this mine's profits

Kloof had another steady quarter, with profit marginally up to R129m (R126m). Wright said he had hoped the grade would improve at Kloof. "There really isn't any reason why it shouldn't "

VENTERSPOST also felt the effect of the drop in the gold price, with profit declining to R4,9m (R5,5m). Grade also declined slightly to 3,6g/t (3,7g/t), and Wright said he hoped that the grade had bottomed out

GOLD FIELDS OF SA December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Drie Cons	—	—	—	—	—	—	149 133	88 266	43
September	—	—	—	—	—	—	141 355	101 788	50
West Drie	705	9,8	6 917,2	138,45	14 110	32 431	—	—	—
September	688	9,8	6 735,5	143,81	14 690	34 058	—	—	—
East Drie	720	11,3	8 130,1	115,33	10 214	32 593	—	—	—
September	730	11,3	8 249,0	115,71	10 240	34 147	—	—	—
Libanon	435	4,2	1 827,0	117,13	27 888	32 310	11 205	4 139	10
September	435	4,2	1 827,0	111,49	26 545	34 075	11 677	5 633	14
Kloof	540	13,4	7 242,0	163,26	12 174	32 246	129 275	27 333	23
September	540	13,4	7 235,5	157,71	11 770	33 968	125 835	35 334	29
Deelkraal	405	6,5	2 632,5	99,45	15 300	32 629	44 849	24 019	24
September	405	6,0	2 430,0	99,20	16 533	34 048	42 885	28 899	29
Vlakfontein	210	1,4	286,8	40,67	29 766	32 347	732	215	3
September	210	1,4	286,9	41,39	30 293	33 712	1 010	517	8
Venterspost	405	3,6	1 451,3	111,49	31 113	32 295	4 929	(25 271)	(125)
September	405	3,7	1 498,5	110,03	29 738	34 336	5 483	4 241	21
Doornfontein	366	5,3	1 927,6	152,54	28 963	32 304	7 257	1 093	3
September	366	4,8	1 747,1	149,67	31 354	33 995	5 481	(946)	(2)

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Gold fails to respond to flashpoints — analysts

B/Day 6/1/89 214

KAY TURVEY

GOLD'S failure to react to the Libyan incident earlier this week confirms a widely held view that the metal has lost its role as a store of value in times of international crisis It has become depoliticised.

Had such an event occurred 10 years ago the gold price would have leapt at least $50, one analyst said Instead the gold price dropped about $3 to a close of $409,75 in London on Wednesday and continued its downward trend yesterday to close at $407,75

Gold had been disconnected from world tension for the past three years at least, Anglo American gold division marketing manager Kelvin Williams said He recalled the $12 spurt in the gold price in 1986 when Phillipines President Ferdinand Marcos was deposed as one of gold's last runs on a political issue

Gold's role as a "safety haven" had diminished during the past decade, another dealer said The metal, which surged to a high of more than $800 at the time of the Iranian revolution and American hostage crises, had increasingly failed to respond to global flashpoints

A rule of thumb for foreign exchange dealers had hitherto always been that gold rose and the dollar fell in times of world crises

Surprise was expressed yesterday that gold, notwithstanding fundamental bearishness, did not even register a slight hiccup

● See Page 5

Key Market Movements — JAN 04 to JAN 05 REUTERS

Gold			JSE	Currencies				Ffort close	Lon close	3 months	Johannesburg Stock Exchange		
LON close $/oz	Lon PM $/oz	Lon PM R/oz	Krugerrand	R per $ Comm	$ per R Comm	R per $ Fin	$ per R Fin	DM/$	R/£	BA	All Gold BD Index	Indust BD Index	JSE Ov'll Index
409,75	409,35	973,96	1175	2,3793	0,4218	3,9200	0,2583	1,7915	4,3017	15,55	1030,6	2569,7	2016,0
↓	↓	↓	↓	↓	↑	↑	↓	↑	↓	NO MOVE	↑	↑	↑
407,75	407,25	965,49	1172	2,3707	0,4202	3,8700	0,2551	1,7870	4,2625	15,55	1025,9	2534,8	2003,0

Grade improvement at Deelkraal boosts GFSA

Star 6/11/89

By Sven Forssman

An improved in grade from 6,5 g to 6,5 g per ton at Deelkraal was a welcome windfall for Gold Fields of South Africa (GFSA), which yesterday reported that pre-tax profits fell by R46,4 million to R550,9 million for the December quarter

However, because of a decrease of R60 million for the provision of tax and the State's share of profit, the after tax figure of R374,4 million is 4 percent up on the previous quarter

The average price for gold received declined by R1 642 per kg to R32 425 (R34 067), while production rose from 30 010 kg to 30 415 kg

After-tax profits at Deelkraal rose a healthy 48 percent to R4,4 million (R3 million), while working profit increased by only 7 percent to R46 million due to a decline in the gold price received by the mine

A dividend of 30c has been declared

However, a GFSA spokesman said while the improvement in grade at Deelkraal was most welcome, it was unlikely to remain at its current level and would probably drift down to about 6,2 g over the next quarter

West Driefontein and Doornfontein were the only other mines in the group which managed to improved gold production during the quarter

This, however, was to be expected at West Driefontein as gold production had been adversely affected by a fire in the previous quarter

The uranium division at Driefontein Consolidated lost just over R500 000, while after-tax profit at Vlakfontein dropped to R732 000 (R1 million), largely as a result of a drop in grades from underground sources from 3,0g/t to 2,7g/t

Kloof was a respectable performer with after-tax profits increasing to R129 million (R125 million), with a dividend of 60c being declared

Libanon incurred the greatest cost increases (R27 888 per kilogram of gold produced), with working profit declining from R13,8 million to R8,2 million

Venterspost was also affected of the drop in the gold price and after-tax profit dropped from R5,5 million to R4,9 million

RTZ considers sale of Oryx and Unisel mines

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Star 9/1/89

By Neil Behrmann

LONDON — RTZ Corporation is likely to sell its stakes in South African gold mines Oryx and Unisel

RTZ chief executive Derek Birkin said at a briefing it preferred to manage its own operations

Following its R10,3 bn deal to acquire the minerals division of British Petroleum, RTZ has a 30 percent stake in Oryx and 33,6 percent in Unisel

"It is a little anomolous in terms of our strategic policy to have only 30 percent in companies not managed by us," said Robert Wilson, planning and development director of RTZ

"The gold mines may or may not be kept"

Birkin said that the company could not make a decision for at least three months, until the loose ends of the BP deal are tied up

Total assets

Yet in terms of the deal, RTZ effectively becomes a net investor in South Africa Its stake rises to 4 percent of total assets from 2 percent But if the gold mines are sold, the investment in South Africa will fall back to 2 percent

Analysts believe that RTZ will only be prepared to sell the assets at a good price There will be no rush Yet since the purchase of assets from BP raises RTZ's debt substantially, a sale of the two gold mines is on the cards

A key investment, however, is Richards Bay Minerals which will be 50 percent owned by RTZ

Richards Bay is a notable producer of titanium dioxide slag, zircon, high purity iron and rutile

Following the purchase from BP of QIT, a major Canadian titanium producer, RTZ will control about 40 percent of Western titanium production

About 60 percent of all titanium metal is used for load bearing components in military and civilian aircraft construction The market in zircon is also booming

Mr Birkin, a tough Yorkshire businessman, joined RTZ in 1982 and became chief executive in 1985 He will be a shrewd negotiator in the transfer of vital assets

Several joint ventures, including Olympic Dam in Australia, will be subject to pre-emptive rights, where the other joint venture party can prevent RTZ taking over BP's stake

"BP Minerals is the last significant group of mining assets not owned by a quoted mining company," said Mr Birkin

"It undoubtedly suits our strategy of having excellent mining resources well into the 21st century"

World's biggest

RTZ is now by far the world's biggest mining company

Its consolidated group share of Western world mineral production will after the deal (and assuming pre-emption rights are in its favour) be around 52 percent for boron, 42 percent titanium, 30 percent industrial diamonds, 20 percent zircon and uranium, 16 percent copper, 11 percent bauxite, and molybdenum 8 percent, tin 8 percent, iron ore 7 percent, silver 6 percent, gold 5 percent and lead and zinc 4 percent

"This acquisition significantly increases our involvement in precious metals, especially gold where RTZ is now set to become the world's third largest producers outside South Africa," said Mr Birkin

"In 1989 some 50 percent of RTZ's assets will, following the acquisition, be in North America, 20 percent in Australia, 16 percent in the EEC and 4 percent in South Africa

"BP also has an extensive exploration programme which will be pursued actively by RTZ," said Mr Birkin

GENBEL SPREADS ITS RISK

BDay 9/1/89 ADAM PAYNE (214)

SHARES of Genbel Investments (Genbel), ~~in~~ the Gencor group, should be held or bought by investors since it has wisely spread its portfolio risks and has good long-term potential.

The stock also has a speculative flavour with its involvement in the Marievale exploration company, says Frankel Kruger Vinderine research chief Peter Davey. "Gearing to the gold price will have dropped from 55% to about 49% of the distributable income with the inclusion of 4,5-million Sappi shares at the expense of gold counters since the the annual report."

The Sappi stock will strengthen the industrial portfolio, which it is estimated will account for about 12% of distributal income against 5% last year.

"In the light of a continuing squeeze on gold mine margins the move is seen as beneficial," says Davey, although Genbel will receive only the final dividends in this financial year to June (the new Sappi shares were not eligable for the June interim).

Listings slow to trickle in newfound mood of sobriety

Star 10/1/89 (214)

The October 1987 crash knocked the new listings trend on the head, but it didn't quite kill it.

In 1988 there were 42 listings, sharply down from the 220 that made their debut in 1987.

It was also considerably below the 68 listings that marked 1986 as the year in which the stock market became a popular alternative source of company finance.

One significant feature of last year's listings is the large number currently trading above the price at which the issue was pitched

This contrasts sharply with the 1987 experience when 114 of the new listings ended the year below their issue price.

Twenty of these casualties were 36 percent or more below their issue price.

The 1987 situation reflected the unrealistic pricing that characterised listings that year as companies took advantage of the pre-crash euphoria onthe JSE and pitched their issue prices at high P/E ratios and well above net asset value

The enabled the company and/or its existing shareholders to rake in considerable sums relative to the number of shares sold to the public.

The longer-term result was that the unrealistically priced shares had a long way to fall when the market cracked and investors began to concentrate on underlying value.

The 1988 experience was different. Issue prices were pitched at realistic levels in relation to underlying net asset value and P/E ratings

In some instances, analysts argued that the issue price represented a discount to a realistic market level.

The finer pricing reflected changed sentiment and the fact that most of 1988's listing came to the board via private placings.

Private placings effectively preclude attempts at extravagant pricing as the parties involved are usually professionals who won't fork out a premium for untested investments

Market conditions made a public offer much too hazardous.

In addition, many new listings involved the hiving off, from an existing listed company, of one of

Diagonal Street

ANN CROTTY

its subsidiaries and so came to the market via a rights offer to shareholders of the main company.

Another feature of last year's listings (which underlies the fact that there was no major testing of investor sentiment) was the generally small sums of money raised — usually in the order of R3 million to R5 million.

The larger issues tended to be companies being hived off from existing listed companies and so the success of the listing was guaranteed by the parent company.

While the primary reason for a listing in 1987 was to cash in on investor euphoria the primary reason for listing in 1988 was to give a company a public profile and the opportunity toestablish a track record for a few years thus making the raising of funds for either expansion or acquisition easier and cheaper

Company	Listing Date	Issue Price -c-	Current Price -c-	Hi -c-	Low -c-
Tricom	18/2	500	515	610	475
Cenmag (DCM)	24/2	85	88	95	88
Hyprop	24/2	500	500	525	420
Ovbel	25/2	57	70	90	55
Cengold	25/2	150	40	160	30
Nigel	4/4	50	60	90	30
TSI	14/4	400	620	640	520
Group Five Hldings	22/4	—	340	350	275
SA Bias Binding	28/4	180	370	450	300
Noristan	28/4	105	85	110	65
Oryx	4/5	800	840	975	720
Knights	5/5	70	95	100	56
Sherley (DCM)	11/5	40	25	45	25
Rabie Hldings	23/5	—	250	325	210
Boardprop	13/6	500	475	505	475
Motorovia	15/6	180	140	190	115
Sun Pack Inv	15/6	100	165	165	115
Musica (DCM)	29/6	55	40	60	40
Femco Tec	30/6	200	210	220	190
Putco Prop	4/7	—	67	70	45
Ellis Park	7/7	100	83	102	80
Lydex	11/7	—	155	250	120
Southwits	20/7	180	95	175	55
Mascon	1/8	—	175	200	130
Sterling	3/8	70	60	71	50
Barnex	22/8	410	400	575	350
Lindum Reefs	22/8	250	175	320	145
Helical (DCM)	20/9	—	130	130	110
Eurevest	22/9	200	245	245	200
Yabeng	28/9	90	120	123	90
Oakfields	5/10	100	80	100	75
Goldfields-Namibia	19/10	800	1225	1275	1050
Richemont	3/11	1300	1245	1290	1050
Stocks & Stocks	10/11	150	155	175	140
Decor	10/11	50	53	55	50
Distillers	21/11	—	240	250	200
Furngo	24/11	130	135	150	135
Infash (DCM)	24/11	60	60	70	60
Investec Bank	28/11	330	330	340	330
Woodrow (DCM)	8/12	50	53	53	52
W B Holdings	12/12	—	210	210	175
Crest Holdings	15/12	—	120	120	120

Rand Mines can do RMP a good turn

Star 11/1/89

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By Derek Tommey

A decision by Rand Mines to start a deep-level mining venture south of Johannesburg would be good news for Rand Mines Properties, the company's chairman, Mr DT Watt, indicated at the annual meeting in Johannesburg yesterday

Should a new deep mining venture be approved it was likely that RMP would contribute land for hostels, shafts and plants as well as certain surface right permits held by Crown Mines, City Deep and CMR, he said in reply to a shareholders' question

The land sold would include mining infrastructure including existing shafts and haulages which gave access to the mining area to the south of the old mines

Mr Watt did not disclose what the prospects were for a new mine south of Johannesburg

But in his chairman's statement he reported that a borehole sunk to the south of the company's mining title last year had successfully intersected the Main Reef horizons A second borehole is under way and reef intersections are expected this month

Mr Watt said that exploration in the Pilgrim's Rest district was being "pushed ahead as fast as we can When we get results we will disclose them"

RMP is looking for gold reserves in the Pilgrim's Rest district which can be worked once the sand and slime deposits there have been treated

But Mr Watt dashed any hopes of a new mine at Crown Mines Drilling during 1988 had produced values of 1,2 grams, 1,77 grams and 1,64 grams a ton

At the current price of R30 a gram for gold a viable operation would have to recover not less than 3 grams a ton to cover working costs and capital.

This would require an in situ grade of about 4 grams a ton.

Profits down at New Wits

Star 12/1/89 By Sven Forssman (214)

Profits before tax at Witwatersrand Deep, a Gold Fields investment holding company, increased slightly from R1,939 million to R1,968 million for the six months to December 31

But, profits were down at Selected Mining Holdings (from 423 000 to 376 000) and New Wits (from R9,67 million to R7,52 million) for the same period

Wit Deep has declared a final dividend of 20c per share, Selected Mining Holdings a dividend of 40c and New Wits a dividend of 30c.

Wit Deep incurred no exploration expenditure during the first half year, but New Wits' expenditure rose from R734 000 to R1,5 million

GFSA firms produce poor performance

BD pay 12/1/89

REINIE BOOYSEN

(214)

INTERIM results of three GFSA investment holding companies — Witwatersrand Deep, New Wits and Selected Mining Holdings — are either unchanged from last year, or down, broadly reflecting the sluggish performance of gold shares across the board

Wit Deep's earnings are up slightly to R1,968m (R1,939m), New Wits down 23%, to R7,395m (R9,56m), and Selected Mining (76% controlled by New Wits) 11% down, to R376 000 (R423 000)

While Wit Deep's investments are entirely in gold mines on the west Wits line, New Wits and Selected Mining have a greater spread, but remain focused in gold shares

Wit Deep incurred no exploration expenditure during the first half year, but New Wits' expenditure rose from R734 000 to R1,517m (compared to a total in the year to end-June 1988 of R2m).

Wit Deep has declared an interim dividend of 13c (13c), New Wits 15c (15c) and Selected Mining 25c (25c)

□ Gold Fields Property Company's results for the year to December 1988 reflect the poor state of the property market Turnover is 34% down, to R17,5m (R26,5m).

Earnings a share are down to 60,9c (89,7c), and dividends are down to 36c (48c).

World's El Dorados mushrooming thick and fast

214

Star 14/1/87

There's no business like gold Companies spend fortunes looking for a commodity which has limited practical use

If they are lucky and strike gold there is no way they can add value to their product Instead, all gold mines receive the same fickle price

They can compete with each other only by producing it at the lowest cost This decade new finds in North America and around the Ring of Fire, which girdles the Pacific, have made this look easy

The finders have for the time being changed the structure of the world gold-mining industry The big loser is South Africa

South Africa's share of non-communist world production fell from 70 percent in 1980 to 44 percent in 1987 Total world production is rising fast, last year it was a record 1 373 tons, up 43 percent on 1980

Most of the increase is coming from America, Canada and Australia In all three countries the new gold rush is a by-product of the base-metal slump of the early 1980s

As base-metal mining giants retrenched, many small companies dashed in to buy equipment and hire staff at bargain prices They went out and found gold all over the world, from Indonesia and Ireland to Burkina Faso and the Amazon jungle (where law and order has broken down under the pressure of an old-fashioned gold rush)

New discoveries in safer areas have attracted the big mining houses with the financial power to develop them

Since 1985 they have almost doubled mine output in America and Australia This is one big reason behind the bid for Britain's Consolidated Gold Fields, which is the mining house most heavily involved in the new gold-mining areas

The bidder, Minorco, is the overseas-investment vehicle for Anglo American, nearly all of whose gold mines are in South Africa

The most important of the new finds is in north-east Nevada In 1982 Newmont Mining bought the "Lazy S", a cattle ranch, for $35 million It turned out to be sitting on top of what is now called Carlin Trend, from which Newmont will mine 18 tons of gold this year

Newmont hopes this will rise to 50 tons by 1990 and reckons there is enough gold to keep production at this level for ten years That makes the reserves worth, at current prices, $6,7 billion That $35 million ranch was not a bad investment

The Carlin Trend is exceptional More typical of the new gold mines is the smaller Ridgeway mine in South Carolina

This has been developed jointly by British Petroleum and a Vancouver-based company, Galactic Resources They hope there is enough gold to produce 3,7 tons a year (worth $50 million at today's gold price) for 12 years Vast dumper trucks capable of carrying 200 tons of muck at a time roll around the site carrying low-grade ore to the processing plant

The main point about the Ridgeway mine — and most of the other new mines now coming on stream — is its cheapness

It took three years and $90 million to develop the mine This is about one-sixth of the cost and a quarter of the time that it takes to develop a (usually bigger) South African mine

The new mines are low-cost, low-tech, low-grade operations, capable of taking dirt that South African companies would not bother to haul up — and yet making money from it

At these open-pit mines, the average cost of mining an ounce of gold is $200 Some firms, like Amax Gold, have costs of little over $100 an ounce

In South Africa, the average working cost of mines was $305 an ounce in 1987 South Africa has moved from being the lowest-cost gold producer in the world in 1986, to being the highest among big producers

It faces three big problems its gold ore is deep, its ore grade is falling, and the cost of labour needed to get it to the surface is rising rapidly

The world's deepest mine is South Africa's Western Deeps, where gold is mined over four kilometres below the surface New reefs of gold are being looked for in South Africa at even deeper levels

Mining at these depths is hugely capital intensive A new South African mine can cost $860 million to develop and take more than ten years before any gold appears This investment is worth making only if the reef of gold at the bottom looks reliable and is of high grade

Today, the grade of South African ore is falling fast In 1970 its mines produced 13 grams of gold from each ton of ore milled, that is down to just over 5 grams today — partly because a Government-imposed "pay-limit" stops mines from stripping the richest reefs and ignoring low grade ores

As its grades drop, the only way South African mines can stop total production from falling further is by bringing more rock to the surface That means employing more people

South African gold mines already employ more than 550 000 workers, whose wages make up half the mines' costs Inflation and strikes have pushed up total costs by 73 percent over the past three years

Thus far the rand has fallen even faster than costs have risen, so companies' domestic earnings have been insulated Despite this, several South African mines are now losing money

Older mines, like the one at Stilfontein which last year produced 7,2 tons at an average cost of $403 an ounce, have lost a big source of earnings because the Japanese have stopped buying South African uranium, a common by-product of gold mines

So, over the next five years, South African mines will have to struggle — while foreign rivals seem with ease to scrape gold off the surface in the American desert and in the jungle of Papua New Guinea

But the pendulum could swing back in the mid-1990s Most of the new mines are cheap to operate, but they will have relatively short lives

Like California's gold rush, the days of the Ridgeways could all be over in a few years Their reserves are too poor or geologically too difficult to justify mining underground Already shortages of labour and equipment in North America and Australia are driving costs up

Although South Africa faces falling grades and rising costs, it still sits on the world's richest known reserves No gold deposits have been found outside South Africa that can stand comparison with the jewels in the Witwatersrand — Kloof and Driefontein

In 1987, these two mines produced 96 tons of gold — only 12 tons less than the entire production of Australia — **The Economist**

Minorco returns to the offensive

S/Times 15/1/89

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LIKE warring generals who believe their opponents' stocks of ammunition are running low, Minorco executives this week rounded on Cons Gold in their first major offensive against the company in nearly three months

By Richard Rolfe

London

Minorco's lapsed £2,9-billion bid for Cons Gold is being investigated by the UK Monopolies and Mergers Commission which is expected to report before January 25 Lord Young, Secretary of State for the Department of Trade and Industry is likely to announce his decision shortly afterwards

Vilification

Incensed at what Minorco chairman Julian Ogilvie Thompson has described as a worldwide orchestrated campaign of vilification and abuse against Minorco Anglo American De Beers and Mr Harry Oppenheimer Minorco executives charged that:

● Purchases of Cons Gold shares by its associate Gold Fields of SA in January 1987 were suspect, possibly amounting to insider trading

● Suggestions that Minorco might, if it took over Cons Gold influence the competitive position in the zircon and titanium markets — the reason given by the DTI for referral of the bid to the MMC — were entirely false

Minutes

'Everyone has lost sight of the fact that we are bidding for some gold and aggregates assets says Roger Phillimore, Minorco's commercial director

Cons Gold and Minorco were as good as merged" in December 1986, Minorco executives say Detailed joint planning had gone into announcement of the deal and extended to agreement on key executive posts in the merged company.

However, at the Cons Gold board meeting on December 22 1986, to consider the terms, Minorco claims that Cons Gold chairman Rudolph Agnew was put off the merger by non-executive directors, led by GFSA's Robin Plumbridge

According to Cons Gold, Mr Ogilvie Thompson made "a poor presentation" to the Cons Gold board, urging acceptance of the terms before withdrawing to await the verdict "He assumed the board would rubber stamp the terms, like an Anglo board," says a Cons Gold spokesman

Cons Gold claims its board unanimously rejected the terms and this was conveyed to Mr Ogilvie Thompson Mr Plumbridge, Cons Gold says, left the meeting believing the merger plans were dead

The relevant part of the minutes of the meeting at which the terms were rejected is said to have been blacked out in Cons Gold's recent submissions to the US courts, on the grounds that this two-year old information is "price sensitive"

After the breakdown of the merger talks, Mr Agnew sent Mr Ogilvie Thompson a message saying "We must get this show on the road again" He also brushed aside as irrelevant suggestions that the MMC might look at the deal

However, before talks could be resumed, GFSA raised its stake in Cons Gold by share purchases Mr Plumbridge was not present at the GFSA board meeting which resolved to buy into Cons Gold and it is not known what, if anything, he told GFSA board colleagues of the Minorco-Cons Gold merger plan

Obscure

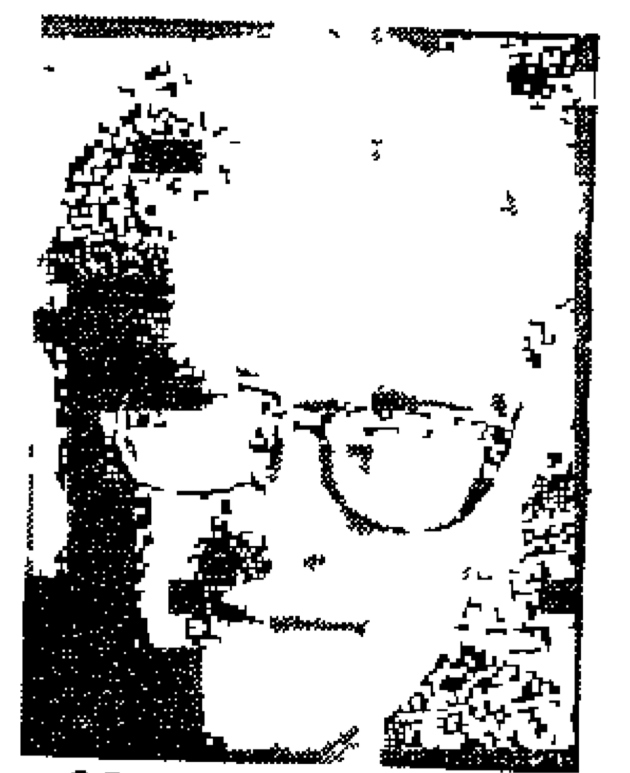
GFSA was required to give notice of its meeting to all directors in the Johannesburg magisterial district However, it is alleged that the meeting was knowingly convened for a time when GFSA directors were aware that Peter Gush, Anglo's representative on its board, was in Welkom

Because Cons Gold did not know of the GFSA board decision to buy Cons Gold shares, the holders of 70% of GFSA shares — that is, Cons Gold and Anglo — were not consulted about the decision to spend hundreds of millions of rands when Cons Gold and Minorco were about to be in discussions leading to a revised merger proposal

Minorco put out an obscure news release at the time expressing its "astonishment" The merger talks were never resumed

Whether the GFSA board's action amounted to insider trading is a point which could be established only by the testimony of those involved

However, it must be assumed that the company and its executive directors availed itself of the best possible advice Mr Plumbridge is believed to have consulted former Hill Samuel chief Christopher Castleman, who has since joined the Cons Gold board



OGILVIE THOMPSON

As regards the MMC inquiry, the DTI originally announced that "there are possible effects on competition in the markets for certain high-value minerals and metals, and especially titanium and zircon, which deserve investigation"

Cons Gold's 49%-owned Australian associate, Renison, is the world's largest supplier of high-grade feedstock for titanium dioxide Gencor, in which Anglo has a small stake, is also a major supplier through associates Cons Rutile in Australia and Richard Bay Minerals

Absurd

Minorco claims to have established that most of Renison's titanium dioxide is sold to a French chemical company In turn, much of the French company's output passes to two UK concerns 'These are Tioxide, a joint venture between ICI and Cookson, and SCM, a subsidiary of Hanson

Cons Gold says that its arguments are about concentration of supply in SA hands It adds that Renison's relationship with the French concern, Rhone Poulenc, is confined to the supply of monazite, a phosphate containing rare earths, and excludes titanium or zircon

Mr Phillimore says "All these intermediaries have significant market positions and determine availability and price of titanium products

"It is frankly absurd for Cons Gold to pose as the defender of consumers of the metal"

4 SUNDAY TIMES, Business Times, January 15, 1989

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A long wait for long suffering

By Julie Walker

MIKE De Pinna does not claim to wear a clerical collar, but shareholders in his companies need to have the patience of saints

Two holders of shares in unlisted but connected securities asked me to look at Principal Mining & Industrial Securities, of which Mr De Pinna is the director

One bought 750 shares in New Era Mines at 150c in 1983 The other bought 500 shares at 100c each in Redbark Mines in 1977 Like other investors who have invested in Principal Mining companies for many years, they have had no return

Premium

Those who buy shares in these companies do so at a large premium from Pingold, Mr De Pinna's company The proceeds thus go to Pingold, not to the company He onlends the moneys and is thus a major creditor Raising funds under Section 141 of the Companies Act instead of than Section 142, obviates the need for a prospectus for the underlying companies

Mr De Pinna says Principal acts as agent for companies which raise equity Among them are Hemisphere, New Era and Redbark

Hemisphere owns 61% of New Era Mines and an effective 30% of Eldorado Gold Mines, near Barberton It also owns 27% of Redbark Mines and has interests in Lenmike Investments and National Quartzite Suppliers

Dumps

New Era has 50% of Eldorado and 1,8% of Great African Resources

Redbark owns the farm Louieville, near Barberton, Greenbark Mines, Yellowbark Mines, Bluebark Mines, 15% of Eldorado Gold Mines and 10% of operating company Geocom There are 5,5-million Redbark shares in issue Shares are being sold at R3,50, so a company with equity of R554 600 is valued by the price at R19,2-million

Geocom recovers gold from dumps in the Roodepoort district

Mr De Pinna says more than R1-million worth of gold was recovered in December He hopes that Geocom will be listed on the JSE, probably this quarter

But Leveton Boner, auditor to Hemisphere, New Era and Redbark, is unable to express an opinion on the financial position of the three companies

It qualifies each report, saying "Because of the nature of the group's assets there have been no audit procedures which we could adopt in order to formulate an opinion as to the value of the mineral rights, prospecting claims, notarial mining leases and the capital development expenditure

"As a result of the aforegoing we are unable to express an opinion as to the value of the company's investment in subsidiaries or the ability of such subsidiaries to repay their indebtedness to this company"

Telephone

Mr De Pinna says he has heard the same thing for 15 years, and agrees that the auditors can only verify what was spent, not the true worth of assets in his companies

The Redbark shareholder says he bought the shares from a door-to-door salesman Later he was asked to pay for an additional 5 000 shares which Redbark claimed he had ordered He had not asked for more shares

Mr De Pinna says 99,9% of share-selling is done by telephone

"I was promised the earth," says the member When he bought Redbark the company said it had been prospecting the Witvlakte Pan in the Vredendal district of the Cape

The pan contains a deposit of magnesium calcium carbonate clay with sepiolite — formerly called dolcrete

"It appeared that production of sepiolite was only a few months away," says the Redbark shareholder

But every annual report says "tests are being conducted, etc, etc The optimism grows each year, but I never had a return on my investment"

Mr De Pinna concurs "We have been close to the big one a couple of times We have now found that the deposit contains kieselguhr and high-grade gypsum as well as sepiolite

"Reserves in the Witvlakte pan could be worth up to R1-billion on a sold-condition basis, but the auditors cannot say that"

Trials

Redbark says Mintek is conducting trials on the sepiolite deposit to produce a marketable product

"Kieselguhr is imported at about £400 a ton," says Mr De Pinna, "and we could save the country foreign exchange if we made it ourselves"

An offer for the sale of shares in Redbark, dated July 10, 1988, gives a review of Redbark's affairs Other than Geocom, the businesses are dormant

It is a confusing document because under the heading of balance sheet is an income statement, showing zero turnover and a loss R8 400, bringing accumulated losses to R267 000 This places another question mark over the valuation of R19,5-million

The balance sheet to June 1987 shows fixed assets of R408 814 and capital development expenditure of R501 516, with both of which the auditor cannot come to grips These form most of the total of R995 469 Shareholders' interests are R554 602 and loans payable R440 867

Hemisphere has loans payable of R2,3-million and loans receivable of R300 000 Those payable are unsecured and no repayment date is specified New Era has loans payable of R1,97-million and R2-million receivable

Thwarted

Hemisphere appears to be dormant, as does New Era A buyer is sought for Eldorado It appears that Geocom is the only source of income for the group

Mr De Pinna says his attempts to work Eldorado were thwarted after he followed "expert" advice

"We drilled at the toplevels, and had run out of money by the time we found the interesting sulphide zone at the third level

"Instead of going back to shareholders to raise more development capital we decided it would be best to sell the mine"

Any proceeds would probably be invested in gold dump retreatment, "where we have had success"

Mr De Pinna says he has received neither directors' fees nor salary since inception of the mining companies, but believes that the fruit could soon be reaped For the sake of the long-time shareholders, I hope so

Warehouse upgraded

UNICORN Lines has upgraded its warehouse in Port Elizabeth

The warehouse now covers 9 480m² with four bays and includes an open-air storage space of 2 000m² Warehouse activities include the packing and unpacking of export and import containers and the storage of dry products

"The economy in this area seems to be on the upswing and Unicorn has every confidence in the recovery of industry in Port Elizabeth," says executive director, non-liner services, Fred Harper

Consgold fails to 'hurt' Minorco

Star 16/11/89

(214)

The Star Bureau

LONDON - Minorco has accused Consgold of a scorched earth policy in its attempts to have the group blacklisted because of its SA connections

The row comes just a week from the deadline on the Monopolies Commission probe into Minorco's £2,9 billion bid for Consgold

Pressure has reportedly been put on Chemical Bank by the New York city authorities to withdraw from its $300 million loan agreement with Minorco The state of Michigan is being urged by Consgold's ARC subsidiary to sell its nine million Minorco shares

The *Sunday Telegraph* reports, however, both moves have been beaten back

ConsGold: 'scorched earth' charge

Own Correspondent

LONDON — With the January 25 deadline on the Monopolies and Mergers Commission probe into Minorco's £2,9bn bid for Consolidated Gold Fields just a week away, Minorco says ConsGold is using a "scorched earth" policy in a bid to have it blacklisted

Pressure has been put on Chemical Bank by New York city authorities to withdraw from its £300m loan agreement with Minorco, while the state of Michigan was approached by ConsGold's ARC subsidiary to sell its holding of nine-million Minorco shares

But Minorco claimed it was ConsGold (through 38% ownership of GFSA) and not Minorco which fell foul of Michigan state investment rules

And Minorco said it was Chemical Bank which led a syndicate lending $2bn to ConsGold-controlled Newmont Mining to help finance a deal against a raid

(214)

B/Day 19/1/89

Anger over petrol price hike

B/Day 16/1/89

BRONWYN ADAMS

THE 10c petrol price increase came into effect today amid widespread protest from transport and motoring associations.

The price of a litre of 87 octane petrol on the Witwatersrand is now 101c, while that for 93 octane is 105c

In coastal areas, a litre of 93 octane costs 96c and a litre of 87 octane 101c.

Diesel costs 90c a litre in coastal areas and 97c in the PWV-area

AA director-general Peter Elliot has said the petrol price hike was totally unacceptable as it was nothing more than a tactic used by government to extract payment from motorists

The new pump price included a 9c a litre tax This, added to the 3c increase in September 1988, represented a total of 12c in tax increases during the last year.

Elliot said this was proof the Department of Finance had found an easy source of revenue which was "grossly unfair"

Public Carriers Association CE Ian Moss has described the reaction of his members to what will amount to a 4% jump in costs as "bitter" He accused government of using fuel as a "convenient milking cow".

Sapa reports the Federation of Salaried Staff Associations (Fedsal), representing 150 000 workers in the banking, building society, mining, motor and transport industries, had reacted angrily to government's handling of toll roads and the increase in the fuel price

Fedsal said "If some of our petrol money is being diverted to pay civil servants' salaries, what other government excesses are being covered up in this manner?"

Fedsal questioned the need for a 31,9c a litre fuel tax in the light of the revenue being earned from toll roads Government was further criticised for not communicating with worker representatives on toll roads and new fuel prices

Firm to promote SA shares

8 Day 17/1/89

MERVYN HARRIS

STOCKBROKERS Martin & Co are broadening the base of their international operations in a move to promote SA gold shares in the US

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A respected New York gold trader, George Walters, will take up his post from the start of February to deal in SA gold shares. He will represent McIntosh, Martin & Co, a joint venture formed in London two-and-a-half years ago with McIntosh, Hanson, Hoare, Govett & Co.

The move to promote SA gold shares into the US comes at a time when other firms and market makers are pulling out of dealing in SA shares.

Martin & Co director Winston Floquet said yesterday "We see this as an opportunity to fill a gap in the market place We will be almost a lone voice as nobody else is promoting SA gold shares

"Only a South African firm would be prepared to take something like this on at this time But we believe South African gold shares have remarkable value relative to Australian and Canadian gold shares and we are justified in appointing someone in New York to tell the story"

The recent withdrawal of leading US market makers in SA gold shares has emphasised the shift in gold trading

● To Page 2

Firm to promote SA gold shares in US

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B Day 17/1/89

● From Page 1

away from New York to London where smaller and lesser known UK-based firms are becoming niche players in golds

Recent estimates show that New York now trades about 40% of business in SA golds as opposed to 60% in London About 10 years ago, the US had about 70% of the trade and London 30%

A survey by McIntosh, Martin & Co shows the approximate aggregate value of all gold funds at the end of the third quarter in 1988 was \$6,6bn This was 7% lower than at June 1988 and almost \$1bn less than at the start of the year

Two-thirds of the world's ownership of gold shares is still held in the US

Star 17/1/89

(214)

Profits up at Rand Mines

Rand Mines gold producers showed a 66 percent increase in taxed profits in the December quarter, despite the seasonally shorter milling cycle and virtually unchanged average gold prices received, the Rand Mines Group said in its quarterly statement yesterday

Total bottom-line profits, before capex, of the group's four major mines — Harmony, Blyvooruitzicht, Durban Roodepoort Deep and ERPM — rose from R12,5 million in the September 1988 quarter to R20,7 million

The main reasons for the improvement were a 38 percent reduction in the combined losses of struggling marginals Durban Deep and ERPM and a R16,5 million drop in total capex from R43,1 million to R26,6 million — which prompted a tax cut of 47 percent from R4,7 million to R2,5 million

In line with the lower tonnage milled, group unit costs rose by 13 percent from R105,39 per ton to R119,33

Blyvooruitzicht came in with a strong December quarter performance, pushing up gold production by 130kg, despite a 10 000 ton drop in tonnage milled, and adding almost R2 million to its taxed profits.

A slight drop in Blyvoor's average gold price received was more than offset by higher gold production.

Gold revenue was thus up from R80,7 million to R81,4 million

Blyvoor's costs dropped from R70,7 million to R68 million, leaving the mine with a working profit of R13,4 million

Tonnage down

Harmony's production saw tonnage down 73 000 tons at 2,4 million tons

Gold production was just under 50kg lower at 7 127kg.

Yield was up from 2,95 g/t to 3,01 g/t.

The mines's gold production was sold at an average price of R32 246 per kg, against R33 576 previously — generating gold revenue of R230 million, against R241 million in the September quarter

Uranium revenue came in at R3,8 million, taking Harmony's total revenue to R233,6 million, against R245,3 million

Low sales prices and higher production costs has led to the closing of the mine's remaining uranium plant. Rand Mines has thus ceased to be a uranium producer

Harmony's total costs dropped by R4,1 million, but, because of lower tonnage, unit costs were slightly up from R90,24 to R91,25 per ton.

Harmony's taxed profit was R229 000, and capex for the quarter was pruned from R9,4 million to R6,8 million Total expenditure for the the year is estimated at R20 million.

Marginal producers Durban Roodepoort Deep and ERPM remained in the red Durban Deep's loss, however, was reduced from R4 million to R364 000

ERPM remained beset by problems. However, there was a much-needed improvement in grade from 3,35 g/t to 3,56 g/t

ERPM's gold production was down from 2 204kg to 1 799kg.

Total revenue for the mine for the quarter was R76,8 million, against R79,8 million previously The loss for the quarter was R13,9 million

The group's new Barbrook mine, which goes into production next year, spent R15,2 million in the December quarter — Sapa

CAP Times 17/1/89 (2A) (460)

Rand Mines gold producers profits up 66%

JOHANNESBURG — Rand Mines gold producers showed a 66% increase in after-tax profits in the December quarter — in spite of the seasonally shorter milling cycle and virtually unchanged average gold prices received, the Rand Mines group said in its quarterly statement yesterday

Total bottom-line profits, before capex, of the group's four major mines - Harmony, Blyvooruitzicht, Durban Roodepoort Deep and ERPM — rose from R12,5m in the September 1988 quarter to R20,7m the December quarter

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A slight drop in Blyvoor's average gold price received was more than offset by the higher gold production, and gold revenue was thus up from R80,7m to R81,4m

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Harmony's production saw tonnage down 73 000 tons at 2,4m tons and gold production just under 50 kg lower at 7 127 kg Yield was up from 2,95 g/t to 3,01 g/t

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ERPM remained beset with problems, however, there was a much-needed improvement in grade from 3,35 g/t to 3,56 g/t

ERPM's gold production was down from 2 204 kg to 1 799 kg

Total revenue for the mine for this quarter was R76,8m, against R79,8m previously

Sub Nigel edging out of the red

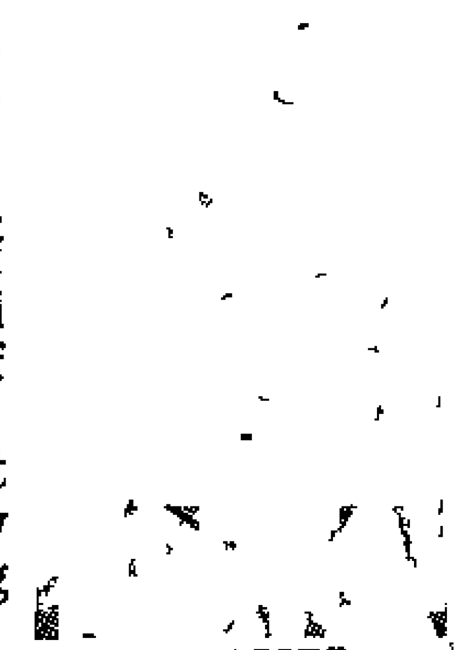
BDay 27/1/89 CHERILYN IRETON 214

SUB Nigel gold mine cut its post-capex loss by 60% in the December quarter after re-focusing its objectives to accommodate management's bearish view on the gold price

Although the mine is still in the red with an attributable loss of R149 000 — compared with R375 000 in the September quarter — profit before capex deductions was 187% higher at R356 000 (R124 000 previous quarter)

Chairman Les Holmes said yesterday about 46 000 tons of ore passed through Sub Nigel's mills (56 000 tons) during the quarter and the year-end target of 20 000 tons a month at an average 4g/t was now within reach "We are trying our very best to achieve that yield as soon as possible"

This has meant more selective mining using the up-payshoot method, the initial results of which are reflected in the higher yield of 3,33g/t (2,75g/t)



● HOLMES

Total gold output was marginally lower at 153kg (154,32kg)

"But we've managed to keep our costs stable despite the lower tonnages," said Holmes

Problems in the reduction plant have been identified after taking new advice and the plant should be back to normal by the end of the current quarter "The problems we exerienced in the last quarter related to the new carbon-in-pulp section of the plant We found that professional advice given to us relating to the design of the circulating load of carbon was inadequate"

He said gold's weakness confirmed his belief that the price would remain weak for at least another 18 months and meant "we took the right decision when opting for higher grades"

However, Holmes' confidence is not shared by investors The share closed at its all-time low of 80c yesterday

ANALYSTS BEARISH ON GOLD SHARES

WHILE SA industrial stocks should rise broadly during the first quarter, analysts say the outlook for gold stocks appears unexciting and only a few low-cost mines are expected to show gains

214

Gold prices are expected to continue bumping along around their present levels for many months yet and are not expected to rise above $500 or fall below $400 for 1989 as a whole

"Many people are disenchanted with gold It is a pale shadow of its former self," said Edey, Rogers & Co diamond analyst John Rogers He pointed to the metal's failure to respond to the collapse in world equity markets in late 1987, and, more recently, to the shooting down of two Libyan fighter jets by US warplanes.

In the first week of 1989, the JSE industrial index topped the 2 000-point level for the first time since the 1987 world stock market crash

In contrast, the all-gold index, well above the 2 000 point-mark before the crash, has not come near to regaining that level, having fluctuated mainly around 1 200 and 1 400, with some forays below and above that range

Another analyst, who declined to be named, says that with the gold price relatively stable this year, local gold shares will be more dependent on the outlook for the rand

"It's going to be a rand game," he said

He anticipates the rand will weaken enough this year — to around R2,56 to the dollar compared with R2,3888 last week — to push the rand price of gold up to between R1 050 and R1 100, only slightly higher than its current level of R969 While this would give the mines some relief from their present profit-squeeze, it would not be enough to compensate them for higher working costs. Gold mines therefore will generally see a downturn in earnings this year, the analyst says — AP-DJ

RM's gold producers raise taxed profits 66%

B|Day 17/1/89 (214)

RAND Mines' gold producers showed a 66% increase in taxed profit in the December quarter — in spite of the seasonally shorter milling cycle and slightly lower average gold price received

Total bottom-line profits, before capex, of the group's four major mines — Harmony, Blyvooruitzicht, Durban Roodepoort Deep and ERPM — rose from R12,5m in the September quarter to R20,7m in the December quarter

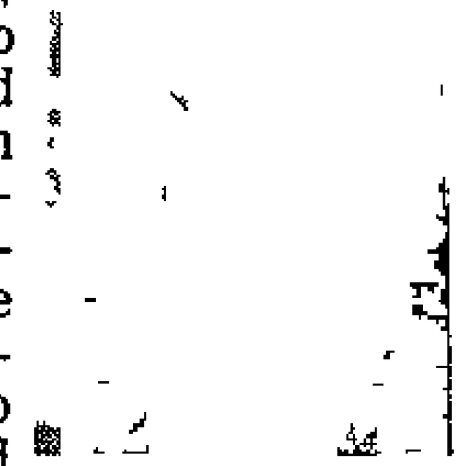
The main reasons for the improvement were a 38% reduction in the combined losses of struggling marginals Durban Deep and ERPM, and a R16,5m drop in total capex from R43,1m to R26,6m — which led to a tax cut of 47% to R2,5m (R4,7m)

Although all four producers showed an improvement in yield in the December quarter, the shorter milling period — 88 days against 91 in the previous quarter — brought a drop in tonnage milled from 4,5-million tons to 3,9-million tons and group gold production was thus 3,9% lower at 13 274kg

Group unit costs rose by 13% from R105,39/ton to R119,33/ton

REINIE BOOYSEN

An improvement in yield at BLYVOORUITZICHT, from 4,20g/t to 4,51g/t, lifted gold production from 2 390kg to 2 520kg — in spite of a 10 000-ton drop in tonnage milled Taxed profits rose R2m to R12,2m Gold and platinum division chairman Clive Knobbs said the upturn in grade came after dyke problems encountered in high-grade stopes in the September quarter were rectified More intensive mining of the higher-grade shaft pillar was also a factor



● KNOBBS

HARMONY's tonnage milled dropp[illegible] 73 000 tons to 2,4-million tons, and g[illegible]d production was nearly 50kg lower at 7 127kg Yield rose from 2,95g/t to 3,01g/t

Marginal producers DURBAN ROODEPOORT DEEP and ERPM remained in the red and were causing great concern at current lower gold price levels, Knobbs said "It is a worrying picture and, if it continues, we will have to thoroughly re-examine the whole mining plan at both mines"

The cutback in underground mining operations and the decision to treat surface material helped reduce the loss for the quarter at Durban Deep from R4m to R364 000 Grade rose slightly from 2,98g/t to 3,05g/t

Gold hedging

Durban Deep has hedged just under 600kg of its production for the next two quarters at a price range from R35 259 to R36 839

The main reasons for the improvement in grade at ERPM — from 3,35g/t to 3,56g/t — were an increase in production from the new Far East Vertical shaft area, the curtailment of production from the lower grade areas in the older part of the mine, and the resolution of the metallurgical extraction problems of the previous quarter

Gold hedging by ERPM — which has now ceased — enabled an increase in the average gold price received, from R32 937 to R36 536

RAND MINES December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Harmony	2 363	3,01	7 127	91	30 255	32 246	22 050	15 241	57
September	2 435	2,95	7 175	90	30 624	33 576	25 122	15 694	58
ERPM	505 *	3,56 *	1 799 *	163 *	45 866 *	36 536 **	(13 868)	(26 825)	(161)
September	657 *	3,35 *	2 204 *	144 *	43 012 *	32 937	(18 919)	(44 950)	(264)
Durban Deep	500 *	3,05 *	1 524 *	102	33 458 *	33 014	(364)	(3 882)	(167)
September	592 *	2,98 *	1 764 *	106 *	35 682 *	32 277	(4 046)	(5 841)	(251)
Blyvooruitzicht	559	4,51	2 520	121	26 983	32 293	12 182	9 588	40
September	569	4,20	2 390	124	29 563	33 781	10 342	3 533	15

* excludes sand treatment

** due to closing out of gold hedging transactions

JCI gives go-ahead for Doornkop shaft

2/4

Bus Day 18/1/89

REINIE BOOYSEN

JOHANNESBURG Consolidated Investments (JCI) has given the go-ahead for the construction of a second shaft at Randfontein Estates' Doornkop section to explore and exploit the gold-bearing South Leader Reef

JCI director Bill Nairn says the shaft will have a capacity of 90 000 tons a month, and will reach a depth of between 2 000m and 2 500m

Analysts say the South Leader Reef has higher values than the Kimberley Reef, which is currently the target of operations at the 200 000t/month Doornkop No 1 Shaft

They estimate that it will be at least six years before the shaft comes into production Nairn declined to reveal JCI's estimate as to the total capital expenditure involved "We don't want to put our heads on a block at this stage"

● See Page 10

JCI's 2 gold mines show 35,6% profit fall

B/Day 18/1/89 (214)

REINIE BOOYSEN

JCI's net profit from its two gold mining operations — Randfontein Estates and Western Areas — declined by 35,6% in the December quarter, following a rise in costs and a decline in the gold price

The average cost/kg of gold produced rose by 6,3% to R27 741/kg (previous quarter R26 101), while the average price received for a kilogram of gold declined to R32 064 in the December quarter, from R33 669 in the September quarter (this includes revenue from silver and coin sales and osmiridium for Western Areas)

With the group's average grade declining from 3,36g/t to 3,26g/t, gold production dropped to 10 075kg (10 233kg) — in spite of a rise in tons milled from 3 042 to 3 088

Director Bill Nairn said yesterday costs at RANDFONTEIN were adversely affected by three factors

☐ Last year's 20% import surcharge,

☐ The cost of mothballing the uranium plant, and

☐ Increased costs of waste development resulting from the unexpected faults at Doornkop

Nairn attributed the small decline in underground ore (from 1,812-million tons to 1,779-million tons) to the water intersection in the Doornkop shaft "So far 160 000 tons have been lost as a result of this incident," he said

Sales of uranium from stock will continue until June 1989, say directors

Nairn said the reduction in grade at WESTERN AREAS, from 3,82g/t to 3,38g/t, was caused by stress problems which precluded entry into a high-grade area Management was aiming to tackle the grade problems on two fronts

☐ By exploiting the Ventersdorp Contact Reef (VCR) to a greater extent, and

☐ Commissioning backfill plants which will facilitate entry into known high-grade areas which were previously inaccessible

Ore sourced from the VCR is to be stepped up to 70 000 tons/month from the current 35 000 tons/month

"I still think 3,6g/t to 3,7g/t is a very realistic grade for Western Areas," said Nairn He added that he expected the R38m capex target to be achieved

H J Joel director Con Fauconnier said the improved grade at the mine, from 1,6g/t to 2,8g/t, resulted from the increased stoping operations

"Reef development was not as high as last quarter as we had to concentrate on our first access ramp into the stopes." The mine was getting into the thicker reef areas as expected, he said

JCI GOLD MINES December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	**2 108**	**3,30**	**6 956**	**80**	**24 300**	**32 081 ***	**55 098**	**(11 023)**	**(180,3)**
September	2 078	3,25	6 754	76	23 368	33 621 *	71 830	50 025	818,3
Western Areas	**980**	**3,18**	**3 119**	**113**	**35 414**	**32 025 ***	**(2 092)**	**(12 797)**	**(31,7)**
September	964	3,61	3 479	113	31 406	33 761 *	10 511	4 137	10,26

* includes revenue from silver and coin sales (and osmiridium for WAGM)

Anglovaal mines suffer lower gold prices received

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B/Day 18/1/89

ADAM PAYNE

PROFITS were down in the December quarter at all four Anglovaal gold mines because of lower gold prices received

Total taxed profit was 7% lower at R82,6m (R88,8m in September) This total was made up by Hartebeestfontein R61,3m (R67,2m), Loraine R7,6m (R9,3m), ET Cons R12,7m (R 11,5m) and Village Main R1,1m (R827 000)

At HARTIES, mill throughput in the main plant was slightly higher, but with a small decrease in grade, gold production was lower at 7 399kg (7 456kg)

This, combined with decreased rand gold prices resulted in a 14% fall in total working profit to R125m (R146m)

The mine's low-grade gold plant operated above rated capacity and gold production rose by 27kg to 625kg

Uranium sales were lower, leading to a loss of R6m (R5,5m profit)

LORAINE's tonnage milled rose marginally and with the average grade unchanged gold production increased to 2 147 kg (2 117 kg)

The increased mill throughput resulted in a drop in unit costs With lower revenue, the working profit declined to R6,1m (R11,1m)

At ET CONS a drop in production and decline in gold prices received hit working profits However, a drop in tax put profits higher at R12,7m (R11,5m)

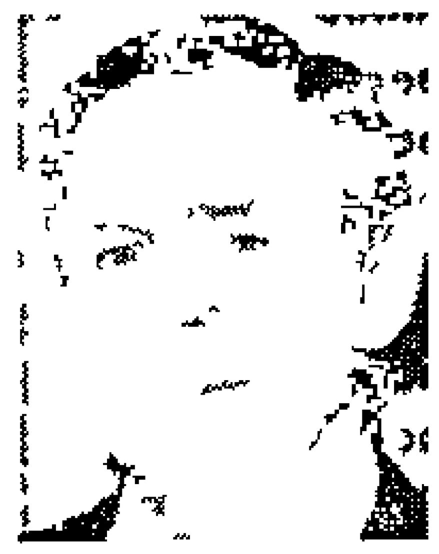
Sands treated at VILLAGE increased to 203 400 (195 700) tons with a yield of 0,70 (0,68) g/t Despite the higher tonnage, working profit was lower at R1m (R1,5m)

ANGLOVAAL GOLD MINES December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Harties... ...	**1 190**	**6,74**	**8 024**	**108,4**	**16 083**	**33 426**	**61 283**	**49 851**	**44,5**
September	1 179	6,83	8 054	98,5	16 023	35 106	67 159	58 096	51,9
Loraine	**421**	**5,10**	**2 147**	**152**	**29 728**	**32 569**	**7 559**	**2 911**	**17,8**
September	414	5,10	2 117	155	30 289	35 555	9 265	(1 597)	(9,7)
Village Main	**203**	**0,70**	**142**	**17**	**24 627**	**31 908**	**1 143**	**339**	**5,5**
September	196	0,68	134	17	24 261	35 298	827	635	10,5
ET Cons	**91**	**9,8**	**892**	**140**	**14 316**	**33 871**	**12 651**	**4,043**	**93,7**
September	92	10,2	940	139	13 607	34 174	11 519	5 104	118,2

Base metals rescue GFSA interim results

B/Day 18/1/89

(214)



● FENTON

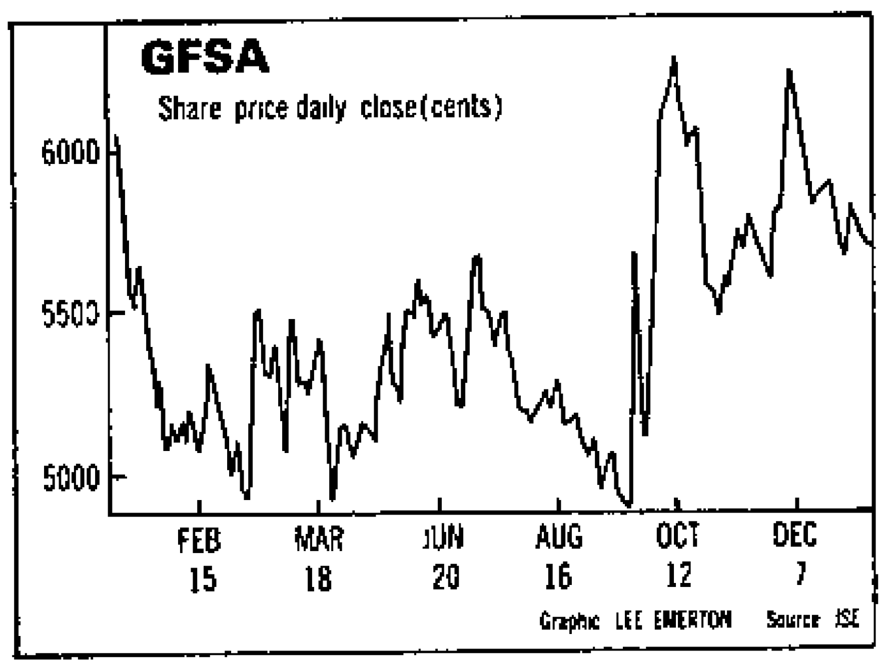
REINIE BOOYSEN

HEALTHY performances by Gold Fields of SA's (GFSA) base metal interests rescued its interim results for the six months to December 1988, after it appeared as if the declining gold price could sully the house's progress.

Earnings rose from 161c a share to 184c, and a dividend of 70c a share has been declared (65c last year) Dividend cover rose from 2,5 times to 2,6 times

The 13,2% rise in income from investments, to R158,5m, for the six months (from R140m in the previous comparable period) is largely attributable to happy rises in dividend distribution by the three large GFSA base-metal interests Black Mountain, O'okiep and Gold Fields Namibia

Black Mountain's distribution rose from 80c/share in the year to December 1987, to 110c/share in the year to December 1988, O'okiep's distribution rose



from 20c/share in the year to December 1988, and Gold Fields Namibia's total distribution rose from R4m to R19,1m

GFSA deputy chairman Colin Fenton yesterday attributed the improved performances to higher base-metal prices on international markets

All GFSA gold mines maintained their dividends, with one exception Deelkraal, which managed to raise its interim dividend from 25c to 30c

Financial director Bernard van Rooyen said GFSA's base-metal interests accounted for about 20% of income from investments, with gold and other interests taking up the rest

With income from fees, interest and other sources of R73,9m, total revenue was R232,4m After deducting expenditure of R66m, and tax of R8,6m, taxed profit comes to R157,8m

Minority shareholders' interest comes to R500 000, and a preference dividend payment of R6,5m was made, leaving R150,8m attributable to ordinary shares

Van Rooyen said the R202,6m rise in the balance-sheet value of investments, from R928,3m at June 30 1988, to R1 130,9m at December 30 1988, is attributable to GFSA increasing its investment in Northam Platinum following last year's rights issue

JCI wants better rand gold price

Star 18/1/89 (214)

By Derek Tommey

Gold mining executives are looking to the Government to stop the rand gold price falling any more — possibly by a further devaluation of the rand

The fall in gold and rising inflation is squeezing gold mining earnings — and threatening to make several marginals unprofitable

The executives' concern has been highlighted by the lower profits earned by many mines in the December quarter

All six JCI and Anglovaal gold mines reporting yesterday had lower profits

Executives fear pressure on profits is likely to continue

One factor hurting mines has been the 10 percent drop in the rand gold price in the past six months from R1070 an ounce to R969 This followed the drop in the dollar gold price and the modest recovery in the rand against the dollar

At the same time, rising prices, partly the result of the import surcharge, has been increasing mining costs

Mr Bill Nairn, a director of Randfontein Estates, said last night cost inflation at the mine was running well ahead of the official 12,5 percent.

Financial year

However, he expected the mine to contain costs at below 20 percent in the present financial year

In this situation the lower gold price is affecting profits

Although Randfontein increased both tonnage milled and grade in the December quarter — two factors which should have boosted profits - earnings from gold mining dropped 21,8 percent to R54,1 million from R69,3 million in the September quarter

Taxed profit was down 23,3 percent to R55,1 million After providing for capital expenditure of R66,1 million, the mine had a cash deficit of R11,0 million, equal to a deficit of 180,3c a share

Mr Nairn said he did not know how the Government could allow the rand gold price to fall further

However, Randfontein was fighting back It had been decided to go ahead with a second shaft at Doornkop to open up the South Reef, estimated to contain 28 million tons of ore with a recovery grade of 6,5 grams a ton

It would be a low-cost shaft and built in stages Further details would be released later, he said

Mr Nairn said it was not intended to use the ore from the shaft to increase production, but to maintain Randfontein's viability

Western Areas, hard hit by the lower gold price and by falling grade, saw its profit of R10,7 million in the September quarter turn into a loss of R2,09 million

Twin haulage

Grade unexpectedly dropped from 3,61 g/tto 3,18 g/t But grade should start improving this quarter

The twin haulage into the South Deep project was progressing well and had advanced about 700 metres, which was about 20 percent of the total distance

Mr Nairn reported that Western Areas had raised R100 million by issuing 14 percent preference shares The money could be used to finance Western Area's participation in South Deep

At Joel, development values are starting to improve and the 411 metres sampled gave 19,6 grams over 30cm, equal to 588cm-g/t against 534cm-g/t in September

A Joel director, Dr CJ Fauconnier, said that as development moved into the deeper areas, the reef was thickening and higher gold values were expected

The mine concentrated on constructing the main access roadway in the quarter and the tonnage stoped rose from 10 758 tons to 23 609 tons Development would be stepped up this quarter

The mine milled 46 000 tons, giving 2,6 g/t The milling rate would be substantially higher this quarter, said Dr Fauconnier

Odds stacked against Minorco bidding again

Star 18/11/89 (Q214)

By Neil Behrmann

LONDON — The odds are against Minorco mounting another bid for Consolidated Gold Fields if the UK Monopolies and Mergers Commission (MMC) rules against it when it reports its decision on January 23

The Minorco camp is still optimistic that they will win the day despite the Commission widening its probe into the consequences of the proposed takeover and the world-wide lobbying by Consgold

The MMC, of course, could surprise the markets but on the public relations front, Congold has easily outflanked its rival

The Consgold team has been continually issuing statements and keeping journalists informed The vast majority of articles have been in the company's favour

This adverse publicity on Minorco is aimed at swaying shareholders, public opinion and the MMC

Considering Anglo American and De Beers' own efforts to improve conditions and prospects for miners and senior black employees, the public relations response has been pathetic, particularly since Gold Fields of South Africa is hardly the most liberal mining house

In the end the MMC cannot merely decide on Minorco's claims that it will boost Consgold commercially It cannot ignore political factors

In the end it must decide whether a company effectively controlled by South African commercial interests will have an adverse impact on Consgold's businesses

Absurd grounds

When the investigation was originally announced, the UK Department of Trade and Industry said that it was concerned about possible effects on the markets of titanium and zircon'

Analysts said that the referral of the bid to the MMC on these grounds was absurd The minerals are produced in abundance around the world

If the investigation was kept to these obscure items, Minorco probably would have won the battle

Yet the MMC has decided to broaden the investigation and in recent days both Minorco and Consgold have been called upon to present further evidence

The total inquiry covers 29 areas including potential monopolistic activities in international gold and platinum markets

The MMC is also taking Minorco's South African links seriously It is probing whether Minorco can act independently of its major shareholders, Anglo American and De Beers

Alongside the investigation, the Department of Trade and Industry has intensfied its probe into insider trading related to Consgold

Whichever way the Monopolies Commission rules on Minorco's bid for ConsGold, few in the City expect Minorco to sell its near 30 percent stake in the group

Instead, reports Hugh Sharpe of the Evening Standard, "the Oppenheimer empire, which controls the holding, is expected to re-shuffle its giant corporate pack and return with a more 'acceptable' suitor"

He adds that most people believe that politics is the only real objection to the present proposal

Oppenheimer strategy

"The strategy at Oppenheimer will be to distance the bid vehicle it uses next time around far enough from the South African laager to make rejection of its next suit more difficult

Brokers Kleinwort Grieveson believe there are stirrings in the Oppenheimer camp indicating that its De Beers diamond arm is considering splitting in two and re-locating one arm overseas

That could be a De Beers trading company in Switzerland which would then seek a separate European quote

"This business would be responsible for the giant De Beers diamond-dealing operation in London With a much lower content of South African ownership than in the case of Minorco, it would be much harder to refuse its suit if this company were to bid for ConsGold"

Star 18/1/89

R77-m for expansion at O'okiep

217 By Tom Hood

CAPE TOWN — A R77 million expansion is to go ahead at O'okiep Copper's mine in the Northern Cape

Development work, including shaft sinking, could take about two years and the Project was expected to provide some additional employment, said a Gold Fields spokesman yesterday

The rate of expansion would depend on the copper price but the directors believe the project is viable at present price levels, he added

The cost of the Klein Nigramoep project — estimated in June 1988 money terms — will be financed from the company's own resources.

The project's ore reserves are put at of 5,3 million tons at 2,35 percent copper

The company had an unspent capex balance of more than R60 million at December 31

The Star Finance

Lower gold price cuts into profits at Anglovaal mines

Star 18/1/89 (214)

Anglovaal yesterday reported lower profits on all four of its mines because of lower gold prices in the December quarter

Total taxed profit was seven per cent lower at R82,636 million (September 1988 quarter R88,771 million)

Hartebeestfontein's profit was R61,283 million (R67,159 million), Loraine's R7,559 million (R9, 266 million), ETC's R12,651 million (R11,519 million), Village's R1,143 million (R827 000)

Harties' low-grade gold plant operated above rated capacity, milling 391 000 tons (385 000 tons) tons of ore But, because of a lower gold price and an increase in costs, working profit was down

Small rises in grade were seen at Harties' low-grade gold plant and at Village Main Average value was unchanged at Loraine, but grades dropped at Harties' main mill and at ETC

The mines are still hedging forward part of their production

Ore milled by the copper/zinc producer, Prieska, declined to 344 000 (346 000) tons

Despatches of zinc rose, while those of copper were lower After providing R978 000 (R876 000) for rehabilitation costs, there was an operating loss of R411 000 (R9,938 million profit) and a taxed loss of R201 000 (R3,819 million profit)

At Harties, mill throughput in the main plant was a little higher at 799 000 (794 000) tons but, with a slight decrease in grade at 9,3 g/t (9,4), gold production was reduced to 7 399 kg (7 456)

This, combined with lower rand gold prices received, lowered unit revenue to R310,90 (R330,37) a ton and caused unit profit to drop to R156,70 (R184,10) Consequently, there was a 14 percent decrease in total working profit to R125,202 million (R146,178 million

At Loraine, milled tonnage rose to 421 000 (414 000) tons The average grade was unchanged at 5,1 g/t, leading to gold production of 2 147 kg (2 117)

The increased mill throughput, together with a drop in unit costs of R3,27 to R151,61 a ton, was insufficient to offset lower unit revenue of R166,09 (R181,81) a ton This led to a lower unit profit of R14,48 (R26,93) a ton and a total working profit of R6,099 million (R11,149 million)

ETC reported that ore milled declined to 91 400 (92 200) tons Grade was 9,8 g/t (10,2), leading to reduced gold production of 892 kg (940)

Unit costs stood at R139,72 (R138,73) a ton and, together with lower rand gold prices received, brought about a drop in unit profit to R190,84 (R209,69) a ton and a total working profit of R17,443 million (R19,333 million)

Pre-tax profit was R16,071 million (R19,524 million)

This, combined with higher capital expenditure cut tax liability to R3,420 million (R8,005 million), leaving taxed profit of R12,651 million (R11,519 million)

Village Main Reef reported sands treated increased to 203 400 (195 700) tons, with a yield of 0,70 gt (0,68) Despite higher tonnage, lower unit revenue received caused a drop of R2,47 in unit profit to R5,09 a ton Total working profit was R1,034 million (R1,479 million) Sapa

Profit up at GFSA

Star 18/1/89 214

GFSA's attributable profit for the six months to December, announced yesterdy, was R150,8 million (R145,3 million)

Earnings per share were 184c (161c) and the dividend 70c (65c)

The dividend was covered 2,6 times

Income from investments was R158,5 million (R140 million)

Income from fees, interest and other sources was R73,9 million, making a total of R232,4 million

Pre-tax profit was R166,4 million (R144 million). Tax absorbed R8,6 million

The board said yesterday that if earnings from its mines did not differ significantly from the first half, earnings for the full year should show an increase on the 1988 figure — Sapa

SA is in for a jolt as bullion slides to the $400 mark

Star 18/1/89

214

Facing up to the crunch

Buffeted by sanctions and a weaker gold price, South Africa faces another jolt as bullion slips towards the psychological $400 an ounce mark

"Gold is so important for this country We're always anxious about the gold price level, especially when it approaches $400 It has very serious consequences," said Mr Edward Osborn, chief economist of Nedbank, the country's third biggest bank

Gold accounts for some 45 percent of export earnings and economists say a sustained $10 price drop in the bullion price costs about $200 million a year in lost revenue

The metal was trading at about $402 an ounce in Europe yesterday compared with almost $500 a year ago

"The trouble with the gold price is that it's not something that's amenable to easy prediction and certainly not something the South African authorities can control," said Mr Ronnie Bethlehem, chief economist at Johannesburg Consolidated Investment Co "It's the joker in the pack"

The South African Reserve Bank never reveals what gold price it has budgeted for in setting monetary policy, but it is understood to take a conservative view

Gold bullion . analysts say if gold stays at current levels or drops again, the rand will weaken and the balance of payments surplus will shrink as gold exports bring in fewer dollars.

Bullion analysts say if gold stays at current levels or drops again, the rand will weaken and the balance of payments surplus will shrink as gold exports bring in fewer dollars

South Africa needs to generate a surplus on its balance of payments — a rough measure of trade in goods and services — to make repayments on its estimated $22 billion foreign debt

It has had only one new foreign loan since international banks cut credit lines in 1985 amid anti-apartheid pressures

Mr Osborn said a dip in imports plus healthy exports in minerals other than gold had strengthened the balance of payments position in recent months

"Everything in the garden is rosy, except for the gold price," he said "We're facing an enormous crunch in 1990-91 We've got to put money aside for those two years"

The Government and the Reserve Bank could also be forced to take unpopular policy decisions to keep the economy on an even keel

"If the gold price continues to decline or remains so low that it substantially affects South Africa's export earnings, we will have to take the necessary policy decisions," a senior Reserve Bank official said

He did not rule out a further rise in interest rates to shore up the rand and compensate for increased State spending

The Reserve Bank steeply increased its discount rates last year, prompting commercial banks to raise their prime lending rates five times, from 12,5 percent to 18 percent

JCI's Mr Bethlehem questioned whether the Government would let interest rates rise further in a year which could see a general election

"The economic situation could provoke an early election," he said "In South Africa, rather more than anywhere else, economics have to be traded off against political considerations" — Reuter

Gencor's marginals suffer

(214) B/Day 19/1/89

REINIE BOOYSEN

THE AGGREGATE taxed income of Gencor's 12 gold mines declined by 9,5% to R121,3m in the December quarter, with the group's marginal mines coming under increasing pressure, particularly WEST RAND CONSOLIDATED

This mine suffered a R2,4m loss during the December quarter, and management is currently conducting a feasibility study into the mine's future

The options which are being considered include the closure of underground operations "The mine cannot run too many quarters at a R2,4m loss," said Gencor executive director Brian Gilbertson yesterday

"What is definite is that the scale of operations will be reduced, and the mine is in the process of retrenching a number of employees," said Johan van Rensburg, MD of Gencor's Western Transvaal and East Rand operations

He also said GROOTVLEI may soon be in line for a similar "scale of operations feasibility study" A decline in grade, from 3,4g/t to 3,2g/t, coupled with a decline in tonnage milled, to 309 000 tons (318 000 tons), resulted in a 10% decline in gold production, to 975kg (1 087kg)

"The grade is expected to continue on a downward trend, which will necessarily reduce profits," said Van Rensburg

Gold and uranium division head Gilbertson says he has set his three senior managers the objective of improving their costs in terms of actual gold production, rather than tonnage milled

The group's average working cost/kg of gold produced rose by 9,1% since December 1987, against the current national inflation rate of about 12,5%

This sharpened awareness of costs in terms of actual gold production has led to a drive for better grades, even at the expense of tonnage milled, says Gilbertson

Thus the group's aggregate tonnage milled dropped by 8% since the December 1987 quarter — with a consequent improvement in average grade, from 4,5g/t to 4,7g/t This goes against the industry trend of steadily declining grades

MARIEVALE — which Van Rensburg describes as "another tight operation" — also suffered a decline in grade, from 2,7g/t to 2,2g/t, as a result of milling low grade material from clean-up operations

Van Rensburg said the decline in working costs at STILFONTEIN, from R26 322/kg to R24 502kg, was attributable to the fact that 162 000 tons of surface material was milled from surface dumps in the December quarter as opposed to 132 000 tons during the September quarter

He said the Margaret Shaft would be fully rehabilitated by the middle of next year

A tertiary shaft into the deeper reserves of BUFFELSFONTEIN's Lucas Block was being evaluated, for which R17m had been earmarked, said Van Rensburg He added that the shaft could go as deep as 4 100m

The improvement in grade, from 6,8g/t to 6,1g/t, was attributable to the reduction in stoping widths

Gary Maude, Gencor MD of operations on the OFS and Evander gold mines, said ST HELENA was getting back to where it ought to be "It is most unlikely that grade will drop below 5g/t," said Maude

He said UNISEL was striving to maintain a good balance between the Basal and Leader Reefs This situation would be improved by the new incline shaft, which was due to start producing in just less than a year's time The Basal reef also ran further to the south than previously envisaged

● GILBERTSON

Maude said there was no need for concern that the mining method planned for WINKELHAAK's new No 6 Shaft would not be optimum in view of the unexpected faulting

He said management was also examining the possibility of terminating the sinking of the No 6 Shaft at the No 15 level This would have the effect of bringing the shaft into production 18 months earlier, in the second quarter of 1990, as opposed to early 1992 He said such a move would improve the mine's cash-flow situation

LESLIE and BRACKEN are both in the process of retrenching employees By the end of February, 1 500 and 700 retrenchments respectively would have taken place, said Maude

The management of these mines were trying to establish which tonnages would provide optimum grades "Bracken's survival is very dependant on the gold price," said Maude Bracken's mill throughput was expected to decline to about 130 000 tons/month

The retrenchments at these mines would result in a reduction of between R1 500 and R2 000 in the working costs/kg of gold produced, said Maude

GENCOR GOLD MINES December Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Buffelsfontein	**584**	**6,8**	**3 957**	**173**	**25 561**	**32 078**	**22 053**	**16 341**	**149**
September	638	6,1	3 916	162	26 423	33 560	21 874	14 021	127
Beatrix	**540**	**6,0**	**3 240**	**110**	**18 347**	**32 232**	**18 403**	**12 540**	—
September	530	6,0	3 180	111	18 418	33 686	19 613	14 186	—
Stilfontein	**335**	**3,6**	**1 217**	**89**	**24 502**	**32 029**	**5 035**	**5 394**	**41**
September	320	3,7	1 169	96	26 322	33 675	4 953	5 163	40
West Rand Cons	**456**	**2,0**	894	**73**	**37 094**	**32 433**	**(2 446)**	**(2 030)**	**(48)**
September	447	2,1	960	70	32 460	33 468	1 090	954	22
Kinross	**518**	**5,7**	**2 950**	**106**	**18 609**	**32 371**	**18 608**	**13 618**	**76**
September	515	5,7	2 934	108	18 936	33 702	21 482	16 046	89
Bracken	**199**	**3,0**	**587**	**93**	**31 540**	**32 229**	**1 424**	**1 224**	**9**
September	197	3 0	585	93	31 154	33 853	1 572	1 176	8
Leslie	**341**	**2,4**	**823**	**70**	**29 202**	**31 963**	**2 457**	**2 027**	**13**
September	340	2,4	809	70	29 313	33 684	3 466	2 300	14
St Helena	**525**	**5,0**	**2 625**	**136**	**27 128**	**32 123**	**16 142**	**7 827**	**81**
September	520	5,0	2 600	133	26 557	33 613	12 093	7 931	82
Unisel	**275**	**5,8**	**1 603**	**102**	**17 551**	**32 276**	**11 405**	**8 141**	**29**
September	275	5,2	1 440	100	19 167	33 539	10 209	7 810	28
Winkelhaak	**505**	**5,6**	**2 840**	**113**	**20 032**	**32 245**	**24 398**	**9 684**	**80**
September	529	5,7	3 022	112	19 615	33 741	33 468	11 768	97
Grootvlei	**309**	**3,2**	**975**	**91**	**28 839**	**32 463**	**3 331**	**2 484**	**22**
September	318	3,4	1 087	98	28 546	33 524	3 444	3 406	30
Marievale	**86**	**2,2**	**191**	**67**	**30 257**	**31 983**	**499**	**499**	**1**
September	78	2,7	208	82	30 837	33 567	722	633	1

Sagging gold forces Gencor to retrench

(214)

Star 19/1/89

By Derek Tommey

Three gold mines in the Gencor stable — West Rand Cons, Leslie and Bracken — are retrenching staff In the next few weeks they will have laid off several thousand workers

This is one of the results of the drastic reorganisation taking place at several of Gencor's 13 gold mines to ensure they all remain profitable at the current low gold price

As part of the strategy of maintaining earnings, Buffelsfontein is considering sinking a tertiary shaft expected to cost R500 million Winkelhaak is considering stopping its new No 6 Shaft at 15 level, which will enable production to begin 18 months earlier than planned

The strategy is aimed at cutting the cost of producing a kilogram of gold, even if this leads to a lower tonnage milled and a reduction in output, Mr BP Gilbertson, executive director, mining, said at a press conference last night.

The industry could not live on hope of a higher gold price, he said

Mr JC Janse van Rensburg, MD of the East Rand and West Rand mines, said he did not believe the mines could expect any state assistance

Mr G Maude, MD of Gencor's Free State and Evander mines, said it was unlikely that the Government would let the rand slide to help the industry

He believed it was not warranted The amount of gold being produced unprofitably at the present gold price was small

The outlook for the industry was not all gloom and doom The majority of mines in the industry were still profitable Many had costs of less than R20 000 an ounce The current gold price was R32 000 a kilogram

More serious were the social problems arising from retrenchment at a few mines

The entire industry was suffering from low revenue a kilo and could not do anything about it The industry would be judged on its cost a kilo

Rate of inflation

In 1989 Gencor expected to keep the increase in mining costs down to 10,5 percent, even if the overall rate of inflation turned out to be 15 percent.

Salient features of the operations of Gencor's mines in the December quarter were

● Buffelsfontein — An increase in grade from 6,1 g/t to 6,8 g/t and a drop in working costs from R26 426 to R25 561 a kilo helped increase pre-taxed income from R29,8 million to R33,3 million Taxed profit was R22,1 million (R21,9 million)

● Stilfontein — Results exceeded expectations Although the grade was slightly lower, working income rose from R8,6 million to R9,2 million, helped by a decline in working costs from R26 322 to R24 502 a kilogram As a result of the mine's improved performance the insurance claim following the claim at the Margaret shaft was reduced by R2,8 million

● West Rand Cons — The mine is extremely sensitive to changes in the gold price and the drop in revenue from R33 468 to R32 433 a kilogram helped convert the September quarter profit of R1,44 million into a loss of R2,45 million

A feasibility study to determine whether underground operations can be sustained at a lower level at the present gold price should be completed in the next two weeks

● Grootvlei — Pre-tax income dropped from R6,3 million to R4,1 million and taxed income from R3,44 million to R3,33 million owing to the drop in milling grade The grade is expected to fall further and the scale of operations may have to be reduced

● Marievale — Working income declined to R383 000 (September R576 000) owing to a drop in grade

New track record

● St Helena — Grade was maintained at 5 g/t and could improve further The mine was establishing a new track record However, a drop of R1 500 a kilogram in the gold price resulted in its working income declining from R18,3 million to R13,3 million and taxed income from R19,6 million to R16,9 million

● Unisel — Milling yield rose from 5,2 grams to 5,8 grams The grade should be maintained as increased tonnages from the Basal reef would be milled in coming months Pre-tax income ws R2[illegible],9 million (R21,3 million) and taxed income R11,4 million (R10,2 million)

● Winkelhaak — An increase in working costs and a small drop in the milling grade caused pre-tax income to drop to R37,7 million (R46,2 million) and taxed income to R24,4 million (R33,5 million)

Fears have been allayed that the faulting at the new No 6 Shaft would lead to a serious dilution of the ore, or that it would not be able to be worked with current methods

The shaft has reached 14 level and may be halted at 15 level, instead of being sunk to 18 level, as planned This would enable it to be brought into production in April next year, 18 months earlier than planned

● Kinross — Taxed earnings dropped to R18 6 million (R21,5 million), even though costs were reduced

● Leslie — Profit was down to R2,5 million (R3,5 million) To maintain profitability, output was being reduced and it would be necessary to reduce the labour force by 1 500 to 3 100

Payment of retrenchment benefits would affect first-quarter profits

● Bracken - Taxed income was R1,4 million (R1 6 million) From 700 to 2 800 workers were expected to be retrenched Payments would affect profits this quarter

● Oryx Mine — Good progress was being made in opening the mine and costs were within budget

Vaal Reef best performer in AAC stable

Cape Times 20/1/89

2/4

JOHANNESBURG — Total available profit for the Transvaal gold mines administered by Anglo American Corporation (AAC), Vaal Reefs, Western Deep Levels and Elandsrand, increased in the December quarter by R22,8m to R176,9m in spite of a 4% drop in the gold price received of R32 089/kg

Although each company's performance varies and Vaal Reefs was the best performer, the overall improved results are a consequence of a slightly higher gold production at 34 036 kg and lower total working costs

Area mined and tons milled were both slightly lower than the previous quarter but average grade increased by 2% to 6,81 g/t.

Unit working costs remained almost unchanged at R113,78 a ton milled or 3% lower at R16 723/kg produced

At **Vaal Reefs** available profit for the six months to December 1988 amounted to R214,9m and a final dividend of R209,3m (R180,5m — 6 months to December 1987) was declared — equivalent to 1 100c a share (950c)

The higher gold output of 21 162 kg was slightly offset by a 4% drop in the gold price received to R32 132/kg

Profit from gold increased by R4,5m to R356,9m

After taking account of profits from uranium and tributes, net sundry income, royalty payments and dividend income, profit before taxation increased by 16% to R340,9m These results include a half-yearly dividend from Southvaal Holdings and are therefore not directly comparable with the previous quarter

Taxation dropped by 10% to R124,6m largely as a result of a 24% increase in capital expenditure to R86,2m After appropriations, profit available of R129,5m was R44,1m higher than the previous quarter

Western Deep Levels reported that available profit for the six months to December 1988 amounted to R80,1m and a final dividend totalling R79,3m (R57,2m) was declared — equivalent to 290c a share (210c)

After appropriations, profit available for the quarter was R9,5m lower at R35,3m

Elandsrand gold mine reported that profits available for the six months to December 1988 amounted to R36m and a final dividend of R38,7m (R43,5m) was declared — equivalent to 40c a share (45c) Profit available for the quarter was R11,8m lower at R12,1m

At **Sallies** profit available for distribution at R873 000 was R190 000 lower as a result of a lower gold price and reduced gold production

Total available profit for the six months to December 1988 amounted to R1,9m and a final dividend of 25c a share (35c), or R2,3m (R3,2m), was declared — retained profit being reduced accordingly

Ergo had a satisfactory quarter with higher production of gold, uranium and acid Profit available for the quarter increased by 14% to R17,9m

Working costs at **Free State Consolidated (Freegold)** for the quarter ended December 31, 1988 were reduced from R649,6m to R647,2m

Profit before taxation declined by 24,1% to R226,2m, mainly as a result of lower gold revenues which decreased from R914,4m to R848,1m Profit after tax decreased by 34,8%, to R180,4m, reflecting a significantly higher provision for taxation to R45,8m (R21,2m) Available profit was down by 11,1% to R87,3m

Freegold's Metallurgical Scheme (MS) increased gold production by 58,1% to 634 kg, acid production rose by 75,2% to 102 908 tons, while uranium oxide production increased, by 13,6% to 127 829 kg

In line with the Freegold trend for this quarter, costs were reduced, from R34,0m to R24,9m and, consequently, the MS recorded an increase in profit to R9,2m (R7,7m) — Sapa

Thousands of miners to lose jobs

By Adele Baleta

Star 20/1/89

Thousands of miners at three Gencor gold mines will lose their jobs in the next few weeks in a drastic move to maintain profitability at the current low gold price, Gencor has announced

The mines are West Rand Consolidated and the Leslie and Bracken mines in Evander

Comment from the white Mine Workers' Union was not available at the time of going to press, but the National Union of Mineworkers has strongly condemned the move

The mines say:

Mr J C Janse van Rensburg, managing director of West Rand Consolidated, said yesterday about two-thirds of the 5 400-strong workforce would be retrenched in the next few weeks

Retrenchments began in December and about 1 000 workers were being laid off every month

The low gold price coupled with West Rand Consolidated's scattered marginal reserves made it difficult to break even, he said A limited number of miners would be placed at other gold mines in the Gencor stable

The managing director of the group's Free State and Evander mines, Mr G Maude, said retrenchments at the Leslie and Bracken mines began this week

Retrenchments at Bracken — between 1 500 and 3 100 employees — would be completed by February, and those at Leslie — between 700 and 2 800 — by March

He said 200 Bracken workers had been placed at the Winkelhaak mine Retrenched employees would be given the equivalent of six weeks' pay, and this varied according to length of service

The move was necessary, he said, to maintain profitability at lower production levels

The NUM says:

NUM assistant general secretary Mr Marcel Golding said the decision by Gencor to retrench employees at the three gold mines was unacceptable and would be contested by the union

"We will challenge the alleged necessity to lay off workers," he said

Mr Golding said the union had met the managements of the three mines about the retrenchments

"In most cases negotiations proved futile because management presented the union with a unilateral decision to retrench the workers They did not seriously attempt to seek alternatives to minimising the spate of redundancies," he said

He said the group knew over two years ago of "its alleged precarious situation", but informed the union of the retrenchment plans only two months ago

"During our discussions with the group it was clear they were acting in bad faith The retrenchment package is appalling and is rejected by the mineworkers"

The union was examining the position, he said

Minorco's bid likely to be cleared

Star 20/1/89

214

The Star Bureau

LONDON — Shares in mining group Consolidated Gold Fields moved up 15p to £12,69 yesterday after the UK Monopolies and Mergers Commission said it would deliver the report on the hostile £2,9 billion bid by Minorco to the Government on time next Monday

London analysts suggested that because the Commission had not asked for an extension to the three-month inquiry even though it covered the Christmas and New Year holiday period, it was likely that the bid would be cleared and Minorco would be freed to bid again

Lord Young, the Trade and Industry Secretary, has up to 21 days before he must publish the Commission's findings but Gold Fields expects his decision to be announced in the first two weeks in February

Meanwhile, Minorco pointed out yesterday that the South African Sanctions Bill, recently re-introduced in the US, would seem to hold a threat for Gold Fields' wholly-owned subsidiaries, Gold Fields Mining Corporation (GFMC) and ARC of America

The bill contains a reinstated clause which would prohibit the US Secretary of the Interior from issuing certain federal mining leases to "any national of the US which is controlled by or under common control of any foreign person who purchases, acquires, owns or holds any investment in South Africa"

Minorco's US lawyers believe this clause would catch GFMC and ARCA in its net if they were under Gold Fields but not if they were owned by Minorco which, although 60 percent owned by South African companies, has no direct investment or assets in that country

Gold Fields said that it had not yet examined the US bill in detail but, if the clause was included, it would certainly have a damaging impact on American subsidiaries

● Earlier this week London newspapers speculated that even if the commission ruled in favour of Minorco there was a possibility Minorco would not re-bid

"The strategy at Oppenheimer will be to distance the bid vehicle it uses next time round far enough from the South African laager to make rejection of its next suit more difficult," commented Hugh Sharpe of the London Evening Standard

Falling grades depress JMF profits

Star 20/1/87

The lower gold price and falling grade depressed the December quarter profits of the three mines in the Johannesburg Mining and Finance Corporation Group

West Witwatersrand's working profit was almost halved, dropping from R7,7 million to R3,9 million Taxed profit dropped to R1 745 000 from R3 429 000 in the September quarter

The milling rate was higher but grade dropped to 1,60 grams a ton from 1,76 grams One of the reason was that the Christmas holiday affected production at the open-cast workings

But company officials say grade has started to recover and are expecting the working profit this quarter to reach R4 million

Efforts to restore Wit Nigel to profitability were partly successful in the December quarter Following a rise in the milling grade the mine moved into profit last September and stayed in profit until December, company officials report

However the grade of ore mined then dropped unexpectedly, leading to a working loss for the quarter of R588 000 Even so, this was less than half the September quarter's working loss of R1 315 000

Modern research methods have been employed to determine the richer areas of the mine and development is starting in these areas

In the longer term the mine is planning to work the deeper areas where good grades are expected

Waverley's working profit was affected by a sharp drop in tonnage milled owing to the Primrose/Jumpers plant failing to reach target production rates However, some improvement is expected by the June quarter

Working profit was R169 000 against R189 000 in the September quarter

Vaal Reefs the best at Anglo

(214)

Star 20/1/87

Profit at Anglo American's Transvaal gold mines (Vaal Reefs, Western Deep Levels and Elandsrand) rose in the December quarter by R22,8 million to R176,9 million, despite a four percent drop in the gold price received to R32 089/kg

Each mine's performance varied, Vaal Reefs being the best Improved results were a consequence of higher output at 34 036 kg and lower working costs

Area mined and tons milled were lower than previously. Average grade rose two percent to 6,81g/t.

At **VAAL REEFS**, available profit for the six months to December was R214,9 million A final dividend of R209,3 million (R180,5 million for the six months to December 1987) was declared, equivalent to 1100c per share (950c)

Although tonnage milled was lower at 2,845 million tons, grade rose five percent to 7,44 g/t and gold production rose 827 kg to 21 162

Total working costs fell two percent to R327,9 million Profit from gold rose by R4,5 million to R356,9 million

Although area mined and tonnage milled fell four percent and three percent respectively in the **SOUTH LEASE AREA**, average grade was nine percent higher at 8,93 g/t

In the **AFRIKANDER LEASE AREA** stoping operations resumed and more reef tonnage and less waste was treated

Average grade rose 21 percent to 1,91 g/t Gold production was 8 kg lower at 109 kg With the lower gold price, revenue was 10 percent lower at R3,5 million

WESTERN DEEP LEVELS reported available profit of R80,1 million A final dividend of R79,3 million (R57,2 million) was declared, equivalent to 290c per share (210c)

Grade was almost unchanged, resulting in production of 10 021 kg

Revenue from gold was six percent down at R324,4 million

ELANDSRAND reported profits of R36 million A final dividend of R38,7 million (R43,5 million) was declared, equivalent to 40c per share (45c)

Tons milled rose seven percent to 521 000 tons by treating stockpiled ore

Average grade was 10 percent lower at 5,48 g/t because of lower grade of ore available in the main shaft

At **SALLIES**, profit available for distribution at R873 000 was R190 000 lower because of a lower gold price and reduced production

ERGO had a satisfactory quarter, with higher output of gold, uranium and acid Both Ergo and **DAGGAFONTEIN** functioned well At **SIMMERGO** tonnage throughput was adversely affected by planned repairs and modifications to the No 2 Mill

Working costs at **FREEGOLD** were reduced from R649,6 million to R647,2 million

Slight fall

Unit costs, however, were higher at R102,50 (R99,34) per ton milled

At Freegold's **NORTH REGION**, costs rose from R308,9 million to R316,6 million

Freegold's **SOUTH REGION** recorded lower working costs from R340,7 million to R330,6 million and a fall in unit costs from R91,48 to R90,06 Freegold's **METALLURGICAL SCHEME** (MS) lifted gold production 58,1 percent to 634 kg — Sapa

Minorco 'willing to recast Consgold bid'

2/14

Star 23/11/89

The Star Bureau

LONDON - As speculation mounted in London that Minorco is willing to recast its bid for Consolidated Gold Fields, Minorco executives flew to South Africa at the weekend to negotiate terms with possible buyers of Consgold's 38 percent interest in GFSA

These buyers include Rembrandt and Gencor

The Monopolies and Mergers Commission is expected to hand its report on the bid to Lord Young, the Trade and Industry Secretary, today

John Jay, of the London *Sunday Times*, says there are rumours that Sir Michael Edwardes, Minorco's chief executive, is willing to sell Consgold's 48 percent stake in Renison Goldfields Consolidated, the Australian mining group

He recalls that when Lord Young announced the investigation in October, he cited the threat the bid might pose to competition in the markets for such strategic minerals as titanium and zircon Renison is a big producer of both, so a disposal would remove this problem, says Jay

"Though Edwardes dismissed the rumour as 'absolute rubbish', analysts remain convinced that Minorco is prepared to sell Renison in order to get its hands on Consgold"

'Scorched earth' defence

In the ongoing battle of words between the two camps, Minorco has reacted to a statement by Consolidated Goldfields director, Anthony Hichens.

Mr Hichens, is reported as saying that "It is no part of our case to say that Consgold should necessarily remain an independent company . there is always a price that may be offered that you have to take seriously"

Mr Hichens also added that if Minorco's bid was banned by the UK, Consgold would seek to expand its capital base

Roger Phillimore, commercial director of Minorco replies:

"Consgold appear to agree with our arguments — they recognise that prospects for the company's continued independence are limited and that, as Minorco has previously pointed out, Consgold alone is in a financial box of its own making"

"But what on earth can shareholders think of a company which does everything it can to prevent them receiving an offer for their shares — while apparently rewarding them with the prospect of a rights issue or some other form of dilution The much-trumpeted 'restructuring' of Goldfields is clearly far from 'complete' and shareholders loyalty must be sorely tested by now."

"Minorco regrets Consgold's continued use of 'scorched earth' defence, given its very significant investments in South Africa, as not being in the interests of any of its shareholders"

Australian sources suggest the Australian Government has already been sounded out on what its attitude might be to a Renison disposal by a victorious Minorco, says Jay

He adds that if the Monopolies and Mergers Commission does give the go-ahead, the Government is likely to be put under great pressure to prevent Minorco from renewing its \$2,9 billion bid until the outcome of a Department of Trade and Industry investigation into alleged insider trading ahead of Minorco's offer in September

Consgold chairman Rudolf Agnew said last week "It would be an outrage if the Government were to allow the bid through The arguments on competition are strong The arguments on South African damage are strong, and the question of the inspectors' report into the ownership of the company and insider dealing remains open"

Mr Agnew may even seek a judicial review of the Government's decision if it allows Minorco to bid again before it establishes whether or not there were criminal dealings in Consgold's shares

The Consgold camp will also argue that a Government decision to allow Minorco to recast its bid would set a dangerous precedent on takeover regulation, says Jay

It would encourage break-up bids for British companies from overseas groups willing to bargain away bits of their targets to get through monopolies hurdles

"Consgold believes the real reason behind the Minorco bid is the desire of the Oppenheimer family to reduce the relative importance of its domestic South African interests by building up businesses overseas'

Minorco has already said it will sell Consgold's holdings in Gold Fields of South Africa and Newmont Mining in the United States as part of its takeover bid

ConsGold, Minorco brace for battle

B/Day 23/11/89.

214

Own Correspondent

LONDON — Trade and Industry Secretary Lord Young faces fresh takeover controversy today as the Monopolies and Mergers Commission report on Minorco's bid for Consolidated Goldfields (ConsGold) lands on his desk — with both sides braced for battle

As the ConsGold camp prepares to challenge any clearance ruling on the grounds that a separate investigation by Department of Trade and Industry inspectors into alleged illegal share dealing is still months from completion, Minorco, the Luxembourg associate of Anglo American, is preparing a swift relaunch of its bid

Confident the commission will recommend clearance, Minorco president Hank Slack and finance director Tony Lea arrived in Johannesburg on Saturday to open talks with the Rembrandt Group and Gencor to seek conditional agreement on a sale of ConsGold's 38% stake in Gold Fields of SA (GFSA)

Anglo already holds 21% of GFSA and is barred by the SA Competition Board from gaining majority control while Anton Rupert's Rembrandt holds 10%, with a first option to acquire some 80% of ConsGold's holding, worth £263m

GFSA holds a 7,8% stake in ConsGold which has until now been pledged against the Minorco bid by chairman Robin Plumbridge

Rogold's Princess Incline shaft commissioned

REINIE BOOYSEN

ROODEPOORT Gold Holdings (Rogold) — an independent mining concern adjacent to Durban Roodepoort Deep's northern boundary — last week completed the refurbishment and commissioning of the Princess Incline Shaft

General manager John Simpson says this will enable the mine to feed its recovery plant at a rate of 10 000 tons/month from the Mynpachten — the property owned by Rogold — and the adjacent Tribute area which was negotiated with Durban Roodepoort Deep prior to listing in 1987

Although it was originally hoped that Rogold would be producing at a monthly rate of about 15 000 tons by December 1988 — of which 5 000 tons/month was to be sourced from the Tribute area — this plan has been scaled down

According to the prospectus, the plant was to be commissioned (in September 1987) with a capacity of 20 000 tons/month But chairman Cyril Heever says in the 1988 annual report Rogold's technical advisers "consider it more prudent to consolidate at 10 000 tons a month before undergoing expansion"

B/Day 24/1/89 (214)

No debt

Although some shareholders may argue that they were misled by the prospectus in regard to the scale of the operation in which they invested their money, they can be relieved that Rogold has no debt, unlike many other small, non-major-mining-house operations

Rogold MD Bob Poisson says the company even has some of the R13,7m — which was raised on the JSE in 1987 — left in the bank, but he declined to say how much

This is partly due to Rogold's decision to restrict operations Some mines even incurred debt to expand the capacity of their recovery plants to a point where analysts say they are virtually incapable of filling them

Says one JSE analyst "At least Rogold realised in time that they would not be able to feed their recovery plant at 20 000 tons/month without sacrificing grade"

He says this is borne out by the quarterly result for the three months to end-December, in that grade dropped from 3,01g/t to 2,55g/t, with about 9 100 tons/month sourced from underground

The directors say "Underground tonnage and grade did not meet targets set due to abnormal labour shortages during December" This, combined with a drop in the average gold price received, and a slight rise in costs, led to a R194 021 loss for the quarter

Minorco bid likely to get conditional approval

Star 24.1.89

244

LONDON — The results of a three-month probe into South African-controlled Minorco's £2,9 billion takeover bid for Consolidated Gold Fields were likely to be with the Trade and Industry Secretary, Lord Young, today, Britain's Independent Television News reported yesterday.

Lord Young then has three weeks in which to decide whether the bid should be allowed to go ahead

The bid — the biggest ever for a UK company — was launched late last year and triggered a probe by the Monopolies and Mergers Commission

Lord Young said at the time that the investigation had been launched because a Minorco takeover would reduce competition in high-value minerals.

Strict conditions

The London *Guardian* said the MMC report was expected to advise Lord Young to give conditional approval to the Minorco bid

The newspaper said it understood that the MMC had decided that the bid should be allowed to go ahead, but only with strict conditions attached which spelt out what Consgold assets Minorco would have to sell if the Luxembourg company, controlled by Anglo American and De Beers, were to win.

"Lord Young's verdict is likely to rest on recommendations he will receive from Sir Gordon Borrie, director-general of the Office of Fair Trading Sir Gordon will advise on how well the Government could police Minorco's promised disposals

Sell off

"Minorco said when it launched its bid four months ago that it would get rid of all Consgold's 38 percent holding in Gold Fields of South Africa and would 'sell down' a 49 percent stake in Newmont of the US, which mines gold and coal

The Luxembourg company's chief executive, Sir Michael Edwardes, later announced that the whole of the Newmont interest would be sold. And it now appears that Minorco has added Consgold's 48 percent holding in Australia's Renison Goldfields Consolidated to its list of sell-offs.

"The RGC sale would leave Minorco holding only Consgold's ARC aggregates business and Gold Fields Mining Corporation of the US'

The Guardian said the MMC report was expected to lead to a new round of Consgold lobbying ahead of Lord Young's verdict — Sapa.

CARTER & COYLE

Talk of financial trouble as . . .

(214)

ConsGold pours millions into takeover battle

B/Day 25/1/89

ROBERT GENTLE and REINIE BOOYSEN

LONDON — Consolidated Goldfields (ConsGold) yesterday said it had so far spent about £20m fighting off Minorco's £3bn takeover bid.

However, a company spokesman dismissed market talk that ConsGold was in serious financial difficulty and that the defence costs would inevitably lead to a rights issue

The spokesman said the £20m defence bill would be fully accounted for in the next financial statements

A Minorco spokesman said "One has to ask whether this money has been well spent in the interests of shareholders, or in the interests of management alone" He was unable to reveal Minorco's own costs in the long-running takeover battle, but said they were significantly less than £20m

Meanwhile Minorco directors remain confident that their bid will be cleared by British trade and industry secretary Lord Young — but clearance will not automatically lead to a renewed bid for ConsGold

Minorco president and director responsible for North American operations, Hank Slack, said in Johannesburg yesterday the defence mounted by the ConsGold board — led by chairman Sir Rudolph Agnew — had damaged ConsGold's image and balance-sheet

"By stirring up Minorco's SA connection, ConsGold has attracted attention to its own SA connections We'll obviously be investigating the extent of this damage in order to establish the desirability of taking control," Slack said

He said ConsGold's defence costs may have harmed the company's financial position, which he suggested was already precarious

Minorco group financial director Tony Lea said few people had noted that ConsGold has £650m in debt "And the money used to fund their defence was probably borrowed

Shareholders

"At the last count, ConsGold had 17 advisers working for them"

The two Minorco directors said they were in Johannesburg to communicate the latest developments to Minorco's two largest shareholders, Anglo American and De Beers

There was also speculation they had held talks with potential buyers of ConsGold's stake in Gold Fields of SA, which Minorco plans to sell if it takes control of ConsGold

Asked to name potential buyers, Lea said "Just look around you," and pointed out the windows of Anglo's headquarters at 44 Main Street He said the Rembrandt group had a right of first refusal on any offer

Lower average grade hits Osprey results

BDay 25/1/89 REINIE BOOYSEN (214)

OSPREY Gold Mine's average grade declined from 2,94g/t to 2,72g/t in the December quarter, and the rise in mill throughput, from 17 731 tons to 18 999 tons was insufficient to arrest the decline in gold production from 52,13kg to 51,69kg

Underground tonnage is rising steadily, with 17 159 tons being hoisted to the surface in the December quarter, as opposed to 15 533 tons in the previous quarter The average reef grade declined from 3,18g/t to 2,89g/t

The 13% decline in the average gold price received by Osprey — from R35 940/kg to R31 353/kg — discoloured the mine's results further Total revenue for gold and silver declined 14% to R1,6m (previous quarter R1,9m)

But there was a welcome decline in total working costs, to R1,4m (R1,5m) This cushioned the impact on profit, which declined to R261 254 (R427 849).

Directors say the higher-than-acceptable residues continued during the quarter "An international consulting firm specialising in gold recovery has designed modifications to the plant which appear to be capable of solving the problem

"The modifications are designed to greatly speed up gold dissolution in the leach tanks and result in acceptable residues"

Capital expenditure remaining for the year ending June 1989 is estimated to be R1m So far, R1,1m capex has been incurred R486 832 during the December quarter and R647 333 during the September quarter.

No tax has been provided for as Osprey has a tax shield of about R18m

Minorco to assess 'damage' to Consgold

214

Star 25/1/89

By Ann Crotty

Minorco executives yesterday voiced concern about the damage that the Consolidated Goldfields (Consgold) team had done to the company in its own defence against Minorco's hostile bid for control

The defence is estimated to have cost nearly R84 million so far — equivalent to almost 25 percent of the pre-tax profit earned by Consgold in financial 1988

At a press conference in Johannesburg, Minorco executives Mr Tony Lea and Mr Hank Slack said Consgold might have caused widespread damage in its determination to stir up the South African issue with its implicit suggestion that SA ownership meant a company could not be run profitably

Before launching another bid (assuming approval is granted by the British Trade and Industry secretary, Lord Young) Minorco would first have to establish the extent of the damage caused by Consgold's defence strategy

The Minorco executives said an assessment of the damage could result in a re-bid pitched at a lower price

However, local analysts believe a lower offer price is unlikely and suggest the Minorco team is merely preparing shareholders to expect a lower price so that an unchanged offer will look all the more attractive

In the three months since the bid was referred to the Monopolies and Mergers Commission (MMC), the UK investment community has been swamped by Consgold releases attacking both Minorco and the bid

The essence of the defence is the damage that would be caused by Minorco's links with SA By constrast, Minorco has kept a low profile

"We had expected a normal, spirited defence, but didn't expect them to rely solely on the fact that our major shareholder is South African, particularly from a company that had its own origin in SA," said Mr Slack

Low profile

He said Minorco had decided to keep a low profile "because I didn't think that the MMC would like us to comment in public while they were reviewing the matter"

Indications from London are that while Consgold might have spent a lot of money in its defence campaign, it is unlikely to have been very effective

A leading local analyst says a much more effective strategy for Consgold would have been to acquire some form of "poison pill" which would have made Consgold far less attractive to Minorco

"They could have floated off Amy Roadstone or GFMC, or they could have bought BP's mineral assets and taken on a lot of debt

"Instead, their jingoistic defence strategy suggests that they were too stupid to protect themselves effectively"

Referring to UK press reports suggesting that if Minorco were to make another bid, it would try and distance itself from its SA connections, Mr Slack said there would be no such attempt

"We have two large SA shareholders and we are proud of our record in SA"

He was emphatic that neither Amy Roadstone nor GFMC in the US would be affected by Minorco's involvement with SA

"These operations have never been affected by Consgold's holdings in SA"

The MMC has passed on its report to Lord Young who has three weeks in which to make a decision If he needs to, Lord Young can extend the period

If Minorco gets approval to go ahead with its bid, it will not be under any official time pressure

But analysts believe it will be keen to resolve the matter as quickly as possible

Apart from the hold-up in the UK, there are two other official obstacles facing Minorco

In New York an appeal court is expected to give its verdict soon on a preliminary injunction issued by the US Federal Court which effectively prevented Minorco from going ahead with its offer for Consgold

The European Commission is examining whether the bid involves a breach of European Community rules

Feeling is that a favourable decision by Lord Young could smooth out obstacles on the other two fronts

All-cash offer

At this stage the most significant change expected in a revised bid s that it will be an all-cash offer

London analysts say Minorco has spent the last three months checking out Consgold's institutional shareholders and it seems that Minorco's previous poor performance will make them reluctant to accept Minorco shares even in part exchange for their poorly performing Consgold shares

A 100 percent cash offer would cost Minorco $3 billion This would not put undue long-term pressure on Minorco

The group has about $1 billion in the bank, which it will bump up through the proposed sale of Newmont and GFSA It has no gearing

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Star 25/1/89

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Minorco going places

(214)

Star 26/1/89

Diagonal Street

ANN CROTTY

Described by one analyst as puerile jingoism, Consgold's defence of the hostile takeover bid launched by Minorco (estimated to have cost Consgold R84 million) may have made it more, not less, vulnerable to a takeover bid.

The cost of the defence is equal to about 25 percent of Consgold's 1988 pre-tax profit and is likely to have put considerable strain on the group's cash flow

In addition, the excessive talk of Minorco's SA connections will have drawn some attention to Consgold's own SA connections.

Market feeling is that Consgold should have used the past three months to convince its shareholders of the long-term attractive outlook for gold and its plans to boost its own return on assets.

It should have persuaded investors there was nothing to be gained by allowing a pro-active Minorco management team to take a slice of this action before passing it onto shareholders.

On a more negative tack, Consgold could have used the three months to take on board a poison pill to make the company unattractive to Minorco.

Instead, the defence strategy used may have left Consgold more exposed to a hostile bid by drawing attention to its underworked assets, by exposing its SA connections and by reducing its cash resources.

If Minorco cannot take control, its 29 percent stake is likely to be put up for sale.

One London analyst believes the quality of the Consgold defence and all the anti-SA talk is likely to encourage many Consgold investors to sell out, but not in a deal involving Minorco shares as these are also tainted by an SA connection

So if Minorco does still want Consgold it will have to offer an entirely cash package.

This is despite the fact that with its aggressive management team, Minorco is now looking like a much more attractive investment

Whether or not Minorco does acquire Consgold, by mid-1989 it will have undergone changes of such enormous proportion that the investment community will have to give it a more attractive rating

If it does not get this re-rating it will be because the investment community is not impressed by the hands-on management style

A recent report from London broker James Capel refers to the considerable changes in direction at Minorco, which see this former investment holding group becoming an operating company with control of the operations and cash flow of its business

As Capel sees it, the most significant consequence of Minorco's previous passive management style was a share price that stood at a severe discount to the group's net asset value At end-1988, this discount was 45,4 percent

With the change in strategy, Capel says "It is hoped that the discount will narrow and some of the missing billions will begin to be written back in terms of increased market capitalisation."

The new strategy will be implemented even if the offer for Consgold does not go ahead or is unsuccessful

In this case, Consgold "will fall into precisely the same category as all of the other associated investments, namely one to be reviewed and, possibly redeployed/mobilised"

Since 1984 Minorco has been debt free and net cash positive

A breakdown of its net asset value, which was $21,27 per share at end-1988, shows that the 29 percent stake in Consgold accounted for $8,70 per share

This is the largest single investment The next is Charter, valued at $2,02 a share The category "other assets including cash" account for $5,04 a share

Minorco's other investments bring the total to $21,27 (share price $11,63) The discount appears even larger if the cash portion is deducted from the share price

Star 26/1/89

Rand Leases hit by decline in gold output

(214)

Rand Leases, one of the gold mining companies controlled by the Severin Mining & Development group, recorded a drop in pre-tax profit of R722 million to R620 million (R1,342 billion) for the December 1988 quarter

This was mainly a result of lower gold production.

Tonnage milled fell to 128 500 tons (133 000 tons)

Yield was lower at 2,10g/t (2,18g/t)

The combined effect reduced gold production to 270kg (290kg)

Average gold price received was R31 817/kg (R33 549/kg)

Although working costs were lower, R62,65/t milled, compared with the previous quarter's R63,84/t, it was insufficient to offset the combined effect of decreased mill throughput, lower grade and gold price received

Working profit/ton milled was accordingly down at R5,65 (R11,33)

RECLAMATION

Dump reclamation tonnage remained unchanged at 51 250 tons

With a higher yield of 11,50g/t (9,53g/t), gold production increased to 11,50 tons (9,53 tons)

The drop in gold production was as a result of lower opencast grades

However, once 11 Shaft has been commissioned this year, the underground tonnage should increase further and recovered grades should improve

YIELD

Ore milled at Eersteling was significantly down at 31 000 tons (42 000 tons), resulting in a lower gold production of 55,01 tons (68,62 tons) in spite of a higher yield of 1,77g/t (1,63g/t)

Opencast operations were discontinued in December

Production from underground stoping operations has increased from a rate of 1 500 tons a month at the start of the quarter to a rate of 5 000 tons a month at the start of the current quarter

Capital expenditure increased to R4 million (R3,1 million). — Sapa

ConsGold: No 'insider' link to bid probe

214 B Day 26/1/89

ROBERT GENTLE

LONDON — Trade and Industry secretary Lord Young has refused to link Minorco's £3bn bid for ConsGold with the issue of alleged insider trading in the latter's shares

Lord Young said a proposal in the House of Lords that the release of the Monopolies and Mergers Commission report into the bid be delayed until the present inquiry into alleged insider trading was complete, would be quite wrong

"These two matters are entirely separate and should be kept as that," he said

However, he gave no further indication as to how long he would hang on to the report or when he would make its findings public The Trade and Industry Department last week floated "early February" as a likely date

Meanwhile, City observers are still hedging their bets and waiting to see which way Lord Young's decision will go

"The whole issue is blowing hot and cold," said an analyst from Warburg Securities, referring to the up-down movement of ConsGold's share price

He also discounted the idea that the less time Lord Young wasted in releasing his findings, the greater the chances were of Minorco getting the go-ahead

Anglo's control of JSE drops as gold shares fall

B/Day 26/1/89 (214)

BRUCE ANDERSON

ANGLO American's control of shares listed on the JSE, based on market capitalisation, has dropped markedly due to a fall in the price of gold shares, says Who Owns Whom author Robin McGregor

"The immense value of the gold sector of Anglo's portfolio is shown by the dramatic reduction of its JSE control to 49,5% in September 1988 from 60,1% in March 1987 and 56,1% in December 1987," McGregor says in his annual analysis accompanying the release of the latest edition of Who Owns Whom

McGregor says because the figures are based on market capitalisation — a function of share prices — a portfolio as heavily weighted with gold as Anglo's is significantly affected by the gold price

SA's top four groups, Anglo, Sanlam, SA Mutual and Rembrandt continue to dominate control of shares on the JSE

Between them the four groups controlled 77,7% of listed shares in 1988, down from 83,1% in 1987

Not surprisingly, says McGregor, Rembrandt's control of shares has shot up from 4,9% in 1987 to 7,6% in 1988, a rise McGregor attributes to the group's "aggressive expansionary phase

New listings

"Not only are they (Rembrandt) heavily into steel and timber in addition to their traditional fields of tobacco and liquor, but their financial and mining interests are growing rapidly along with their international investments "

The latest edition of Who Owns Whom — the ninth edition, with new editions having been published annually since the first in 1980 — provides ownership statistics on more than 20 000 companies, detailed analyses of all companies listed on the JSE, and a wealth of other corporate information

The book has swollen in size with the inclusion of 1988's 41 new listings

McGregor says foreign-controlled companies listed on the JSE have remained fairly constant in terms of market capitalisation with newly listed companies moving from the non-listed sector to replace those disinvesting

The rise in shares of companies controlled by directors — from 4,1% in 1983 to 6,9% in 1988 — is encouraging, says McGregor, even though a large portion of the rise is due to the facility the DCM has afforded the smaller non-listed company to come to the JSE

However, McGregor warns "In the medium term, this may well, in fact, further aggravate the concentration of control as it makes the smaller company more vulnerable to predators "

Severin group optimistic despite debt

M\Day 26/1/89 (214)

ANDREW BUDDEN

IN SPITE OF steadily increasing debt at the Severin group mines, financial director Lewis Carroll predicts better results for group gold mines in the fourth quarter this year

Eersteling had borrowings of R18,2m at end December — R11,3m of which was incurred in the December quarter The mine has recorded consistently lower mill tonnages since June 1988, as unprofitable opencast operations were scaled down and eventually discontinued in December

In line with this, grades improved marginally from 1,25g/t to 1,77g/t, as underground ore was used to make up the tonnages

Improving grades, however, have not been sufficient to prevent a fall in production from 68,6kg to 55,0kg in the December quarter

Carroll said Eersteling was still classified as a "developing mine" with all revenue and costs being capitalised He indicated higher capital expenditure — R4m as opposed to R2,5m in the September quarter — was attributable to costs involved in the final commissioning of the Franka Shaft

He estimated that if all went according to plan the shaft would be operational by April or May, and would be hoisting 12 000t/month by year end

A JSE analyst expressed doubt as to whether tonnages of ore milled in this quarter could be maintained, even at current decling levels With the opencast operations discontinued and the Franka Shaft not yet operational, existing facilities for removal of underground ore were not capable of handling the required tonnages

Indeed, gold production to date has fallen short of initial forecasts of 576kg (later revised to 450kg) for the year

Rand Leases had borrowings of R14,2m at end-December (R7,7m at end-September) Profit declined 54% to R620 000 (R1 3m), with gold production down to 270kg (290kg) as a consequence of both falling grades and tonnage

Nigel mine produces 194kg gold, doubles taxed profit

B/Day 27/1/87 (214)

Business Day Reporter

SOUTHGO's Nigel Gold mine produced revenue of R6,14m in the December quarter, and taxed profit more than doubled to R535 000

The group's flagship operation — Knights retreatment plant at Germiston — poured its first gold during December and treated 210 000 tons of slime during its first month of operation

In the traditionally shorter December quarter Nigel maintained gold production at 194kg of gold

The Goldam retreatment plant made a contribution of 118kg

Commissioning of the Knights slimes retreatment section commenced in December and by the year-end a total of 210 000 tons had been treated at an average recovery grade of 0,08g/t, reflecting the initial plant lock-up and the commissioning

The Klerksdorp Gold Holdings recovery plant was commissioned during the quarter and a total 3 108 tons from opencast operations was milled during the quarter

Treatment of underground ore commenced at the end of December

The operating loss for the quarter was R60 000

Bleak performance from Golden Dumps

ANDREW BUDDEN

GOLDEN DUMPS delivered another bleak performance in the December quarter with results characterised by falling tonnages, lower ore grades and bottom-line losses in excess of those recorded the previous quarter

SOUTH ROODEPOORT's bottom-line loss swelled to R1,84m (R8 000 September quarter) The blame lay not with the interest payments which tipped the scales into the red last quarter, but with working costs which have not fallen in line with declining production

A 6% fall in tonnages milled, combined with a decline in grades to 2,41g/t (3,22g/t), and a lower rand gold price, led to a 33% reduction in revenue

Mining director John Adendorff attributed the fall in grades to narrower ore bodies Appropriate steps had been taken to ensure future dilution was kept to a minimum, he said

BDay 27/1/87 (214)

Morale

He cited declining morale after widespread retrenchments as a reason for lower tonnages millled "We simply over-estimated our efficiencies "

Langlaagte's East Deep Shaft should be commissioned and operational within two months, he said The refurbishing was costing R300 000 and was being financed out of working profits

Langlaagte should not be written off he said, because it constituted the long-term future of South Roodepoort's reserves, he said

CONSOLIDATED MODDERFONTEIN recorded a loss of R2,95m (R0,96m)

Milled tons fell 9% and grades declined marginally to 3,07g/t, resulting in 16% less revenue for the mine

Adendorff had hope for Springs Dagga, which was producing grades of 5g/t

He said tonnages at Springs Dagga were being pushed up to 300t/day and as work on the Geduld Shaft progressed he felt confident that overall grades at Cons Modder would exceed 3,25g/t

Primrose is well on way to good year

B/Day 27/1/89

Business Day Reporter

(214)

PRIMROSE Gold Mines posted net income of R1,2m for the six months to December, only slightly below the comparative income of R1,5m for the full year to June 1988

A tax write-back of R292 000 helped lift net income in the December quarter to R889 000, more than double the September quarter income of R384 000

An unchanged dividend of 4c a share has been declared, making Primrose the only small gold mining company which has maintained its dividend during the past two difficult years

Gold production rose for the third successive quarter to a level of 121kg, 15,2% up on the previous quarter. Tonnage milled rose 17% to 22 348t, but the yield declined marginally to 5,42g/t

However, a decline in the gold price received and a slight increase in operating costs pushed down operating profit from R750 000 to R648 000

Capex of R972 000, up from R135 000 in the previous quarter, was mainly for the re-equipping of the Glen Luce Shaft, the acquisition of major capital items for the new central plant and expenditure on the dump treatment plant The company is finalising arrangments for a medium-term loan to fund capital for the central plant

(214)

Star 27/1/89

Lydex strikes exploration deal with Rand Mines

By Derek Tommey

Old Mutual brainchild Lydenburg Exploration has reached an historic agreement with Rand Mines for the exploitation of the Theunissen area

"Things are happening at Lydenburg Exploration," said the chairman, Mr Peter Bieber, at the annual meeting in Johannesburg this week

Lydex is a somewhat unusual gold exploration company in that it was formed by the country's biggest life insurer, the Old Mutual, to speed up the search for new gold deposits And with R22 million in cash raised from its shareholders by way of a rights issue, it has the resources to make things happen

Mr Bieber is no stranger to the investment world but has not been actively associated with gold exploration before He is probably better known in the investment world as the man who played a major role in building up the Old Mutual's investment portfolio to its current paramount position

He said that in terms of this first major transaction since listing, Lydex had a 20 percent non-contributory right in the project and would have a 20 percent contributory participation interest after the completion of three boreholes

Mr Bieber added that other important developments were expected The company had at least three projects which could reach fruition in the next two to five years

Peter Bieber

In an interview after the meeting Mr Bieber said that the Old Mutual's venture into gold exploration — the first time this had been done by any life office — stemmed from the urgent need to stop South Africa's gold production from falling

South African would need a number of new gold mines to maintain current gold output and all the benefits this brought

Lydex saw its role as a catalyst in the formation of new mines It would help the mining houses by bringing exploration propositions to them and arrange the consolidation of prospecting areas

Lydex had acquired a portfolio of promising mineral interests from Southern Prospecting who areactively managing this portfolio, Mr Bieber said

It was participating in seven separate drilling operations and this would shortly be raised to 10

One of the attractions of Lydex was that it had a balanced portfolio, with proven reserves that could be developed in the next two years or so, semi-proven reserves that could be developed during the next five years and other potential areas for long-term exploration

As Lydex's participation rights in new mines would be passed on to its shareholders it would not itself have to get involved in financing new mines This meant that the Old Mutual, and other Lydex shareholders, would have a chance to invest in developing mines on the "ground floor "

Southgo turns in a good performance

(214

Star 27/1/89

Southgo had a satisfactory December quarter, with Nigel Gold Mine producing revenue of R6,14 million and with taxed profit more than doubling at R535 000

The flagship operation — Knights retreatment plant at Germiston — poured its first gold in December and treated 210 000 tons of slime in its first month of operation

Nigel produced 194kg of gold — the same as in the longer September quarter — including a contribution of 118kg from the top-performing retreatment plant.

The plant treated 489 817 tons — 18 percent more than in the previous quarter — with a grade of 0,24g/t

On the mining side, 31 620 tons were milled, a decrease of 18 percent from the September quarter

With a virtually unchanged grade at 2,4g/t, 76kg of gold were produced (94kg)

Working costs in the Nigel complex were 12 percent lower at) R5,6 million (R6,27 million)

The gold price received was R31 710/kg (R33 376/kg)

No 2 Shaft contributed little to underground production because the ore handling system was being changed from trackless to railbound This project was completed in late December — Sapa

Down in Golden Dumps

(214)

Both gold mining companies administered by Golden Dumps incurred losses for the December quarter after recording lower milling rates and yield, which resulted in a drop in gold production

Star 27/1/89

South Rooodepoort Main Reef tonnage fell to 81 757 tons (87 171 tons) and Combined with a lower yield of 2,41g/t (3,22g/t), gold production was down at 197,4kg (280,3kg)

Although working costs/ton were reduced to R99,19 (R108,07), it was insufficient to offset the above factors and a loss of R22,49 per ton (R0,26 profit) was incurred

The lower gold price received of R31 768/kg (R33 689/kg) further affected the mine's performance A net loss of R1,8 million (R 8000 profit) was recorded, despite a decrease in capex to R503 000 (R1,3 million)

Consolidated Modderfontein tonnage dropped to 171 780 (188 720)

Yield fell to 3,07g/t (3,19g/t) Working costs were marginally lower at R108,53/ton and working loss per ton increased to R10,91 (R3,43)

The gold price received decreased to R31 784 (R33 294), which further impacted on the mine's performance The loss increased to R2,9 milion (R960 000)

The mothballing of No 7 Shaft is expected to lead to an increase in average recovered grade, together with a decrease in unit working costs — Sapa

New economic package on the way to boost growth

214

Star 28/1/89.

DEREK TOMMEY

A NEW economic package for South Africa is on the way According to policy indications from Government speakers it is likely to include cuts in gold mining tax at least for new mines

It is also possible that it could lead to some changes in company tax and a strong effort to restrain increases in government spending

The whole package is aimed at encouraging new investment in the industrial and export sectors in order to cushion the economy from economic structural changes overseas and provide a stable climate for economic growth

In a speech noteworthy for its recognition of the realities facing South Africa, the Deputy Minister of Finance, Dr Org Marais, told the Afrikaanse Sakekamer at Henneman recently that the country could no longer impose a 79 percent tax on the richer gold mines and expect new mines to be developed

He added that taxation in South Africa had reached a level where it was damaging economic growth — and was making a considerable contribution to the high level of inflation

Difficulties

He blamed the high level of taxation on the difficulties experienced by the Government in curbing state spending

He also threw new light on the decision by the American banks in 1985 not to roll over South Africa's loans

With the benefit of hindsight, he said, this decision was probably not the result of political factors alone, and indicated that South Africa's poor economic performance also could have played a part

Dr Marais said new guidelines for industrial and export development would be announced shortly

And in Cape Town, this week the Minister of Finance, Dr Barend du Plessis, indicated that some changes in company taxes could be in the pipeline

In his speech Dr Marais pointed out that South Africa could no longer rely on a high gold price to finance its requirements

The gold mining industry, for the greater part of its history, had been able to rely on a fixed price for gold

As a result the state knew that in times of recession the gold mining industry would continue to prosper, that there would be no large balance of payments problems and there would be no budget shortage

South Africa's economic policy and indirectly its socio-political policies were based to a high degree on gold

But after 1981 the gold price had dropped sharply and since then has shown great fluctuations

The prices of South Africa's other mineral and agricultural exports, had also fluctuated On the other hand, the price of imports, mainly industrial products, had not changed so much, and this had led to balance of payments problems and indirectly, to the rising budget deficits

Added to this there had been serious droughts between 1982 and 1987 which had put further pressure on the balance of payments and the government's finances

Dr Marais said that since 1982 foreign capital had also no longer played its important stabilising role

The resultant changes in the economy had also contributed to political unrest and further frightened the foreign investor

For a number of years these factors had reduced economic growth to an average of 1 percent.

Dr Marais said a climate for economic growth could be provided only when there was a greater measure of stability in the economy

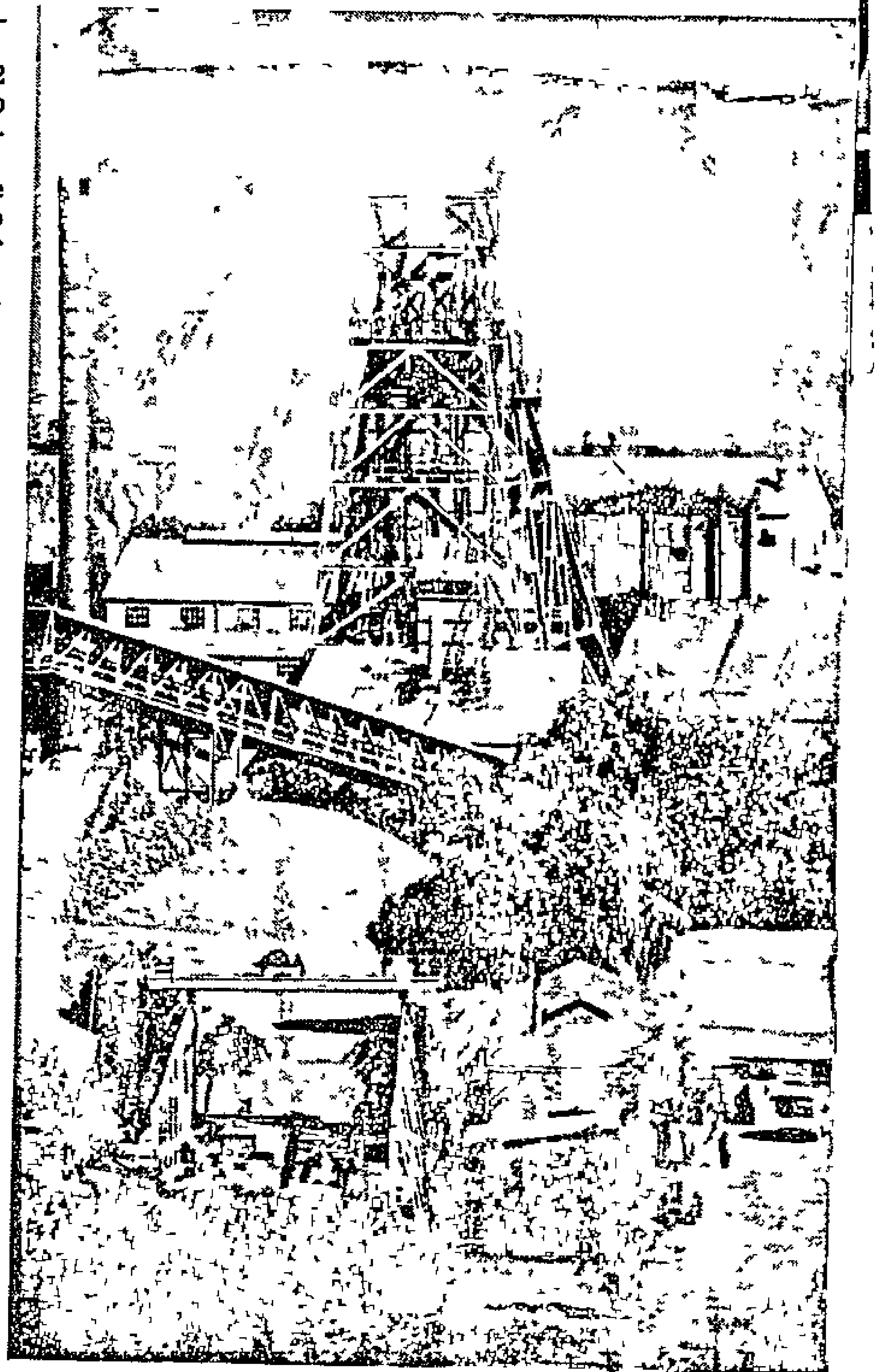
Economic cushion

This meant that fiscal and montary policies and also industrial policy should be aimed at cushioning the economy against changes in economic conditions overseas But this did not mean that the economy could be isolated from them

There were several ways of doing this One was to build up reasonably large gold and foreign exchange reserves, a second was to follow a conservative fiscal policy; a third way was to limited excessive movements in interest and exchange rates, and a fourth was target export markets

He said the starting point in fiscal policy was Government expenditure But it was not easy to change the direction followed by a state machine which had operated for a long period on a policy of a stable and growing income

It was also not so simple to force down the growth of state spending



Gold mines have laboured under a heavy tax burden for years but relief may be on the way, at least for new mines

Firmer undertone to the market (214)

SVEN FORSSMAN

13THERE was a firmer undertone on the JSE this week, with dealers reporting a shortage of scrip and an increased number of private clients coming back into the market.

According to the chartists, gold broke through some important technical resistance levels on Thursday but would only advance more strongly once the dollar/gold price improved The bullion price dropped to around $402 on Friday.

Dealers said there was a lot of institutional buying this week, as was the case the previous week, but interest was focused on quality stock

Second line industrials showed some movement, but investors avoided third-line stock

Marginal gold shares continued to disappoint Sub Nigel, one of the high flyers prior to the crash, languished around 77c and South Roodepoort at 65c Sub Nigel hit a high of R10 before the crash

Some of the week's features were. Star 28/1/89

- Elcentre Group Holdings hit a high of 195c on Monday on speculation of a takeover by the FSI Group. It eased back to 175c
- Gencor rose to a new peak of R69,25c on Monday on a turnover of nearly 17 000 shares worth R1,2 million
- Fedsure Holdings firmed 15c to 265c on Wednesday on an unusually high turnover of nearly 400 000 shares

New economic package on the way to boost growth

214

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DEREK TOMMEY

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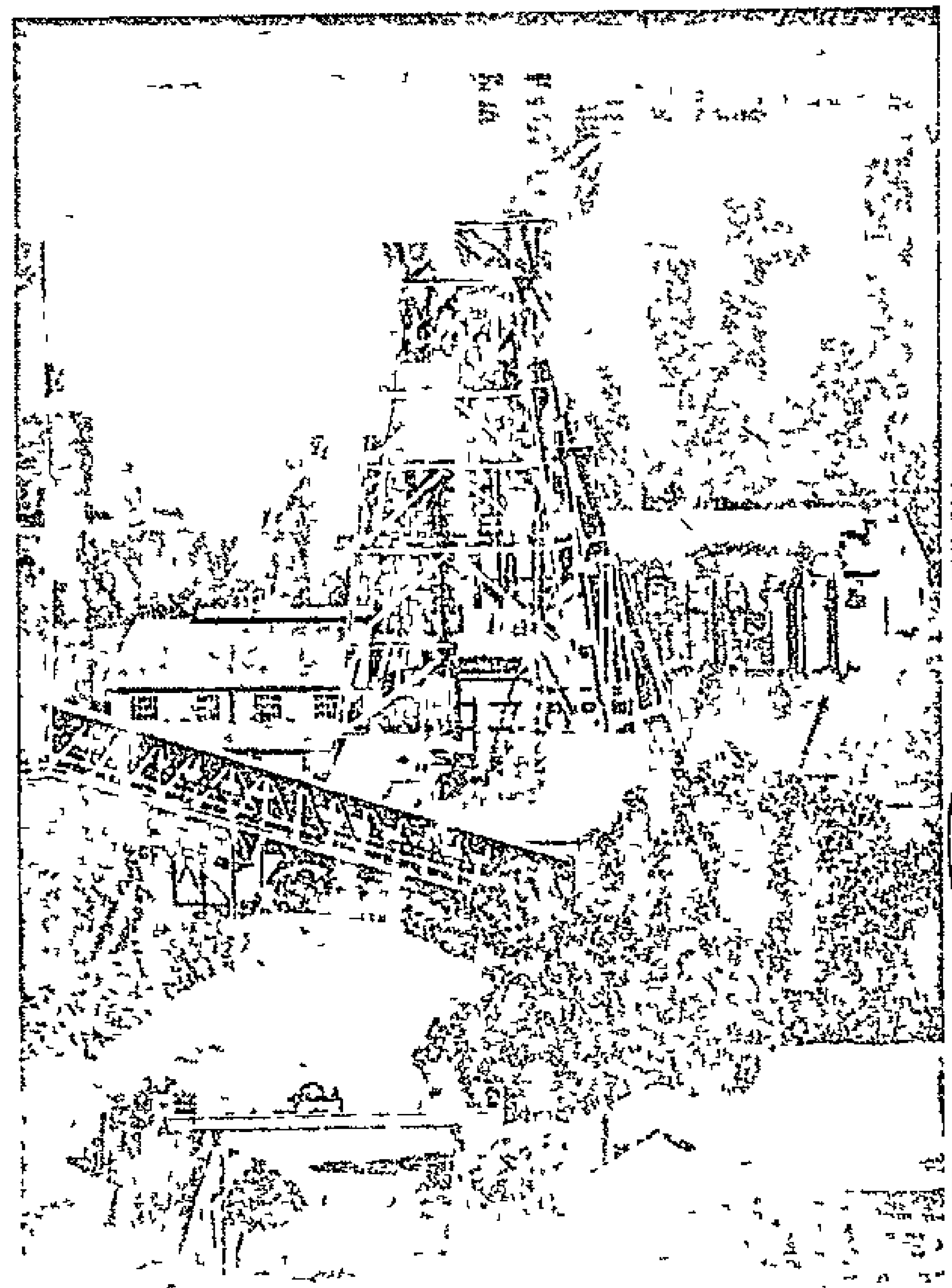


Gold ... [illegible]

Four-week wait for confident Minorco

Star 28/11/89

(214)

THE STAR BUREAU

LONDON - Minorco directors appear confident that the Monopolies and Mergers Commission has found no reason to rule against the company's hostile bid for Consolidated Gold Fields

"We had no difficulties going through the MMC process," Mr Roger Phillimore, Minorco's commercial director, told Kenneth Gooding, mining correspondent of the *Financial Times*

"We did not go away as some people suggested we would We look forward to the decision"

He and his colleagues, Mr Hank Slack, the director responsible for North America, and Mr Tony Lea, the finance director, said they were heartened by the forthright way in which Lord Young, the Trade and Industry Secretary, had refused to hold up publication of the MMC report until a separate inquiry by his department's inspectors into insider trading in Consgold shares had been completed

The DTI said the inspectors had produced an interim report which the MMC had studied before reporting to Lord Young

Mr Phillimore said he believed the MMC would concentrate solely on competition issues in its report and there were none that would cause it to rule in a way unfavourable to Minorco

He suggested it was unlikely that the MMC would take Minorco's South African parentage into account because it was not British Government policy to impose sanctions against South Africa or South African companies

Minorco was also confident that it could deal satisfactorily with any inquiry by the European Commission, he said Minorco had already talked to the Commission and "our clear impression was that it was properly briefed"

The indications were that the MMC report would be published in four to five weeks But Mr Phillimore said that, although the decision was important, "it is not a matter of life or death for Minorco We have a $3 billion company with no debts and some fine assets"

Sunday Times

JANUA

BUSINESS T

Cons Gold ploy spells danger

214

S/Times 29/1/89

By Richard Rolfe
LONDON

CONSOLIDATED Gold Fields' tactic of trying to fend off Minorco's hostile bid by drawing attention to its SA parentage could injure itself — and its suitors

Cons Gold s anti-South African advertisements and appeals to the Mergers and Monopolies Commission in the UK and the Securities Exchange Commission in the US have alerted the anti apartheid movement in America and Britain to investment by SA companies abroad

Until now all financial sanctions have been focused on foreign investment in SA

Time magazine is preparing a major report on SA companies foreign offshoots The fear is that new sanctions could arise on SA's foreign investment.

Scorched

Cons Gold s moves have been decried as scorched earth tactics The British company is estimated to have earned £350 million from its associate, Gold Fields of SA, in the past five years

Cons Gold's anti-South African stance may have alienated GFSA as well Chairman Robin Plumbridge as well as right-hand men such as Dru Gnodde, Bernard van Rooyen and Colin Fenton are all patriotic South Africans

So are Anton and Johan Rupert of Rembrandt, which has 10% of GFSA and a pre-emptive right to buy Cons Gold s 38%

GFSA and its Kloof and Driefontein mines have 7,5% of the parent They initially sided with Cons Gold and its chairman Rudolf Agnew in the bid battle Now GFSA says it will decide which way to vote in the best interests of shareholders'

A long standing shareholder of Cons Gold, Michael Woodbine Parish, circulated an attack – paid for by Minorco — on the company's directors

He criticised Cons Gold chairman Rudolph Agnew for "unrewarding tactics of blackening SA, which has spoon fed you for over 100 years

He attacked Cons Gold's "smear campaign" and said he had known Harry Oppenheimer for 50 years

"I find nothing in my knowledge of the man or his company to support your views that their obtaining control would be detrimental to either the UK or others almost certainly the reverse"

Cons Gold commented "Minorco paid for the letter That speaks for itself We are not anti-SA, but anti-SA control '

The house maintains that it is committed to its SA assets, which include some of the world s richest gold mines — "We like them a lot — but is opposed to SA control because of the problems this causes for ventures in the US, Australia and Papua New Guinea

Mr Agnew, in his usual colourful way said last year "I call South Africans pariahs in an investment sense, not as individuals They create problems with joint venture partners customers, employees and vendors

The MMC report on the bid was handed to the Secretary of State for Trade and Industry, Lord Young, this week

Confident

Minorco directors are confident of obtaining clearance

Minorco believes the MMC will concentrate exclusively on commercial issues It does not expect its SA parentage to be an issue, given current UK Government policy

However, Cons Gold believes it has made progress in putting across its case that the bid is detrimental to the UK public interest because of SA control and other issues

Cons Gold has indicated unofficially that its defence to date has cost £20-million

Cons Gold says it is not in its shareholders' interests to sell any more of the GFSA stake now Minorco's Hank Slack and Tony Lea were in SA this week sounding out potential buyers if their bid succeeds Minorco has volunteered to sell GFSA, Newmont and other gold interests

Cons Gold says 'it would be a forced sale" But there would be eager SA bidders for GFSA apart from Rembrandt

CARTE BLANCHE

By David Carte, BUSINESS TIMES Editor

M&R fires on all cylinders

Murray & Roberts has a proud construction record and is No 1 in that industry plus a few others — yet it trades at a discount on the JSE.

The R3-billion-a year conglomerate is under new management It has a fine recent track record and promising prospects — but the market has not forgiven it for its plunge to a R14,5-million loss in 1986

At R17, the share is 5,6 times 1988 earnings. The average PE for building and construction shares is 7,8 and for industrial holding companies it is 8 4

In 1988's 83% earnings leap, the industrial and supplies and services divisions excelled while construction was still recovering The expectation was that construction would do a lot better this year and last year's stars would level-peg Chief executive David Brink believes that turns out to have been too cautious

He does not blink at the suggestion that earnings may grow 30% this year If that is achieved, the share price is only 4,3 times forward earnings

M&R was once prepared to bid for anything from a food group to a bus company But that was two managing directors ago

Today Mr Brink agrees there are too many small interests He would like to consolidate some of them into larger, more identifiable operations

Becoming a major force in markets has become a top priority at M&R It is No 1 in civil engineering and construction, caravans and park homes, petrol-engine foundries, ventilation pipes for the mines, heli copter services, abrasives and, through RUC, raise boring

In the two years since he took the helm, Mr Brink has concentrated successfully on recovery

The number of operating groups has been reduced from seven to four — M&R Industrial, M&R Construction and Engineering, M&R Properties and M&R Suppliers and Services.

The amount spent on acquisitions fell from R104-million in 1987 to R23-million last year. There have been several divestments

"We are more decentralised now, and

ing mainly toll roads M&R has 36% of Tolcon

Mr Brink says work on hand in construction stretches 18 months to two years M&R is still tendering and negotiating hectically — at good margins

Mr Brink does not disclose the size of the order book observing that high quality is more important than size He reports more discipline in tendering today Consolidation in the industry has reduced competition

Gross domestic fixed investment is the economic indicator most crucial to construction It fell for six consecutive years, but recently turned upwards The Government is low on funds, so M&R is looking to the private sector to keep it busy

The foundry group is the biggest after construction It is busy but like construction still has enormous capacity to expand

"We are the biggest petrol-engine blockmaker The motor industry has long been desperately cyclical but according to new local content rules motor manufacturers can offset imported components with exported ones With the rand where it is we have a vast opportunity "

Group exports are still small, but a major drive is starting

M&R s wholesale motor spares business,

Minorco's missing millions

CA4 7/0/6 30/1/89

Own Correspondent

LONDON — As a useful working total at least $1 58 billion is reckoned to be missing at Minorco the Luxembourg-based holding company whose bid for Consolidated Gold Fields of Britain scrutinised by the Monopolies and Mergers Commission, awaits a decision by Trade Secretary Lord Young

That is the amount by which the share price trails the value of the underlying holdings Claiming it back is what now drives Minorco forward

In the reclamation, company president Henry (Hank) Slack is feeling every one of his 38 years Last week this American executive visited three continents in a gruelling 31 200km round trip embracing Johannesburg London and New York. He has also just completed a six stop Minorco investment roadshow stretching from Frankfurt through Paris to Edinburgh

Slack is a lodestar in the Anglo/Minorco firmament. Third husband of Harry Oppenheimer's daughter Mary and born and bred in Ohio has has an open, disarming manner which belies his power as an Anglo director the inside track he gained as a personal assistant to Harry and his clout as the man in charge of Minorco s $1 billion portfolio in the United States

" Slack succeeds investors in Minorco's stand to gain substantially The shares, at 710p, are standing at a discount of 42,25% to net assets per share worth £12,45 That is double the discount at which most investment trusts now stand a large slug of those assets is in cash (£500m) and by any objective criteria, Minorco is one of the most undervalued companies on the world's stock markets

That is the story that lies buried at the bottom of the bid for Gold Fields It is not at heart a bid about mining, or even about gold, but about putting the missing dollar billions back into Minorco

Behind the studious politeness, some see Slack and his two "young Turk" colleagues finance director Tony Lea and the colourful commercial director Roger Phillipmore as Minorco's hidden fist — and arguably more persuasive than the one Sir Michael Edwardes smacks into the palm of public attention.

In this engaging trio it is Slack who holds the golden thread between Minorco and 60% shareholder Anglo, under whose name Minorco's case has been put to the White House and who last week visited Johannesburg for talks on the conditional disposal of Gold Fields' 38% shareholding in GFSA As wags might put it Edwardes talks to God Hank goes higher he talks to Harry

But what is the true picture? Slack says 'I have a very good relationship with Harry and I am very fortunate to have him as a father in law But it has nothing to do with running Minorco I would be very foolish if I rang him every day as some think. Nor would he be interested in hearing it, frankly '

His White House letter tore into Gold Fields' poor labour relations in SA, much in contrast to Anglo's record Minorco had a major shareholding in Salomon Brothers for years Not once did our involvement hold the bank back. Nor has Engelhard or Inspiration Resources been constrained Gold Fields is damaging itself.'

Minorco calculates the cost of the ConsGold bid defence will total nearer £50m once American adviser fees are added, and the tail, it suspects is wagging the dog.

Slack s involvement in the Anglo High command began as a two-month break from Princeton where he was studying history

He became fascinated by SA and dropped an opening at business school to chance his luck with Anglo, climbing quickly up the ladder He married Mary in 1979 and is now father of two daughters

Those who believe the future lies where the families go note keenly that the Slacks are now moving from Johannesburg to New Jersey; Tony Lea, a fellow Anglo director is moving from Jo burg to London Roger Phillimore, former personal assistant to Anglo chairman Gavin Relly is already settled here Anglo may deny its money is moving from SA but its young talent is.

Over the past three weeks continental European and Scottish investment buying has chased up 12,5% from 638p The Minorco message is getting across at last — though years of indifferent investor relations have been a severe handicap Fund managers before last autumn could have been forgiven for thinking "Minorcs" was an Italian restaurant.

Slack says "The Europeans are much more open minded and pragmatic about investing in us and are unimpressed by the political smear campaign It is solely in England that investment take a parochial view They see that there is money to be made It is that simple "

In truth it is not that so Minorco has a double discount to contend with, many of the investments in which it has major stakes such as Engelhard and Inspiration Corporation themselves stand at substanital discounts to assets — in the case of Engelhard, some 20%

Not only is Minorco out to close that asset gap but, in terms of earnings and dividend receipts from these investments, it wants to be master of its own destiny

Control of the decision making process and of cash flow is paramount. It is not just Minorco but its 60% shareholder Anglo that has crossed a Rubicon which is why the battle for Gold Fields is not an end but a beginning.

Slack says 'Minorco is a company that has had a new beginning. I am very optimistic about our ability to succeed and close the discount — with or without Consgold.

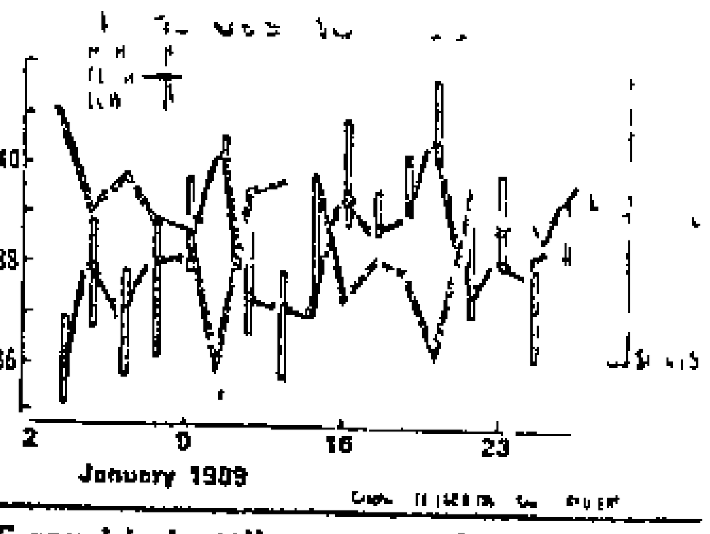
... to hit panic button

(47)

Gold's rand price lowest since March

(214)

B/Day 30/1/89



THE rand is battling to survive the surging dollar, but looked better towards the end of last week as central bank action pushed the US currency lower

The dollar's strength is expected to continue on higher interest rates in the US, favourable expectations for the new Bush administration and buying demand from investors There will be no relief for the rand from the gold price, as investors' confidence in the dollar has also knocked the metal's price

CHERILYN IRETON
and GRETA STEYN

THE rand price of gold fell to its lowest level in 10 months on Friday as a strong dollar, firm equity markets and lower crude oil prices dragged the bullion price below $400/oz

The rand gold price dropped R14,02 to R957,60/oz — its lowest point since March 18 last year This followed the metal's $6,25 fall in London to $399,35 on Friday. It weakened further in New York to end at $395,35 and remained under pressure in Hong Kong on Saturday, trading at $395,85

In spite of estimates that the SA gold industry needs an average gold price of R1 000/oz to maintain its current size, economists and mining industry officials approached yesterday saw no reason to "hit the panic button"

Anglo American economic consultant Aubrey Dickman said SA's balance of payments was stronger at the moment, and a gold price around current levels was not yet cause for policy action

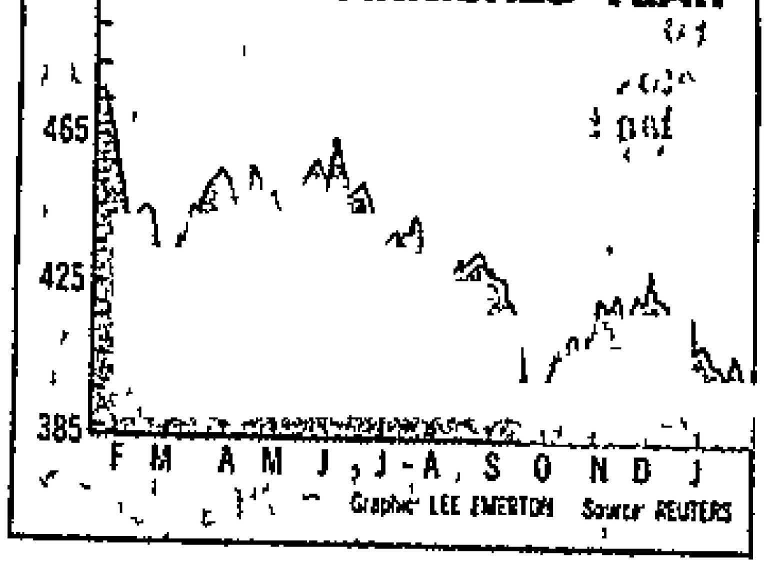
"But a further fall might mean tighter policies to protect the foreign reserves"

A strong world economy meant demand for SA exports other than gold was likely to remain strong, offsetting some of the BoP problems implied by a lower gold price SA would just have to live with slack investment demand for gold as long as world interest rates were high in real terms

But strong demand from the Far East, especially at lower prices, would provide some support for the metal in the longer term Increasing industrial demand for gold would also go a long way towards absorbing supply

A Rand Mines spokesman said yesterday he was not surprised the price had

GOLD'S TARNISHED YEAR



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Rand price of gold lowest since March

B/Day 30/1/89

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weakened "nor would a weak gold price over the next 3-6 months be surprising

"The unknown factor is of course what the new US administration decides to do about the budget and trade deficits — and the view the rest of the world takes about any radical new measures the Bush administration would adopt Failing anything of major significance in that area, the gold price might well remain weak over the next quarter or two," the spokesman said

"We don't press any panic buttons just because the price has dropped below $400, just as we don't become euphoric when it goes over the $500 level"

The effect on the industry and mines would hinge on the grades being mined Contingency plans would be prepared and obviously the first move would be to concentrate on mining areas that were profitable at the lower gold price levels

Rand Mines said if the low price levels were maintained, problems would become graver, not only affecting the industry and leading to redundancies, but affecting the economy as a whole

Many of the lower-grade mines could encounter problems and there would be a lower flow of revenue to the fiscus

Ed Hern Rudolph director Manny Pohl said the SA gold industry — and particularly the marginal mines — needed an average gold price above R1 000/oz to maintain its current size

"Because of the importance of the gold mines as foreign exchange earners, direct employers and the multiplier effects they generate through the economy, R1 000/oz is regarded as the average floor price of gold for the next 12 months, regardless of the dollar price"

Holcom Commodity Brokers director Charles Johnstone said from a technical viewpoint chart analysis indicated gold was not likely to recover much from present levels, but a short rally could not be ruled out

"The $400 level is a major resistance level but chartists are talking of gold hitting $380 the next resistance point Even if one does not believe charts, the short-term outlook for the metal is not encouraging Investors see no reason to buy gold with the dollar strong and Wall Street buoyant"

'No need to hit panic button'

Gold's rand price lowest since March

B/Day 30/1/89

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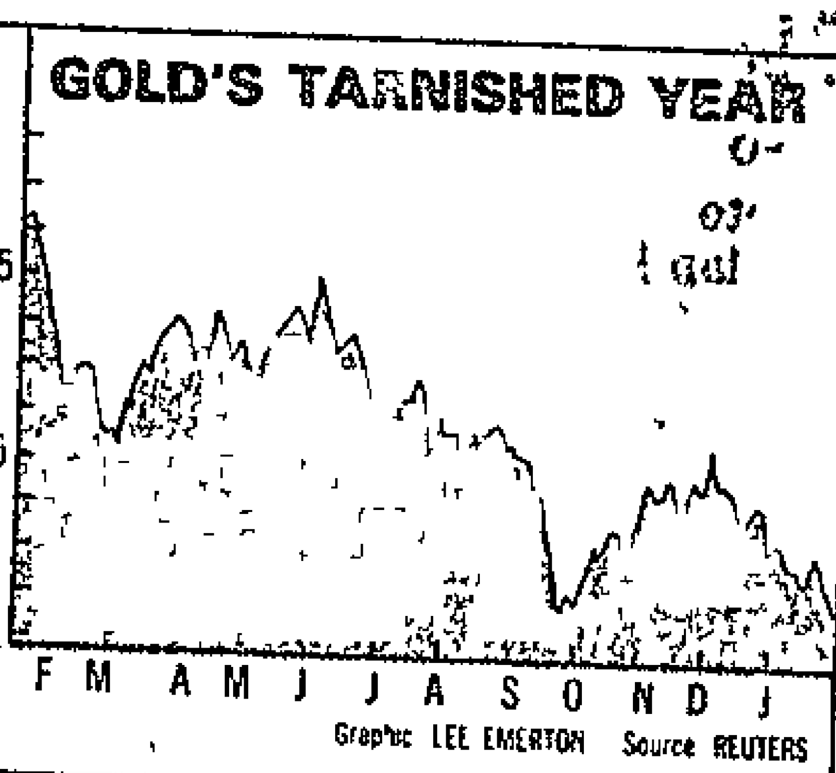
CHERILYN IRETON and GRETA STEYN



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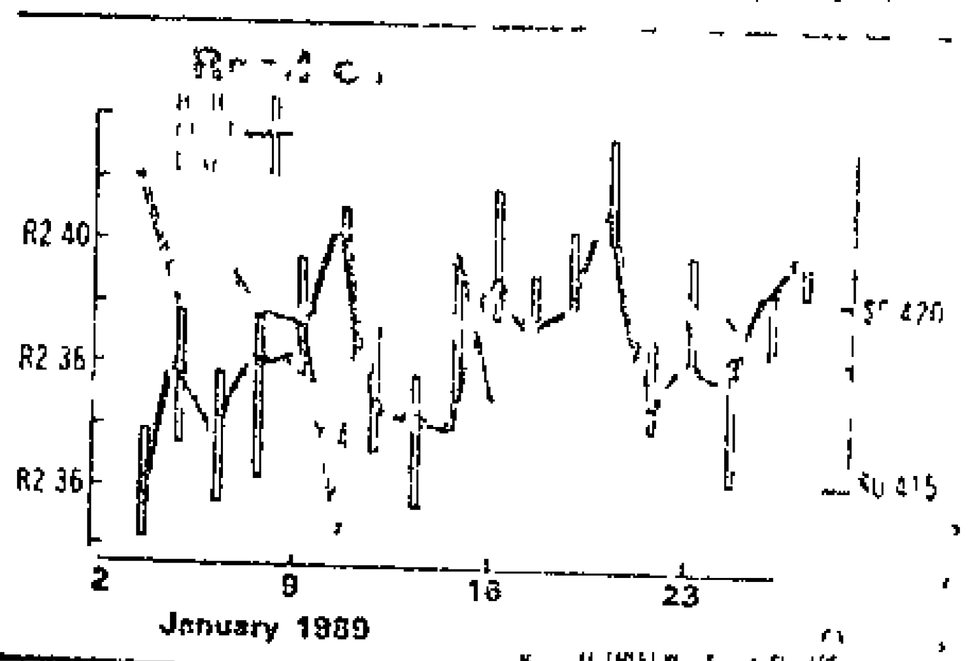

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214

Trauma at Trans-Natal

Bottom Line

MICHAEL MENOF

Gencor's Trans-Natal lost a staggering R37,8 million in 1988, despite producing a record 33,8 million metric tons of coal

Export sales generated a R7,7 million loss — a far cry from 1987's R112,5 million profit

The losses, coupled with chronic management upheaval, resulted in Trans-Natal experiencing the most traumatic year in its 25-year history

With a flawed management structure, drastic reorganisation became necessary in the second half of the financial year

So severe were the problems that an urgent turnaround strategy had to be devised Major causes were the complex corporate structure, inefficient tax arrangements and a serious liquidity drain

Outside consultants were engaged and retained to analyse the group

In April 1988, MD Mr GC Thompson resigned and Mr HJ Smith was appointed A month later, Mr SP Ellis departed as chairman and was replaced by Mr Brian Gilbertson Clearly top management was blamed for the catastrophe No contingency plans were made to counter sanctions

Worrying aspect

According to Mr Gilbertson, another worrying aspect of the decline was the failure of management's accounting system to provide adequate warning of the speed and magnitude of the deterioration

Nor was he satisfied with all the reasons identified as to why performance declined so markedly, compared with its principal competitors His chairman's statement was brutally frank as he tried to explain why Trans-Natal had taken such a pounding

After a meteoric career at JCI, I doubt whether even he expected to find himself in the deep end so soon, with operating income declining to only a quarter of 1987's figures

Inadequate or unsatisfactory provisions for future expenditure and commitments required R50 million in extraordinary write-offs

Turnover declined to R935,5 million (1987 R957,6 million), with operating income lower at only R58,2 million (1987 R208,8 million)

After deducting net interest of R16,6 million (1987 R39,6 million) and amortisation of R41,2 million (1987 R38,2 million), net income was R1,3 million (1987 R146,3 million)

After tax the loss was R10,8 million (1987 R111 million profit) This was not the end of the saga as R47,5 million in extraordinary losses — foreign exchange losses previously deferred R19,4 million, rehabilitation and closure costs R13 million and unamortised balance of assets written off R15,1 million, less the tax effect R22,9 million, and R9,9 million (1987 R9,9 million) interest on the compulsory debentures — meant a R37,8 million loss (1987 R66,6 million profit) A staggering swing of 300 percent, compared with 1987

The most pressing problem was declining liquidity since the effects of the poor operating results were compounded by a substantial but uncertain liability for tax payments from 1986 and by the imminent maturing of various unsecured forex loans

The taxman agreed to new payment terms and negotiations with foreign banks were successfully concluded whereby $61,6 million will be repaid between December 1990 and December 1997

Capex has been cut and working capital management improved to assist cash flow

Trans-Natal's financial involvement in the so-called T-project, a venture aimed at producing synthetic fuels from torbanite has largely been taken over by Gencor, further relieving the strain on liquidity

The marketing review is shaky at best. Domestic sales to Eskom increased to 19,4 million tons, but there seems little prospect of short-term growth

Eskom is unlikely to award any new coal supply contracts within the next few years as its older power stations are being phased out sooner than planned, while others will operate at reduced burning rates

Export sales nosedived because of lower FOB prices, a 70 percent increase in rail tariffs to Richards Bay and the fall in dollar prices caused partly by global oversupply

The effect of sanctions spurred SA producers to compete for market share at almost any cost The breakup of the Transvaal Coal Owners' Association in March 1989 could mean more volatile prices than in the past, says Mr Gilbertson

The balance sheet reflects the losses, with group equity down to R610,3 million (1987 R700,4 million) at end-June 1988

Total debt has increased to R259,3 million (1988 R247,8 million), with the long-term portion now R239,3 million (1987 R168,6 million) Working capital is virtually unchanged at R20 million (1987 R16,5 million)

The shock year has shaken management A revised management structure has been introduced — improving decision-making and allocating accountability

Changes have reduced head office costs by 19 percent and a new executive committee meets weekly to sharpen decision-making

Yet despite the devastation, there is light at the of the tunnel and it's not a locomotive light, either

Prospects appear bright For the first quarter of 1989, taxed profits were R13 million and, provided the rand does not strengthen, Mr Gilbertson expects this profit trend to persist for the rest of the year. Cash flow will remain strained, but lower dividends could be resumed

With Mr Gilbertson at the helm, shareholders now have an extremely able skipper to steer the ship back into calmer waters

The mess was certainly not of his making, but where was mighty Gencor and why did it wait so long before taking corrective action?

Gold below $400

8 Star 30/1/89

(214)

By Sven Forssman

Marginal gold mines are to come under increased pressure following the bullion price's drop below $400 on Friday

The metal fell $6,25 to $399,35 in London on Friday and it weakened further in New York and Hong Kong at the weekend

Gold closed at $395,35 in New York and opened at $397,41 in Hong Kong today, $0,21 up on Saturday's fix

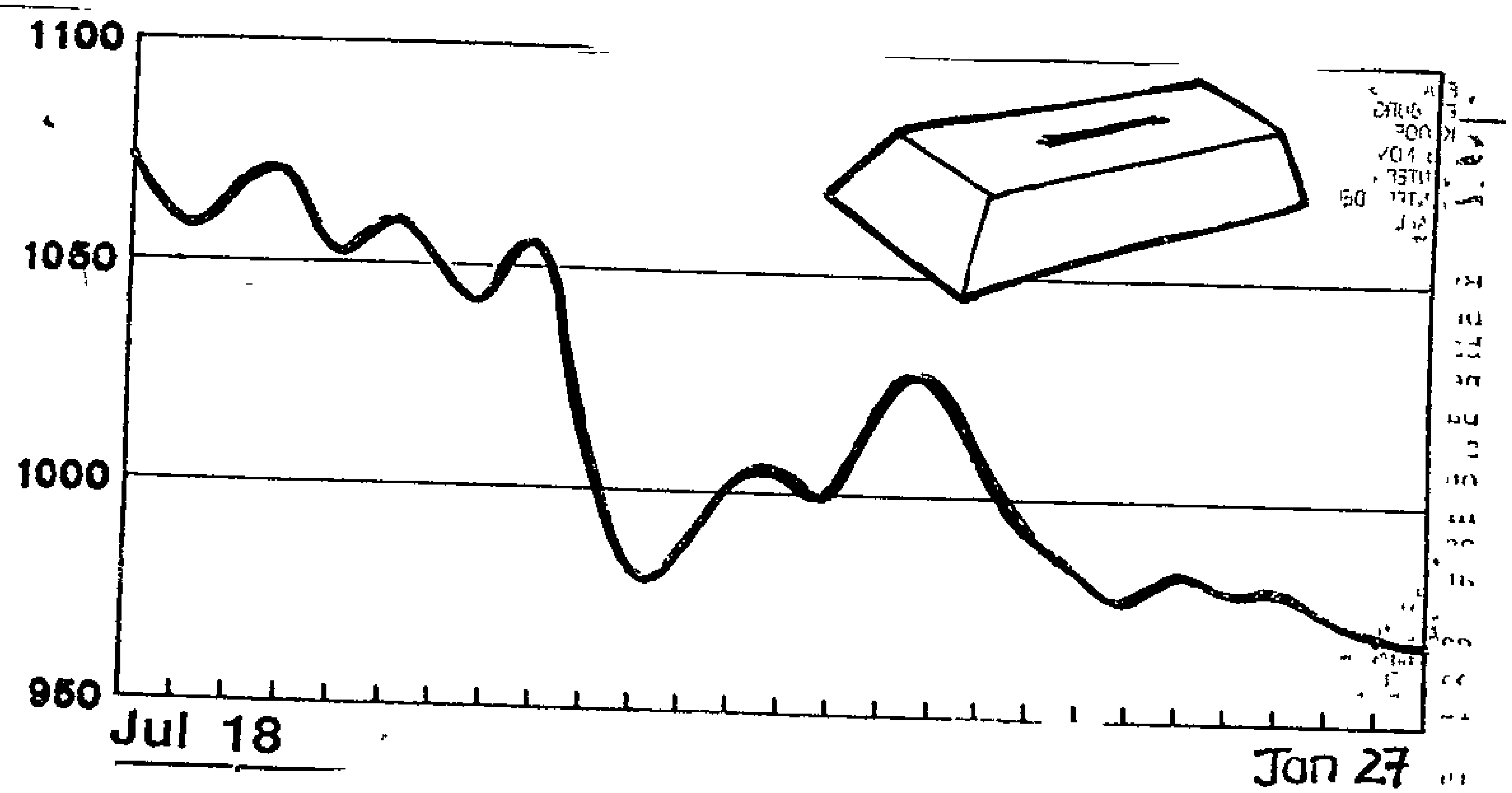
The rand/gold price has been on a constant decline since July last year and on Friday it slumped R14,02 to R957,60 an ounce — its lowest level in 10 months

Dealers said the drop in the international oil price was one of the reasons for gold's decline

Talks of lower inflation rates and high interest rates and the strong performance of the dollar were other contributing factors

Although the SA gold industry needs an estimated gold price of around R1 000 an ounce to sustain profitability, economists said there was no need to panic

Charles Johnstone of Holcom Futures said from a technical viewpoint chart gold was not likely to recover much from present levels, but a short rally could not be ruled out



Gold's fall puts pressure on 12 marginal mines

B/Day 31/1/87. (214)

REINIE BOOYSEN

THE decline of the gold price on the world markets over the weekend, to below $400/oz, has plunged at least 12 SA gold mines into potential loss-making positions

The gold price yesterday closed in London at $394/oz — another decline from $399,35 on Friday

The mines worst affected by the falling price of gold are the so-called "marginal" mines — those which have a small margin between their operating costs and operating profits

Working costs on SA gold mines have increased steadily in recent years, and this has necessitated concerted efforts by mine managers to control costs

Nevertheless some mines have ended up in situations where small movements in the gold price, and the rand/dollar exchange rate, make all the difference between profit and loss

Unlike many other industries, the SA gold-mining industry has very little control on the price of its product, and many decisions to construct or reopen disused gold mines were made when the price of gold was more favourable

Other mines are very old, and nearing the end of their lives, with very few rich gold deposits left to exploit One such example is Gencor s West Rand Consolidated, which has been the subject of a feasibility study to determine whether to continue underground operations

At yesterday s rand gold price — of $394 or R946 — at least 12 mines could make losses, unless either the gold price recovers, or the Reserve Bank allows the rand to decline to a level where the rand gold price makes the marginal mines profitable

In time these mines could run up enormous debt, and this could result in their closure Some of SA biggest mines may even be affected by the drop in the gold price

The accompanying table lists 12 mines — all quoted on the JSE — which have working costs above the current dollar price of gold

The working costs, as reported for the quarter ending in December, have been converted to dollars at the current rand/dollar exchange rate of about R2,4 for one dollar

Some of these mines anticipate increasing production and hence the current period of non-profitability may be temporary

Simpson McKie mining analyst Peter Bahnemann points out that these figures exclude capital expenditure requirements

"If these are included, the picture starts looking really bleak," says Bahnemann

Average working costs and yields of SA Marginal Mines: December Quarter

	Working Costs/ Ounce of Gold (US$)	Average Yield Grams/Ton
South Roodepoort	538	2 4
ERPM	522	3,6
West Rand Cons	479	2 0
Cons Modder	464	3 1
Western Areas	456	3,2
Wit Nigel	446	2,5
Rogold	446	2 2
Durban Deep	424	3,1
Modder B	406	3,9
Cengold	402	3 5
Bracken	400	3,0
Rand Leases	397	2 1

Reserve Bank pays for gold in dollars

2/4 ~~19/68~~

Cape Times 31/1/89

By GRETA STEYN

JOHANNESBURG — The Reserve Bank took a step towards freeing SA's foreign exchange markets yesterday by paying the mining houses in dollars for their gold instead of rands

The mining houses, instead of the Reserve Bank, will from now on sell the dollar proceeds from gold sales into the foreign exchange market. The central bank has effectively reduced its influence over the market by no longer controlling the supply of dollars

Reserve Bank Governor Gerhard de Kock yesterday described the move as a return to normality

"In the crisis days of 1985 we went back to the old arrangement of the Reserve Bank feeding dollars into the market

"But we have now resumed the development of efficient spot and forward foreign exchange markets outside the Reserve Bank."

He said the move was a step towards developing proper markets as it ensured a better balance between supply and demand

Senior bankers said speculation among foreign exchange dealers that the market would be awash with dollars this week had been without foundation

The move had had no effect on the rand/dollar exchange rate, because the central bank had been feeding the dollars into the market evenly

De Kock said the Reserve Bank's planned withdrawal from the forward exchange market was a longer term objective

"If we move too fast, we run the risk of sharply higher interest rates and extreme downward pressure on the exchange rate Nevertheless, we have already held discussions with the banks on balancing their forward purchases with their forward sales"

The Bank's losses on forward cover had declined in recent months after severe losses in the second quarter of 1988, De Kock said

● Reuter reports **SA gold output** was down slightly at 52 214kg (1 678 730 oz) in December 1988 from November's 52 510kg (1 688 220 oz), but was well up from December 1987's 49 956kg (1 606 118 oz), Chamber of Mines official figures show

This brought total production for 1988 to 619 043kg (19 902 702 oz) versus 604 948kg (19 449 533 oz) in 1987

Gold slump might hit marginal mines

Star: 31/1/89 — By Sven Forssman — 214

The slump in the gold price has serious implications for the continued viability of South Africa's marginal gold mines

The bullion price was fixed at $394 in London yesterday afternoon, a further decline of $0,30c compared with the morning fix, and it opened $0,81c lower at $396,60 in Hong Kong today

Mr Gary Maude, managing director of Gencor's gold division, said yesterday that any marginal gold mine making a loss for three months in succession would have to consider closing down

He said Gencor's marginals like West Rand Cons and Bracken were sensitive to small changes in the gold price, but the group's other mines — Unisel, Kinross, Winkelhaak and Beatrix among them — were still making good profits despite the lower bullion price

PROSPECTS

Mr Maude is "guardedly optimistic" about gold's prospects over the next seven months

Among the country's marginal mines that are currently in a potential loss-making position as a result of the low rand/gold price (R948 an ounce yesterday) are Wit Nigel, Rogogold, Durban Deep, South Roodepoort, Rand Leases, Cons Modder, ERPM and West Rand Cons

Gold dealers on the JSE said yesterday the importance of the metal's drop below $400 an ounce had been blown out of all proportion

"Gold shares have eased as a result, but there have been no dramatic drops," said one dealer "And volumes have been light which is an indication that there has been no panic selling"

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contents had apparently evaporated by the time they arr

Killer's prints taken before he shot doctor

Star 31/1/89

The killer who walked into the Soweto surgery of Dr Abu-Baker Asvat and shot him dead, left his fingerprints with the doctor's receptionist minutes before, staff at the surgery have disclosed

According to a nurse at the surgery, Mrs Albertina Sisulu, it is standard practice to determine the identities of patients before entering the doctor's consulting room

The security measures were adopted after two unsuccessful attempts were made on the life of Dr Asvat

Mrs Sisulu said the man complied with the measures and had his fingerprints taken because he did not have his identity documents He had given his name as Mandla, she said

The Divisional Commissioner of the Soweto police, Brigadier J J Viktor said "The SAP are following all possible leads surrounding the death of Dr Asvat But we are not prepared to reveal or divulge any details concerning the investigations"

● See Page 6

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(214)

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ICC's SA ban upsets sponsors

Star 31/1/89

LONDON — A major sponsorship has been cancelled because "the business community in Britain was not impressed" by the International Cricket Conference ban on players working in South Africa

The R1,7 million deal, set up by German forklift manufacturers Jung Heinrich, would have sponsored Young England tours and games

But in a letter to the Test and County Cricket Board, Heinrich said that because of the ICC decision, their involvement in cricket "would be mistimed — Star Bureau

The Bookie's Bet

Newmarket tomorrow Best bet — Lord Justice in Race 4 Best eachway — Be Regal in Race 9

Restricted

The Star is being produced under the severe restrictions of the emergency regulations

INTERNATIONAL FINANCE

(214)

New twist to ConsGold saga

B|Day 1/2/89

LONDON — ConsGold's battle to stave off Minorco's takeover bid has taken a new twist

The London Evening Standard said on Monday that, as ConsGold awaited the result of the Monopolies and Mergers Commission inquiry into the bid, it had called on UK Trade Minister Lord Young to publish the results of a government investigation into the events of December 1986

"Then mining rival Barrick Resources of the US snapped up a 5% stake in the UK mining giant at the time of previous merger talks between ConsGold and Minorco

"ConsGold sources argue the subsequent Department of Trade and Industry report, which recently arrived on Lord Young's desk, may be relevant to the two inquiries into Minorco's current £2,9bn bid ' it said

"There is a possibility that continued refusal by Lord Young to publish the 1986 report could see him back in court if he loses his battle with Lonrho in the House of Lords over House of Fraser "

Relevant

The Standard said ConsGold chairman Rudolph Agnew was disappointed by Young saying "It would be my wish to publish this (1986 report) as soon as possible However it would not be appropriate to do so until the issues raised by the report have been fully considered "

The Standard said ConsGold felt that since some of the participants — in particular James Capel, who acted for Barrick and were now brokers to Minorco — were identical, the report may be relevant to the bid

"It points out that, as well as the Monopolies and Mergers Commission inquiry, there is also a DTI investigation into allegations of insider dealing and concert parties in the recent Minorco assault

"Meanwhile SA-controlled Minorco appears confident it will get clearance from the commission to continue its bid hostilities Any such clearance is likely to raise a political storm in the UK " — Sapa

Consgold battle takes new twist

Star 1/2/89

214

LONDON — Consolidated Gold Fields' battle to stave off the Minorco take-over bid has taken a new twist

The London *Evening Standard* said that as Consgold awaited the result of the Monopolies and Mergers Commission inquiry into the Minorco bid, it had called on Britain's Trade Secretary, Lord Young, to publish the results of a government investigation into the events of December 1986

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RELEVANCE

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The Standard said Consgold chairman Rudolph Agnew was disappointed by recent comments from Lord Young who said "It would be my wish to publish this (1986 report) as soon as possible However it would not be appropriate to do so until the issues raised by the report have been fully considered."

PARTICIPANTS

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"It points out that, as well as the Monopolies and Mergers Commission inquiry, there is also a DTI investigation into allegations of 'insider dealing' and 'concert parties' in the recent Minorco assault

"Meanwhile the South African-controlled Minorco appears confident that it will get clearance from the MMC to continue its bid hostilities

"Any such clearance is likely to raise a political storm in the UK" — Sapa

No rand safety net for gold

Star 2/2/89

214

By Derek Tommey

Those who expect the latest fall in the price of gold to lead to a drop in the exchange rate of the rand against the dollar could be disappointed

In the past the authorities have tended to let the rand slide whenever the gold price has dipped in order to maintain the rand price of gold at a suitable level

Last year, when the dollar gold price fell 16,4 percent from $486 to $407, the rand was devalued by 20 percent from 195 US cents to 246 US cents

As a result, the gold mines, far from suffering from a lower gold price, saw their revenue rise from R950 an ounce in December 1987 to R1 002 at the end of last year

So, in spite of the lower gold price, they actually received a 5,4 percent revenue increase

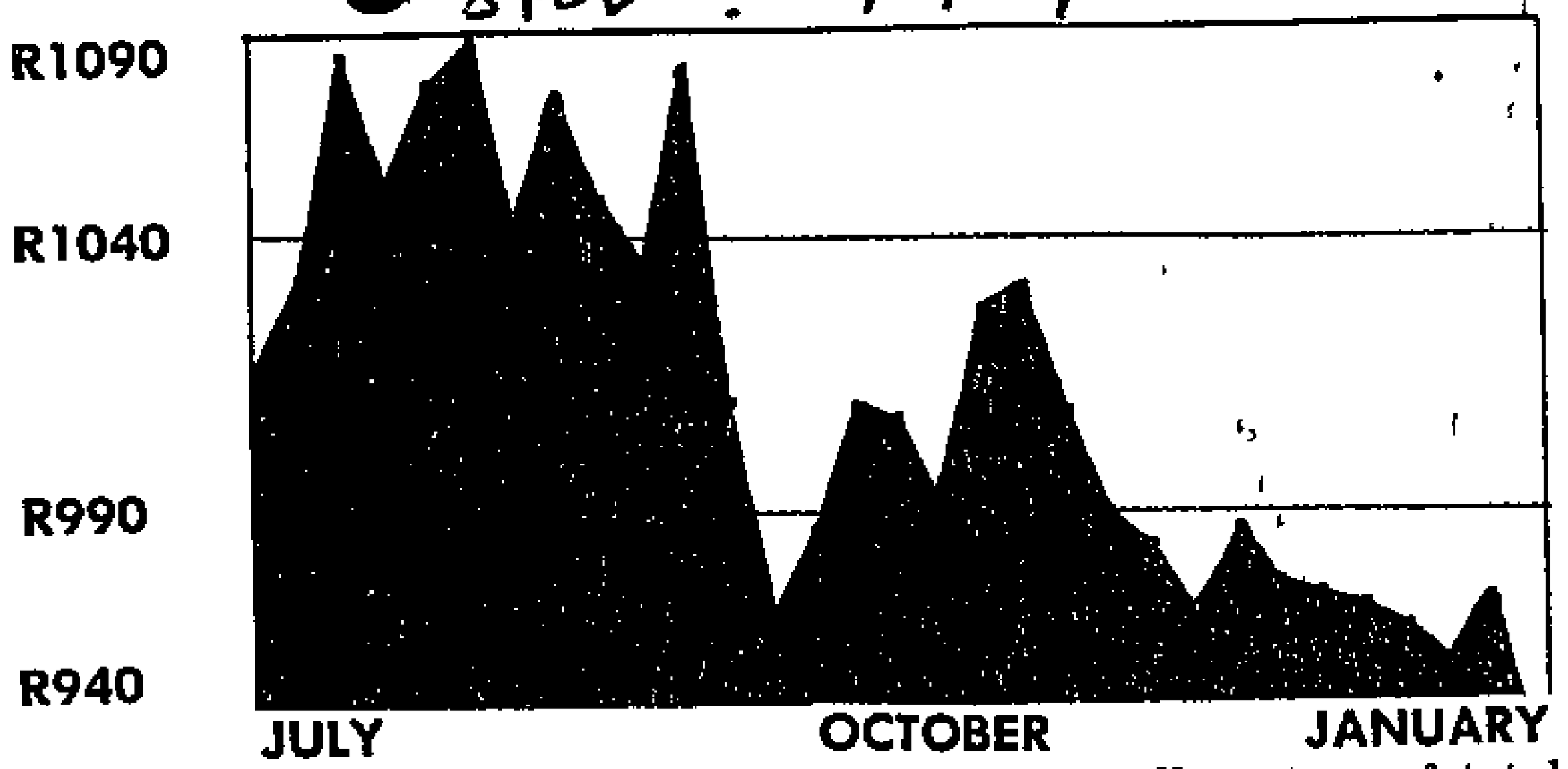
Since December, the dollar price of gold has fallen further, to reach $390,45 yesterday afternoon But this time around there are indications the Government has told the mining industry enough is enough

One gets the distinct impression the authorities have been weighing the cost of helping the mining industry by devaluing the rand and so maintaining the rand gold price, and have realised the resultant inflation, individual impoverishment and disincentive to invest make it a not particularly profitable operation

Mining industry

This time the exchange rate of the rand has not followed the gold price lower The result is that the rand price of gold has fallen below R950 for the first time in 10 months and some marginal mines are probably having to fight for their lives

One suspects the mining industry has been told it has to stand on its own feet from now on and to adjust to whatever the gold price may be



Some sections of the mining industry, especially marginal mines, might not like this

But after the favourable treatment granted the mining industry last year, one must expect the authorities to draw the line somewhere

And there are extremely good economic reasons why the rand should not be devalued any further

Some mining industry sources, in fact, say the actual amount of gold produced by marginal mines is only a small portion of total output and that jeopardising the economy for these by devaluing the rand does not make much sense

It is estimated that were all the five marginal mines which are members of the Chamber of Mines — Bracken, Durban Deep, ERPM, Marievale and West Rand Cons — to close (a most unlikely occurrence), SA would lose 2 000 kilograms of gold a month worth R120 million, or about four percent, of its total output.

In view of the greatly improved foreign trading position, which produced a trade balance of R1,2 billion in December, this would be affordable

In return by not using the exchange rate to help the marginals, the authorities in the next 12 to 18 months should get a marked drop in the inflation rate

In all this one gets a glimpse of possible long-term economic planning

In the past year or so it seems the intention of the plan was to improve the balance of payments, even if this meant large devaluations of the rand, in order to create a climate suitable for sustained economic growth

Foreign investment

The next stage, now about to begin, would be to reduce inflation by maintaining a stable rand and so again attract foreign investment

Political factors have undoubtedly played a role in the disinvestment that has taken place in recent years

At the same time, the slide in the rand has made it a most unprofitable country for foreigners to invest in because their dividends and interest have been shrinking at an frightening rate year by year

If they could be promised a fair return on investment, they might be induced to put money in again

If the inflation rate could be brought down, they might even help raise the R5 billion needed in the next few years to finance the new generation of gold mines

The outlook is bright, but one must remember that the exigencies of the next election could dump long-term economic planning on its head

Miners earn 21% more

RR 64 3/2/89

MASERU — South African gold mines paid about R347-million to Basotho mine workers employed on the gold mines in 1988 — an increase of 21 percent on the previous year's figure

About R287-million was paid in 1987.

Statistics released by The Employment Bureau of Africa (Teba), which recruits Basotho mine labour for the gold mines, show an increase of 30 percent in remittance payments last year, compared with the figure for the previous year. — Sapa.

Minorco 'totally vindicated' by bid approval

Cit-Tups 3/2/89

A cheaper Cons Gold?

214

By AUDREY D'ANGELO
Financial Editor

MINORCO may be able to acquire Consolidated Gold Fields (Cons Gold) more cheaply than its original £2,9 billion offer for the British-based international mining conglomerate

Minorco CE Michael Edwardes said yesterday — after news that the British Government had given his Luxembourg-based group the green light to go ahead with the acquisition — that he was not certain whether to go ahead with the bid

He said there would have to be an exhaustive enquiry into whether Cons Gold was still as attractive a target as before it embarked on its no-holds barred campaign to fight off the original Minorco offer four months ago

Johannesburg analysts said they expected Minorco to make a fresh bid But they expected the new bid to be lower because of the damage done to Cons Gold during the battle against the takeover

Meanwhile, Minorco's victory lifted confidence on the Johannesburg Stock Exchange (JSE) The share prices of mining financials, and De Beers, rose lifting the rest of the market with them in spite of the fact that there was no improvement in the gold price

Gold shares closed firmer in London too

Anglo American Corporation and De Beers, major shareholders in Minorco, said in a joint statement that they hoped the decision by the British Monopolies and Mergers Commission to allow the bid would end "the worldwide campaign of vilification by Consolidated Gold Fields against the Anglo American and De Beers groups"

● ROBERT GENTLE writes from London that Trade and Industry secretary Lord Young yesterday gave Minorco total and unconditional approval to proceed with a bid for Cons Gold if it so wished

His decision came barely two weeks after he had received a report into the three-month long investigation undertaken by the Monopolies and Mergers Commission (MMC)

While the City had been expecting an early verdict, investors were nevertheless caught on the hop when the news broke Cons Gold's share price immediately rocketed £14,22, on speculation that a renewed, higher bid by Minorco was likely

According to takeover regulations, Minorco now has 21 days in which to launch such a bid, otherwise the earliest and final opportunity will be around October

The mood at the hastily convened Minorco press conference, attended by CE Michael Edwardes and directors Tony Lea and Roger Phillimore, was clearly jubilant.

"Given the facts as we have always known them to be, we expected total clearance," said Edwardes

He added that the MMC's decision totally vindicated Minorco, and showed it was able to stand up to "massive, orchestrated propaganda"

In a fiery tone, he lashed out against what he called Cons Gold management's "scorched earth" policy "If we bid again, we appeal to them to consider the interests of their shareholders and to behave with dignity"

Odds on Minorco launching new bid

214

Star 3/2/89

By Neil Behrmann

Analysts are betting that Minorco will launch another bid for Consolidated Gold Fields even though the predator company is playing its cards close to its chest

"The UK Monopolies and Mergers Commission (MMC) has given us clearance to make another offer for Consolidated Gold Fields if we wish to do so, said Sir Michael Edwardes, chief executive of Minorco

'But we want to assess the damage of Consgold s defence campaign on Minorco and its own assets," he said

"The company also had to evaluate the impact on Consgold from the recent fall in the gold price, said Roger Phillimore, a director of Minorco

The MMC ruled unanimously that the proposed takeover "may be expected not to op... against the public interest" So Trade Secretary Lord Young had no powers to "act against the merger"

Analysts say that Minorco is putting up a smokescreen to prevent Consgold's shares from ...sing

Their val...tions of Consgold range from £15 to £... a share and they contend that Minorco m...st increase its cash offer to win over institutional shareholders Minorco, however, is believed to need at most about 15 percent of the shares to win the battle It controls 29,9 percent of the shares and brokers say there are friendly shareholders

Minorco's September bid was worth £13 a share That original offer of £19 in cash and one Minorco share for every two Consolidated Gold Fields shares automatically lapsed on the bid's referral to the commission

Following the MMC ruling Consgold shares soared 122 pence to £14,22 a share Minorco's shares traded 14 pence higher at 731 pence

Minorco has three options in deciding whether to bid for Consgold, said Sit Michael

We can make another offer for the UK mining house within 21 days, bid around September or October or we won't bid at all, he said

Nevertheless the company has several hurdles ahead, he said

There must be clearance from the European Economic Commission which is also investigating alleged monopolies in the international platinum, gold and strategic minerals market.

And Minorco is waiting for rulings in the US courts

'But The most important hurdle was the UK Monopolies Commission and we will now see how a judgment in our favour will influence the other," he said

"This is British justice," Sir Michael said "The unanimous and unequivocal judgment totally vindicates what Minorco is all about."

Sir Michael Edwardes — "We have three options"

After much speculation in recent weeks Minorco admitted that it intends selling Renison Gold Fields Consolidated in Australia, Sir Michael said

'It is small beer, only accounting for 10 percent of Consgold's assets," said Tony Lea, a director of Minorco

We decided to sell Renison prior to the MMC referral, Sir Michael said

Minorco has previously announced that it would offload Gold Fields of South Africa and Newmont Mining Corporation We have said all along that we don't want to hold on to" passive investments" that yield small returns, Sir Michael said

"We have no doubt that we will find buyers at good prices," he said

"We intend selling because we want core holdings in key operating units

These are ARC, the aggregates business in the UK and US, and Gold Fields Mining Corp in the US

Minorco would also examine the overheads at Consgold's London head office, Mr Pillimore said

The company's campaign with at least twenty advisors, has been costly, Sir Michael said We don't believe that this has been in the interests of shareholders They are the ones who count in the end, he said

Chairman of Consgold, Rupert Agnew said the company might seek a judicial review of the MMC ruling The company, however would now concentrate its efforts on highlighting its financial strength, he said

ConsGold firm in court action

B/Day
1/3/89 ROBERT GENTLE 2/4

LONDON — Court action has been taken against a subsidiary of Consolidated Gold Fields embroiled in a case of price-fixing and restrictive practices in the supply of ready-mixed concrete.

Smiths Concrete, a subsidiary of ConsGold's giant road quarrying business ARC, yesterday found itself facing contempt proceedings in the Restrictive Practices Court, along with three other companies and five individual executives.

According to a statement from the Office of Fair Trading, the companies could face sequestration of assets and unlimited fines. Individual participants could be jailed for up to two years.

AAM calls for Anglo boycott

Star 4/2/89 214

SATURDAY STAR FOREIGN NEWS SERVICE

LONDON — The British Anti-Apartheid Movement has vowed that if Minorco's bid to buy ConsGold is successful, the AAM will target Anglo American companies and products for a major boycott

AAM chairman and British MP, Mr Bob Hughes, lashed out at Mrs Thatcher and her government for what he called "their totally irresponsible behaviour" in allowing the bid to proceed.

He vowed that the AAM would "make (Minorco) regret they ever started this takeover attempt".

The Monopolies and Mergers Commission has found that nothing about the bid was contrary to the public interest and Secretary of State Lord Young this week said the bid could proceed

Mr Hughes said he had written to Mrs Thatcher voicing his protest "I am particularly angry that the Department of Trade and Industry should have put out a deliberately misleading press statement claiming that the Secretary of State has no powers to block the bid when those powers exist under section 13 of the Industry Act The government must use these powers — even at this late stage"

Mr Hughes said he also wanted an assurance from Mrs Thatcher that the Conservative Party would stop accepting funds from South African business interests "In 1987 alone, it received £47 000 from a company in the Anglo American Group which also has

TO PAGE 2.

AAM threatens Anglo

Star 4/2/89 FROM PAGE 1. 214

direct business links with the SA Government"

The MP added that he had written to ConsGold chief Mr Rudolf Agnew asking that ConsGold withdraw from South Africa "This would ensure that shareholders rally round to stop the bid going ahead"

Mr Hughes said if these efforts failed, the AAM would convene a meeting in London of governments and anti-apartheid organisations "in all the countries where Anglo American operate It is time we put an end to the sinister operations of this group across the world"

Minorco expected to put forward new bid next week

214

Star 4/4/89

ANN CROTTY

ALTHOUGH the Minorco team is being deliberately vague about its next step in the battle for Consolidated Goldfields the feeling in both the London and Johannesburg markets is that another bid will be announced in the coming week.

Details of the second bid are not expected to be significantly different to the original one

Minorco has been making much about the need to assess the damage that Consgold has wreaked on its assets through its "scorched-earth" defence policy In addition Minorco will want to evaluate the impact — on the valuation of Consgold — of the estimated £50 million that it spent on its defence campaign This represents a hefty price for a group whose net profits for financial 1988 were £212,5 million and must have some serious cash flow implications

There seems little doubt that the money was badly spent. Directed chiefly at highlighting Minorco's SA origins, the defence made no attempt to lay out a convincing game plan about how Consgold was going to jack up its management and, despite current sluggish prospects for gold, would in future be able to get attractive returns out of its assets In the extreme it could have taken on a poison pill to put off Minorco.

None of this was done and Consgold has demonstrated, in a most public manner, exactly how bankrupt its management is

While the popular UK press and the UK Labour party may be prepared to support a loser, it is unlikely that the financial community will

In addition, having got through the Mergers and Monopolies Commission, the Minorco bid is not expected to be blocked by the European Commission or the New York appeal court.

All of which means that at this stage, the odds seems well stacked in Minorco's favour But Minorco would be ill-advised to make heavy weather of Consgold's "scorched earth" defence in an attempt to pitch a lower bid This would attract yet more attention to the SA connection and it would give the deal all the dignity of a second-hand car sale

Arguments for a higher bid are about matched by arguments for a lower one Pushing up the price is the fact that shareholders have been made aware of the wealth of assets in Consgold Pulling it down is the damage that Consgold's defence has done and the fact that Minorco will now be selling Newmont, GFSA and Renison into a weaker gold market.

The Anglo camp would earn some much needed good will if Minorco pitched the second bid at the original level and offered 100 percent cash

Full board to plan renewed Minorco bid

CAPE TIMES 6/2/89 214

Own Correspondent

LONDON — A full meeting of Minorco's 17-strong board — including Harry Oppenheimer and Anglo American chairman Gavin Relly — has been called for February 16 in Luxembourg to put the finishing touches to a renewed takeover offer for Cons Gold, now worth £3m on the stock market

Ahead of this crucial meeting, Relly and Anglo deputy chairman Julian Ogilvie Thompson slipped secretly into London late last week

This weekend they held informal talks over the historic opportunities presented by the Monopolies and Mergers Commission's no-string clearance of Minorco's bid

Minorco, led by CE Sir Michael Edwardes, has until February 23 to relaunch its bid for ConsGold Discussions have already begun between Minorco's five-man inner cabinet and financial advisers

The Luxembourg meeting is likely to be the last attended by the legendary Harry Oppenheimer. A deck clearing exercise is planned by Sir Michael Edwardes to halve the eight present and former Anglo directors on the Minorco board

The move is designed to reduce the overall size of Minorco's cumbersome directorate, eliminate the duplication of Anglo representation and clear the way for senior City names to represent outside shareholders

Shares in Cons Gold closed on Friday at £14,27, up 13p on the week and well above the original Minorco terms of £13,20

The MMC clearance has much enhanced the standing of Minorco, whose shared jumped 72p on the week to 769p.

● According to a snippet in yesterday's Sunday Telegraph, all eyes in the mining world Down Under are on Robert de Crespigny, boss of Normandy Resources, and seen by some as "Oppenheimer's Man in Oz"

The newspaper said if Minorco wins its bid for Cons Gold, it is pledged to sell Cons Gold's stake in the Australian mining group Renison

One buyer could be Western Mining, which has stepped in on Normandy's side in a £160m battle for control of the Poseidon group between Normandy and Sir Peter Abeles' TNT

Path smoothed for global Anglo group

Star 6/2/89

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LONDON — By removing the biggest obstacle in the path of Minorco's bid for Consgold, the Monopolies and Mergers Commission (MMC) has probably ensured that one of the biggest gambles of the Anglo American group will succeed

Assuming Minorco does make a new and successful offer for Consgold, the Anglo group will, with one mighty bound, escape the poltical and economic confines of South Africa and become a global group of considerable power

In the process, the Oppenheimer family will guarantee its fortune and influence, irrespective of what happens to South Africa and confirm its status as one of a highly select group of families worldwide controlling businesses of this scale and importance

Ancestral rival

Taking over and dismembering the ancestral rival would also end more than half a century of bitter commercial and family competition

De Beers, which is linked to Anglo American by cross-holdings, was formed in 1888, one year after Consgold Anglo American was born in 1917

The grandfather of Consgold's chairman, Mr Rudolph Agnew, discovered the West Witwatersrand line, the fabulous gold fault in the Transvaal which, to this day, is the Western world's biggest source of gold

Minorco is about 70 percent-owned by Anglo, De Beers and Oppenheimer family interests

Although that ownership might be diluted by a new bid, it will remain crucial

The MMC said in its report. "The size of the shareholding, given the disposition of the remaining shares, would seem clearly sufficient to put the Anglo American group (by which we mean the combined interests of Anglo American and De Beers) in a position of effective control over Minorco, and hence, as a result of the merger, over Gold Fields"

Knocking out Consgold will leave Anglo the world's biggest gold mining group, controlling at least a fifth of production

There is a widespread belief among City analysts that the properties Minorco has promised to sell — 49 percent of Newmont Mining in the US, the 38 percent of Gold Fields of South Africa, and 49 percent of Renison Gold Fields in Australia — will end up in the hand of companies over which Anglo has influence

Failure to clear the MMC hurdle was almost too serious to contemplate

For years Minorco has tentatively tried to diversify, but its record was unimpressive

The Oppenheimer family was torn between its undoubted commitment to reform in South Africa and an understandable desire to protect its own interests by building up assets outside the Republic

If it had not, however, the Anglo group and the Oppenheimers would probably have found opening other doors around the world that much more difficult

The loss of influence could have led to a lowering of their political stock within South Africa as well

Nevertheless, for the moment the breakout is incomplete

Sir Michael Edwardes, Minorco's deputy chairman and chief executive, is too experienced to commit himself immediately to a new bid

There are three possibilities a new bid, an agreement with Consgold, perhaps to raise the 29 percent holding, and no bid

Widespread assumption

The widespread assumption in the City is that a fresh bid will be made soon

Consgold's assets are worth about £15 a share and revaluations during its defence could raise that figure

At the current share price the company is capitalised at more than £3 billion

In the longer term, the intriguing question is what Minorco will do with the £1,5 billion to £2 billion it could raise from asset sales

But that will not prove an embarrassment in Johannesburg — The Independent

Minorco plots fresh assault on ConsGold

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B | Day 6/2/89

Own Correspondent

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Minorco, led by chief executive Sir Michael Edwardes, has until February 23 to relaunch its bid for ConsGold

Discussions have already begun between Minorco's five-man inner cabinet and its financial advisers

Meanwhile, ConsGold chief Rudolph Agnew, surprised by the MMC verdict — which he described as "absurd like the Mad Hatter's Tea Party" — is preparing to "crystallise" the mining finance giant's asset value

One of his surprise ploys may be to float off the ARC aggregates business, reckoned to be worth £1,5bn, though ConsGold would retain a sizeable interest

Agnew said "Once we get to the last stages, we will not be sitting here with a sentimental attachment to our businesses"

Renison is wary of Minorco bid

B/Day 6/2/89 (214)

SYDNEY — Australia's Renison Goldfields Consolidated hopes Minorco's proposed takeover of ConsGold will not succeed, in spite of assurances that Minorco would sell ConsGold's 49% stake in Renison

Renison, an Australian mining concern, previously took legal action to prevent control of the company passing into South African hands

Campbell Anderson, managing director of Renison, said in an interview on Friday his company did not want ConsGold to be owned by Minorco

"But if they were to win control then we are pleased they would be obliged to dispose of the holding"

He believed there would be buyers for the stake in Renison, but he said it is "too far down the track" to say whether the stake would be likely to go to one buyer or be split

Britain's Monopolies and Mergers Commission has ruled in favour of Minorco's right to pursue its proposed £2,9bn takeover bid

Minorco, a Luxembourg-based holding company for worldwide mining investments that is currently 67% owned by three SA investors, launched its bid in September — AP-DJ.

Minorco plays cat and mouse

The Star Bureau

LONDON — Minorco is delaying a decision on a second bid for Consgold in the hope that uncertainty will force a fall in Consgold's share price

This is the view of Rovert Preston, city correspondent of *The Independent* He says the stock market is convinced Minorco will make a renewed offer

Under Britain's takeover code, it has until February 23 to make a bid

Mr Peter Cadbury, a director of Minorco's merchant bank adviser, Morgan Grenfell, says new factors have become important.

Minorco is weighing whether Consgold's value has been impaired by the publicity given to both companies' SA links

But Consgold's share price had risen to £14,27 by last Friday night, compared with Minorco's original offer of just over £13

Minorco's new corporate strategy, initiated in the middle of last year, is to take management control of its big investments or sell them. The company could therefore decide its interests were best served by selling its 29,5 percent stake in Consgold

Consgold is aware that it must maximise its share price, having failed in a political campaign to have the bid blocked

24/2/90

Severin heads see blue skies through two shafts

B/Day 7/2/89

(214)

REINIE BOOYSEN and
ANDREW BUDDEN

SEVERIN Mining and Development predicts better things from subsidiaries Eersteling and Rand Leases once the main shafts at these mines are complete in three to four months' time

Excavation of the main Franka Shaft at Eersteling reached the initial planned depth of 276m last week

All that remains is for the shaft and pump-station to be equipped

Rand Leases's 11 Shaft — the mine's main shaft originally designed to hoist 180 000t/month — is being re-equipped and should also be commissioned before the company's June year-end

Both developments, says Severin, will pave the way for low-grade surface operations at these mines to be phased out, and for more profitable underground operations to commence

What has worried JSE analysts is that both mines have run into extensive borrowings, partly to fund expansions to the scale of the project from plans in the prospectus

At end-December Eersteling had borrowings of R18,2m — mainly financed by SMD — while Rand Leases had borrowings of R14,2m

Eersteling expansions comprise

☐ An additional R8m was spent on improving shaft hoisting facilities,

☐ An additional R5m was spent on upgrading and modifying the metallurgical plant, and

☐ The costs of opencast operations — about R5m — were also capitalised when it became clear that these would not be profitable

At Rand Leases Severin points out the capex programme has been brought forward some years, but remains in line with plans

It attributes additional capex to a decision to re-open the KR2-Shaft and establish a trackless, mechanised mining operation from surface, and extra cost was incurred in renovating the B-Hostel and additional unplanned refurbishment costs associated with the 11-Shaft winder

The commissioning of Eersteling's Franka Shaft will immediately give the mine the capacity to hoist more than 20 000t/month while Rand Leases's 11-Shaft will give the mine the capacity to hoist up to 25 000t/month.

Franka and Steen Severin

ConsGold talks on Newmont sale

ROBERT GENTLE

B/Day 8/2/89

LONDON — Consolidated Goldfields (ConsGold) yesterday confirmed that Canadian mining and oil conglomerate Placer Dome was interested in buying its 49% stake in US-based Newmont Mining

However, it denied Press suggestions that there had been any recent contact between ConsGold and Placer Dome, or that the sale of the stake — estimated to be worth $1bn — was imminent.

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"Our discussions with Placer Dome go back to last November," a spokesman said "At present, there are no concrete plans to sell Newmont or any other of our assets"

A Minorco spokesman denied Press suggestions that Placer Dome had been in touch with Minorco about the sale

Meanwhile, Minorco this week put an end to the low profile it adopted during the Monopolies and Mergers Commission investigation A corporate advertising campaign has started inviting investors to write in for more information on the company

Older, long-life mines recommended

(214) B/Day 8/2/89

ADAM PAYNE

INVESTORS should concentrate on long-life, low-cost, secure, high-yielding gold stocks, of which two are Ergo and East Daggafontein, says London brokerage James Capel

Capel forecasts a dividend of 95c a share from Ergo in the year to June, putting the share — priced at 1 150c — on a prospective yield of 8,3% compared with the average 5,4% of Rand gold mines

It expects East Dagga to pay 115c providing a prospective yield, on a price of 1 625c, of 7,1% compared with the average 4,1% in the mining holding sector

Capel says, "Any experienced mining person will tell you that often the easiest way to make your fortune is not find a new mine, but rather find what the old timers left behind or threw away"

The huge slimes dams and sand dumps around the old mining towns of Brakpan and Springs are mobilised with "monitors" — large high pressure water jets which collapse the face into gullies from where the resulting sludge is pumped (up to 35km at present) to Ergo's enormous carbon leaching plants

Minorco has ready takers for massive Aussie mining stake

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CAPE TIMES 9/2/89

From ROBERT GENTLE

LONDON — A number of Australian mining companies are reported to be queueing up to buy Consolidated Goldfields' 48% stake in the Australian mining giant Renison Goldfields

This follows Minorco's well-publicised pledge that it will sell Consgold's stake in Renison — worth around US$485m at current prices — if its takeover plans succeed

Renison is thought to be one of the most tempting prizes for Australian companies as it is one of the world's largest producer of mineral sands

It also mines tin and owns a 33% stake in the giant Porgera gold mine project about to be launched in Papua New Guinea

According to the Financial Times, two likely buyers are Renison's two partners in Porgera, MIM of Brisbane and Placer Pacific, part of the Canadian mineral and oil conglomerate Placer Dome

Earlier this week, Placer Dome said it was interested in buying Consgold's 49% stake in the US company Newmont Mining, which Minorco has also pledged to sell off if its takeover bid for Consgold succeeds

BHP, Australia's largest company whose operations revolve around natural resources, steel and petroleum, is also reported to be interested in Renison Another possible candidate is said to be Normandy Resources, which is currently making a A$400m bid for the cash-flush Poseidon mining group

Anglo American has significant stakes in both Poseidon and Normandy This has fuelled speculation in certain quarters that Normandy/Poseidon ownership of Renison would leave the latter still firmly in Minorco hands

An analyst said it was interesting to note how foreign companies were falling over each other to acquire from Minorco Consgold assets it did not even own

"It shows that a successful Minorco takeover of Consgold is already been seen as a fait accompli"

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ConsGold's stake in Renison attracts bids

ROBERT GENTLE

LONDON — A number of Australian mining companies are reported to be queueing up to buy Consolidated Goldfields' 48% stake in the Australian mining giant Renison Goldfields

This comes after Minorco's well-publicised pledge that it will sell ConsGold's stake in Renison — worth about $485m at current prices — if its takeover plans succeed

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Successful

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One analyst says it is interesting to note how foreign companies are falling over each other to acquire from Minorco ConsGold assets it does not even own

"It shows that a successful Minorco takeover of ConsGold is already been seen as a *fait accompli*"

Talks show hypocrisy, says Edwardes

LONDON — Talks between Consolidated Goldfields (ConsGold) and Placer Dome over ConsGold's stake in Newmont Mining called into question ConsGold's defence strategy against Minorco's takeover bid, Minorco said yesterday.

Minorco CE Sir Michael Edwardes said the talks suggested ConsGold was being hypocritical in its attack on Minorco's proposed takeover of it and plans for the disposal of some of its assets

"How can ConsGold accuse Minorco of intending to dismember the ConsGold group if, indeed, it was itself in talks about selling the Newmont stake," Edwardes said

ConsGold controls 49% of Newmont, a US-based gold mining concern Placer Dome chairman Fraser M Fell said this week his company had been holding talks with ConsGold about acquiring the stake late last year, but that "everything fell through" when Minorco launched its takeover bid

Edwardes said the ConsGold-Placer talks also brought into question ConsGold's claim that most of the company's intended restructuring was complete and that its interest in Newmont was "long term". — AP-DJ.

Row erupts over Clark's Anglo loan

CN Times 9/2/89

HARARE. — The three-day meeting of the Commonwealth Special Committee on Southern Africa broke up last night amid a storm of controversy about the role of its chairman, Canadian Foreign Minister Mr Joe Clark, in personally approving a R1 billion loan to a subsidiary of the Anglo American Corporation.

At the closing press conference, Mr Clark was pilloried by Canadian journalists who charged him with breaking the spirit of sanctions and jeopardising Canada's position as "a major player" in the Commonwealth

Mr Clark pledged reconsideration of Canada's regulations on loans to companies with South African connections but stressed that there could be no "retroactive" cancellation of the Bank of Nova Scotia's $504 million (R1 235m) loan to Minorco, a subsidary of Anglo American, for its takeover bid for Consolidated Goldfields, a British-based mining house

Mr Clark admitted that he personally approved the Bank of Nova Scotia loan to Minorco although "suasion" was a course the Canadian government could have taken to prevent an action which went against policy

Clearly flustered, Mr Clark said the loan had in his view conformed with the existing Canadian regulation banning loans to South Africa's "public or private sector

"We are dealing with a sanction which is in place and one which is being considered," he protested Mr Clark said he had faced "very real discussions" with his counterparts in Harare — from Australia, Guyana, India, Nigeria, Tanzania, Zambia and Zimbabwe — on whether his action had conformed with the spirit of Commonwealth financial sanctions against South Africa

Mr Clark said he had not known that Canberra overruled funding for the Minorco takeover bid until he was told this in Harare by his Australian colleague, Senator Gareth Evans

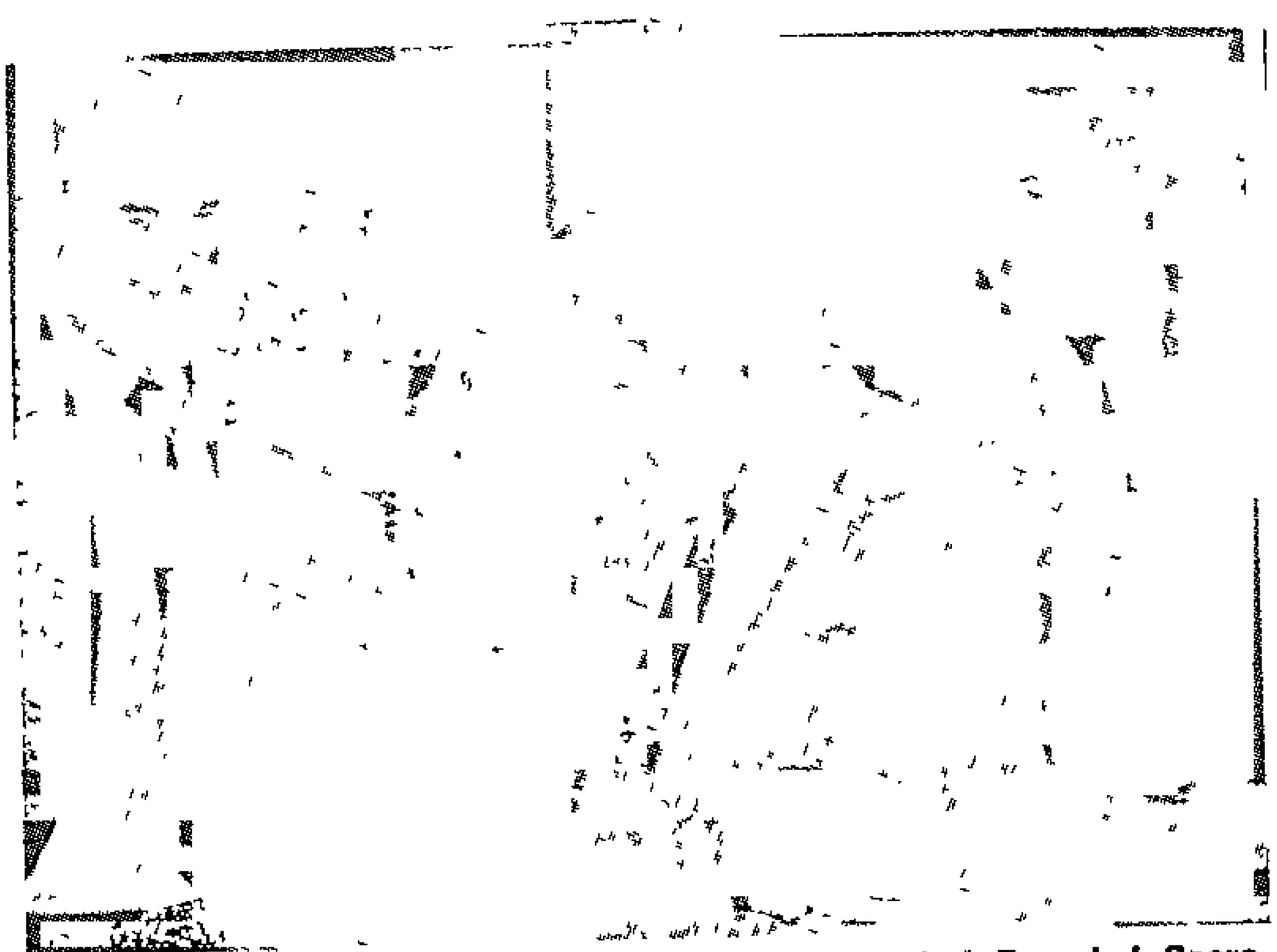
Commonwealth secretary-general Sir Shridath Ramphal predicted that specific proposals for extending sanctions on South Africa's access to international financial markets would come before the next scheduled meeting of the special committee in Canberra in July-August.

Dr Allen Boesak, who testified to the foreign ministers, yesterday commented on the Consoldiated Goldfields funding "If it is true, then Canada would face a tremendous crisis of confidence from our people and probably others in the world who have been involved in the struggle It would be no small crisis as far as we are concerned "

Meanwhile, Sapa reports that President Robert Mugabe yesterday held talks with Mr Clark who had called to report on the meeting

Mr Mugabe said he was grateful for the impact made on Southern Africa by the meeting

"The political propaganda generated by the meeting — that was a good show," Mr Mugabe said — Own Correspondent and Sapa



The Rev Alan Boesak, centre left, embraces Sir Shridath Ramphal, Secretary-General of the Commonwealth, before giving evidence to the Commonwealth Foreign Ministers' meeting in Harare Looking on is Canada's External Affairs Minister Joe Clark, far right, and Canadian MP Walter McLean, far left

Picture REUTER

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Business Day 9/2/89

Commonwealth row over Minorco loan

MICHAEL HARTNACK

HARARE — The Commonweath special committee on southern Africa broke up last night amid a storm of controversy over its chairman's aid to an SA company

The row came when it was learnt Canadian External Affairs Minister Joe Clark had personally approved a R1,2bn loan to an Anglo American subsidiary

At the closing Press conference Clark was pilloried by Canadian journalists who charged him with breaking the spirit of sanctions and jeoparding Canada's position in the Commonwealth

Clark pledged reconsideration of Canada's regulations on loans to companies with SA connections but stressed there could be no cancellation of the Bank of Nova Scotia's $504m loan to Minorco

Anglo's Luxembourg subsidiary is making a £2,9bn takeover bid for Britain's ConsGold mining house

Clark admitted he had personally approved the loan to Minorco

"We are dealing with a sanction which is in place and one which is being considered," he protested

Clark said he had faced "very real discussions" with his counterparts in Harare — from Australia, Guyana, India, Nigeria, Tanzania, Zambia and Zimbabwe — on whether his action had conformed with the spirit of Commonwealth financial sanctions against SA

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Reports of the death of gold are premature

B|Day 9|2|89 (214)

IN SPITE of recent falls in the dollar price of gold, reports of the precious metal's demise may be too pessimistic — gold has the habit of surprising even the most experienced market watcher

The price of gold is determined in the markets of the world by many factors — most notably real interest rates, rates of inflation, economic growth, the comparative value of the US dollar, the price of other commodities (especially oil) and economic and political uncertainty

It is generally agreed that the most important variable is real interest rates, particularly those in the US For example, if real interest rates are positive and the rate of interest is higher than the rate of inflation, there is little incentive to hold a non-income earning asset like gold and vice versa It is no coincidence that record prices for gold were recorded in 1980 when some interest rates were showing real returns of minus 5 and 6%

As far as the other contributary variables are concerned, it is not often clear whether they directly influence the gold price or indirectly by contributing to change in other variables, particularly real interest rates and inflation

It is believed by some that a strong correlation exists between the price of crude oil and the gold price, but there is also a very strong link between the oil price and the relative price of the US dollar Is it then the oil price or its effects on the dollar that influences gold? And in what weightings?

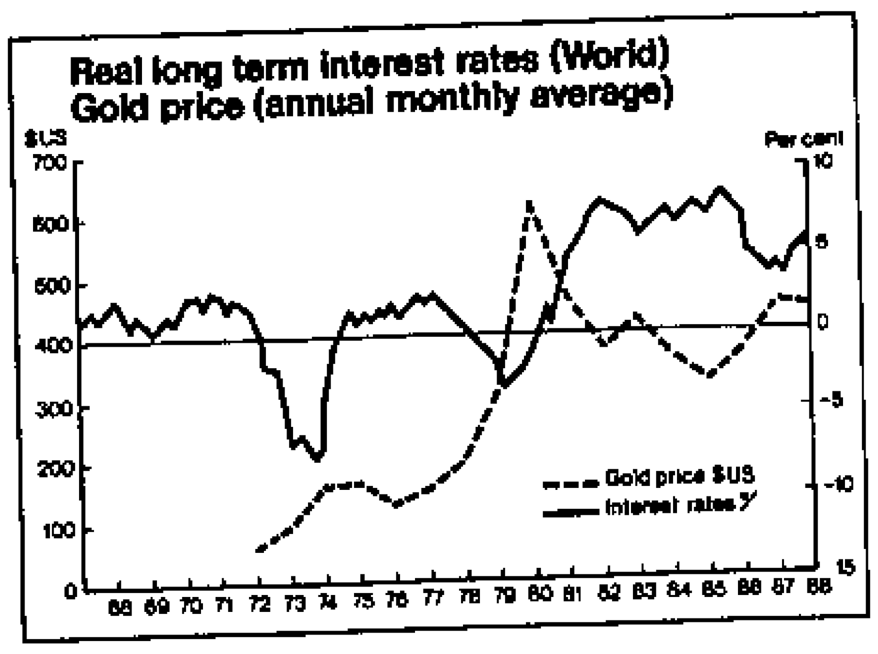
Such is the nature of the gold market that a change in one influencing factor, say economic uncertainty, could act simultaneously to increase and decrease demand for gold

DAVID KENNEDY

economist with the Chamber of Mines

For example, economic uncertainty — brought about by a banking collapse or a debt crisis — could well encourage investors to turn to gold, the traditional haven for those concerned about the future

Alternatively, the demand for physical gold may well soften, since concern about future economic growth may discourage jewellery manufacturers from making optimistic estimates of future sales



These rather superficial examples are not given simply to illustrate the complexities of the market but to show that caution is required when attributing weight to changes in any of the known factors that can influence the gold price

Some observers have recently expressed surprise that political uncertainty seems no longer to exert upward pressure on the price The price did not move when President Ronald Reagan rattled a few sabres at the Libyans recently in reaction to the alleged building of a chemical weapons plant

This, it was suggested in a report in Business Day of January 6, is evidence of a declining role for gold particularly as a store of value

If political uncertainty is a major direct causal factor which drives up the gold price, surely the corollary is also true

Political stability should have the opposite effect and glasnost, detente or rapprochement should have acted to drive down the price, but the gold price has remained comparatively stable during the recent thaw in Soviet/West relations — at least in US dollars Indeed, buoyant enough to encourage venture capitalists throughout the world to seek and exploit gold deposits on an unprecedented scale

Given the fact that the gold price has not collapsed in spite of comparative political stability, low international rates of inflation and, most importantly, very high global real rates of interest, the question should be asked — why?

Because today's investors and purchasers of gold jewellery remain, like their ancestors, justifiably sceptical of financial markets and political posturing, they still have faith in gold as a long-term repository for their savings Gold is still the premier store of value, talk of its demise is, like the premature announcements of the death of Mark Twain, greatly exaggerated

In spite of recent downward pressure on price, gold is far from finished Reasons to believe in the future of gold are not hard to find a US budget deficit of $155bn and a trade gap approaching $140bn, rising inflation particularly in the UK and the US, and a loss to US taxpayers of an estimated $100bn as a result of the collapse of many savings and loan banks

The prospects for gold do not look that bad at all

Exasperating metal has few investment friends

B/Day 9/2/89

ROBERT TYERMAN
of the London Sunday Telegraph

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GOLD mining companies may be attracting multi-billion takeover bids, but the exasperating yellow metal has few friends in the investment community At $388 an ounce, gold fetches nearly $110 less than it did at the end of 1987 — and more than $460 less than at its historic peak of $850 as long ago as 1980 It has already shed $20 since the New Year

Unless US President George Bush does something clearly irresponsible, few gold analysts see another true bull market before 1990 Estimates of where it could fall before bouncing up range from not much below where it is now to $280 or even $230

The reason is simple, say London bullion analysts and dealers There is not enough fear around, neither fear of inflation or political disaster nor the true self-feeding bull market fear that we must pay any price today because the price is bound to be higher tomorrow

It is a matter of sentiment, not of physical supply and demand Gold is not perishable Of the 100 000 tons believed to have been mined since the dawn of time, mega-bid target Consolidated Goldfields (ConsGold) says there are still about 80 000 tons in saleable forms — so a few more tons mined or sold in a year is no guide to prices

There is no lack of buyers "Business is not bad," gold dealer Mocatta & Goldsmid MD Keith Smith says But, as Robert Weinberg, of stock broker James Capel, says "The Japanese and Taiwanese are buying because they're rich, not because they're scared — and that's not the stuff of which bull markets are made "

No guide

Capel's analysts say gold should cost $325 an ounce on a strict cost-of-living basis, by comparison with its pre-1971 fixed level of $35 But, since investors have more disposable income than 18 years ago, on a "standard-of-living" basis, they feel the "true" long-term value is roughly $440 an ounce

But that is no guide to how soon the market will regain or surpass that level As an index of economic fear, gold has to contend with the fact that investors are still showing confidence in the US dollar High interest rates, meanwhile, impose a stiff penalty on holding a lump of rock as an investment

Some analysts, such as Phillips & Drew's Andy Smith, believe the dollar will crack, certainly against the yen, which could see the gold price back up to around $430 between April and June — after which he sees another setback to today's levels as producers put more onto the market Others, such as Kitcat & Aitken's Mike Coulson, hold that the staunchly anti-inflationist Federal Reserve boss Alan Greenspan will have more success in keeping the lid on, though longer-term economic trends suggest a resumption of inflation in the 1990s — which could find gold at the end of the year around $400 and looking upwards

The chartists are the most bearish "The bear market which began in December 1987 will go on until late 1989," says Brian Marber, who noted the average fall in the 1975/76, 81/82 and 83/84 bear markets was 52%, but that the lows since 1980, of $296 in 1982 and $284 in 1984, were getting lower each time

A fall of at least $112 to $280 this year would not surprise Marber Richard Lake, of Swiss Bancorp Savory Milln, expects the price to fall to $375 or $350 during the next few months

Volatile

As for gold mining shares, often more volatile than the metal itself, the outlook for those not involved in new discoveries or takeover bids remains dim for most of this year Analysts see another 25% fall in the FT Gold Mines Index which, at 1669, has already halved since January 1988

Nearer 1990 prices could begin to rally as prospects improve, but the key this year will be cost cutting and rationalisation ConsGold's average mining costs in SA of $195 an ounce (against $280 for SA mines overall) compare with $175 in America

Another SA mining group Gencor is cutting staff by a third and there is a prospect that mining taxes in SA will fall from more than 70% to 60%, while state regulations on grades and other operating policies should be relaxed

In Australia, it looks like special situations only for a while Many companies have been extracting high grade ore at an accelerated rate to get out the best before the expected gold tax comes in The policy of selling forward has insulated many Australian companies from the fall in prices but that will deny them some windfall profits if the price rallies

Some light visible at end of a gloomy gold tunnel

Star 9/2/89 (214)

By Derek Tommey

Amid the gloom surrounding the outlook for the gold price a ray of hope broke through this week in the mundane shape of the Reserve Bank's monthly statement

An analysis shows that the Bank retained 150 000 ounces from current gold production last month and added this to its gold and foreign exchange holdings

The cheering aspect of the development is that it suggests South Africa may now be in a position to withhold fairly significant quantities of gold from the market in the months ahead

If the experience of 1987 is repeated, it could have an important effect on the gold price this year

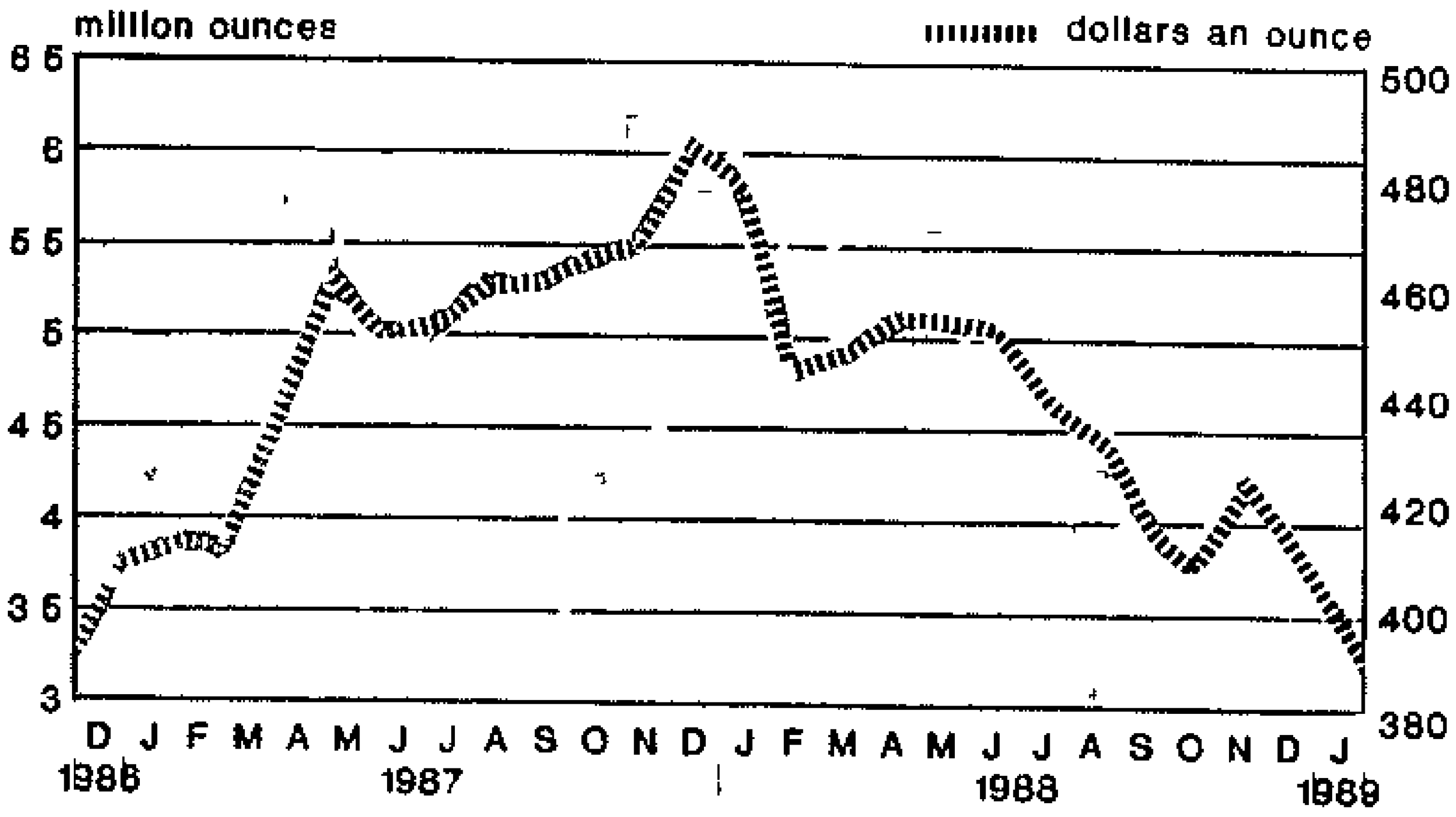
In 1987 South Africa's fortunes began to improve and it had a trade surplus of R10,3 billion

The Reserve Bank used some of these funds to rebuild its gold holdings which, at the end of 1986, amounted to 4,82 million ounces, against 12,1 million ounces in 1980

By the end of 1987 the Bank's holdings had risen to 5,83 million ounces

In 1987 the gold price rose from $391 to $486

SA GOLD HOLDINGS vs GOLD PRICE



In the past two years the gold price and South Africa's physical gold holdings have tended to move in tandem With the Reserve Bank now rebuilding its holdings, a firmer gold price seems possible later this year.

Many reasons have been put forward to account for the rise But the fact that South Africa withheld 1 million ounces from the market must have played a part

Last year tragedy struck A huge capital outflow, the need to repay substantial debts, and a jump in imports, which reduced the trade surplus, put tremendous pressure on foreign exchange reserves

This cut the Bank's gold holdings from a peak of 6,1 million ounces in January to 3,3 million by October — a drop of 2,8 million ounces

This drop, together with the lack of retentions from current production, meant the gold market last year had to absorb 3,8 million ounces more South African gold than in 1987

This amounted to a 19 percent rise in SA gold sales, which probably almost doubled the gold "surplus"

The price tumbled last year from $486 to just above $400.

This year the outlook for gold is a little brighter

South Africa had a trade surplus of R1,3 billion in December Import surcharges and the recent rise in the petrol price should ensure it is maintained

So further gold sales from the reserves are unlikely Compared with last year, the amount of gold going to the market should drop by 2,8 million ounces

Moreover, if the Reserve Bank is able to continue withholding gold at the rate of 150 000 ounces a month, the market this year could be short of another 1,8 million ounces

Therefore, if things go well for South Africa, the market this year will have 4,6 million fewer ounces of South African gold to handle

This at least should put a floor under the gold price, and possibly see it moving upwards again

How SA's gold reserve strength was squandered

BDay 10/2/89 214

RONNIE BETHLEHEM

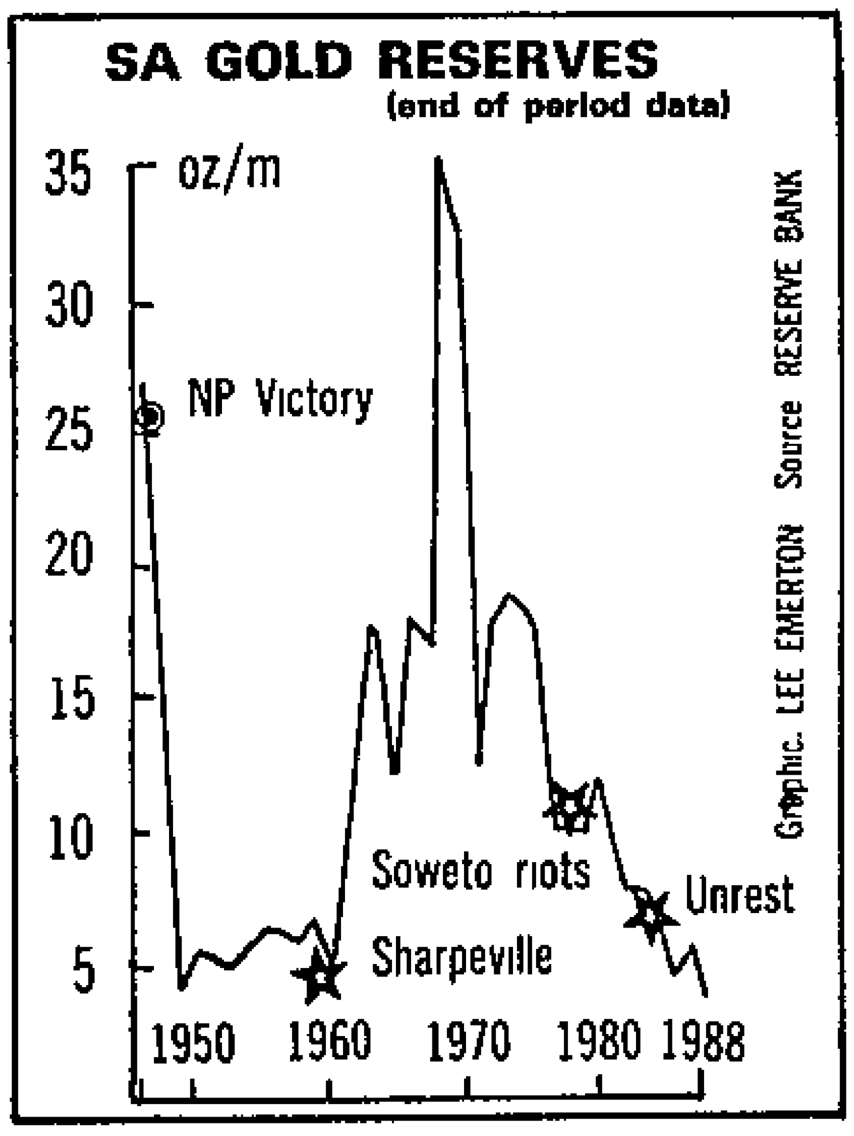
IN APRIL 1969, ahead of the peaking of the stock market in May, the gold reserves of the South African Reserve Bank amounted to R999m, nearly five-and-a-half times greater than their level immediately after Sharpeville in March 1960 These figures compare with gold reserves of about R3 000m today, but there the comparison ends

In the 1960s, the Bank's official bullion holdings were valued at R24,80 an ounce, so the April 1969 reserves amounted to 40,2-million ounces while the March 1960 reserves were 7,3-million ounces Today's reserve level is approximately 3,5-million ounces

This represents a dramatic change, for the worse, in SA's basic financial situation and it goes a long way to explaining why it is that the country's political position in the world has also deteriorated

Without gold reserves, the ultimate strategic asset, SA is not able properly to defend itself from speculative attack in exchange markets, and exchange markets attack is inevitable when such basic reserve weakness is perceived by market participants

The situation becomes worse when political factors further complicate matters and when, internally, there has been a loss of economic control, as measured by a huge increase in the adverse inflation differential between SA and its principal trading partners



SA NET RESERVE POSITION

Position at end of period	1968	1980	1985	1987	1988
Rm					
Reserve Bank					
Gold 000s/oz	35 624	12 153	4 841	6 830	3 469
Gold	881	4 854	3 632	4 904	3 079
Foreign exchange etc	104	413	816	1 235	1 853
Total	985	5 267	4 448	6 139	4 932
Other	284	1 014	1 903	2 368	2 625 *
Gross reserves	1 269	6 281	6 351	8 507	7 557
(Less) S/T foreign liabilities	(174)	(632)	(8 903)	(5 403)	(7 865)*
Net reserves	1 095	5 649	(2 552)	3 104	(308)
Gold price					
Dollars per oz	40 20	589 50	326 80	486 50	410 15
Rands per oz	29 00	439 40	845 64	938 28	975 39
Rand-dollar exchange rate	1 3862	1 3416	0 3865	0 5185	0 4205
$m					
Gross reserves	1 759	8 427	2 455	4 411	3 178
(Less) S/T foreign liabilities	(241)	(848)	(3 441)	(2 802)	(3 307)*
Net reserves	1 518	7 579	(986)	1 609	(129)

Source SA Reserve Bank

* September 1988

Had the economic management of SA been different after 1969, and had the March level of gold reserves been maintained at 40,2-million ounces, the current value of the Reserve Bank gold holdings would have been more than R39 220m, equal to more than $16 000m So the country's gross reserves would have exceeded $18 000m and would have amounted to more than 80% of its foreign debt of about $22 000m, were much debt still to have been necessary for the financing of regular development

In other words, SA would not have been over a sanctions barrel and there would have been little scope for the country's opponents or friends exerting undue economic pressure on it for political or any other purposes

What went wrong? How did it happen that such extraordinary reserve strength was squandered? Would it serve any purpose now to attempt to restore the position if only partially? What would SA have to do to accomplish such a goal? These are difficult and controversial questions, but they are important enough to try to answer

Firstly, what went wrong? The short answer is that SA failed to work out an effective strategy for dealing with large fluctuations in the gold price in a new era of dollar non-convertibility and floating exchange rates. It has not been increases in the gold price as such, but its fluctuations that have been the problem

Gold price increases, when they have happened, have always been regarded as a windfall in which all groups have wanted to share The end result has been a rise in the general domestic cost structure which has not been flexible downwards when the gold price rise has eventually been reversed

So economic adjustment has happened, quite predictably, via a collapse in the rand exchange rate What has appeared, therefore, as a windfall at first, has quickly turned into a disaster

Right now, it is probably true to say that South Africans, the Reserve Bank included, would rejoice were the gold price suddenly to increase to $4 000 an ounce (10 times its present level) Sanctions would disappear instantly like a bad dream and the BoP would return to massive surplus

But, unless the gold price stabilised at its new incredible level and efforts were made to contain or displace a flood of liquidity, the boon would turn quickly into a monster of inflation, economic instability and deteriorated economic performance Matters would be made worse if, after rising as described, the gold price then retreated to a mere $2 000 an ounce!

Remember, the gold price did rise tenfold between the early 1970s and the present, with a brief peak at $850 an ounce in January 1980 The higher average gold price of the last nine years has not been associated with better real GDP growth Quite the contrary has been true

Associated with these developments has been a blasing in the allocation of scarce resources in suboptimal ways Consumption has benefited at the expense of capital formation and much of capital formation has been distorted by bureaucratic or ideological factors The Johannesburg Hospital and extravagant expenditures on duplicating constitutional structures are examples of capital wastage Politics have taken their toll of economic performance

It is clear, given the financial and other sanctions applied against SA, that the current level of its gold and foreign exchange reserves is too low Indeed, on a net basis, SA is once again in the red! This is no position to be in 12 months ahead of a renegotiation of the debt standstill agreement with foreign banking creditors

To get the reserves back up again to anywhere near where they should be would require a severe tightening of economic policy in the absence of any help from the gold price If the economy will not cool spontaneously, and there is little sign of that yet from money growth and credit extension, then policy will have to do the job But that would be harmful to incomes and employment in an election year

The case, therefore, for an early general election is a powerful one Get the election over with so that the rough things that need to be done can be done, and done quickly The alternative is to take the risk of entering the debt negotiations 12 months from now without reserves and having to declare *'force majeure'*!

One wonders what the consequences would be were SA, acting differently, to decide, as a matter of policy priority, to reconstruct its gold reserves by adding 5 million ounces a year to them for the next four years This would involve a very big sacrifice, but it would probably also involve an increase in the gold price and that would be offsetting

The sacrifice on an unchanged gold price (say $400 an ounce) would amount to approximately $2 000m pa and would no doubt prompt a knee-jerk rejection of the idea by conventional analysts because of its deflationary implications But 5-million ounces is a large amount to withold from the physical bullion market and it would not, therefore, take much for a change in expectation to turn around the price sharply

If it recovered to only $533 an ounce, the dollar value of gold receipts would remain unchanged

One criticism of such a suggestion, and it has to be taken seriously, is that accumulating gold reserves is mercantilist However, this puts the wrong construction on the proposed policy In themselves, gold reserves are sterile assets One should also need less of them in a world of floating exchange rates

But for SA, burdened by sanctions, the situation is different The hard fact of the matter is that one's opponents, in markets no less than in politics are impressed by strength, and reserve strength is no exception It was the absence of reserve strength (indeed, the lapse into negative net reserves) and a sharp rise in short term foreign liabilities, that led to Chase Manhattan blowing the whistle on SA in 1985 We don't need that happening again!

There is, however, another reason for a policy of reserve reconstruction today It would provide the rationale for the application of the tougher monetary and fiscal policies necessary if balance of payments and internal demand supply equilibrium are to be restored

The decision to be tough with economic policy is always difficult in SA because no one wants to put the underprivileged under additional pressure, and there is an empirical link between economic deterioration and socio-political turbulence But if economic policy fails to deal with disequilibrium the end result for the underprivileged and everyone else will be worse, not better

The art of government is not to allow matters to deteriorate so far that the choice becomes invidious

□ *Bethlehem is the JCI group economics consultant.*

LABOUR LETTER/Alan Fine

Minorco's Consgold bid still in the melting pot

Star 17/7/89

214

By Neil Behrmann

LONDON — Minorco is to hold a board meeting called by chief executive Sir Michael Edwardes within a week to decide whether it should bid for Consgold

The meeting will take place before next Friday, the last day of a 21-day period in which it is allowed to make another offer for the UK mining house

If Minorco decides to wait, another offer can be made in October

So far Minorco has not received the full go-ahead from the European Commission (EC) and the US courts to make a bid

But Minorco executives say that a conditional offer can be made

The UK Takeover Panel might also extend the 21-day period pending a decision by the US Courts and the EC

The EC must decide whether a Minorco/Consgold merger would create a monopoly in world minerals markets

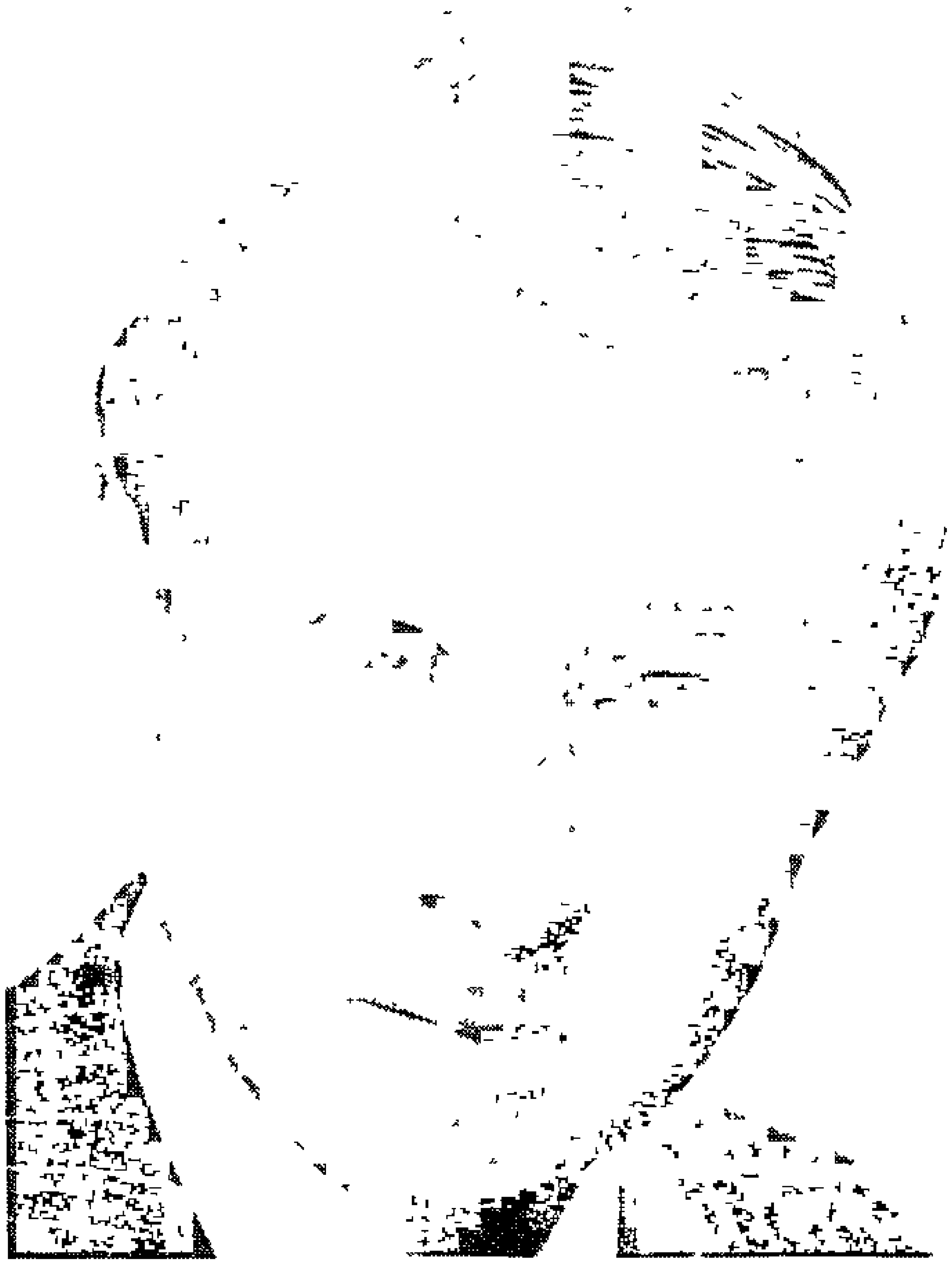
Sources in Brussels say the EC, which has been focusing on platinum and its effect on the catalytic converter market in Europe, is likely to rule on the inquiry today

Minorco is also appealing against an injunction issued by a Federal District Court in New York on the grounds that it is beyond the jurisdiction of US courts to stop one European company from buying another one

Although Minorco is controlled by Anglo American and De Beers, it is registered in Luxembourg

The injunction was based on an anti-trust complaint brought by Newmont Mining, a US company in which Consgold has a 49 percent stake

The complaint said the takeover bid was an attempt to monopolise the supply of gold and other minerals



Sir Michael Edwardes

While blocking the Minorco bid on anti-trust grounds, the New York court said it did not have jurisdiction to consider Consgold's allegations that Minorco had violated US securities laws

The court said neither company had many US shareholders, that the offer was not made to US shareholders and that Minorco had even refused to speak to American reporters

A ruling on Minorco's appeal is expected soon from the US Court of Appeal

If it rules against Minorco, the court will set important precedents for other bids

The vital question is to what extent the US government and courts can exercise jurisdiction over corporate battles that have only an indirect impact on the US

Consgold shares fell on Wednesday by 30p to £14,43 on speculation that Minorco had abandoned a board meeting scheduled for today

Minorco, however, said that the fears were unfounded

The company had to make a decision on its strategy Those directors who fear the timing is not propitious for a bid fear the sliding gold price, high and rising international interest rates and believe the UK construction business cycle has peaked

Construction activity is vital to a merged Consgold

After the sale of holdings in South Africa, Australia and America Consgold's main assets would be ARC, the aggregates business in the UK and US, and Gold Fields Mining Corp in the US

The gold price and construction industry are vulnerable to rising interest rates and recession

Directors against action now suggest that Minorco should wait until next October when UK takeover law allows it to launch another bid

Analysts believe that Minorco is merely talking down the price of Consgold, to reduce the cost of another offer

"They would be making a mistake if they postponed the bid," says David Ridley, a director at Williams de Broe Hill Chaplin

If Minorco holds back, he says, other shareholders could put pressure on the Consgold board to improve its earnings on assets

Consgold has said its net asset value is worth £20 a share, but Mr Ridley says that a realistic offer would be £15 to £16 a share

An informal, unscientific straw poll by the *Financial Times* indicated that most institutions would support Consgold

Several objected to the way Minorco intended selling off Gold Fields of South Africa, Renison Goldfields Consolidated and Newmont Mining

The institutions seemed to want cash, rather than Minorco paper

Analysts contend, however that Minorco needs at most about 15 percent of the shares to win control

It holds 29,9 percent of the shares and friendly shareholders control about seven percent of the shares, say analysts

Minorco's September bid was worth £13 a share

That original offer was £19 in cash and one Minorco share for every two Consgold shares

DIY John builds a gold concentrator

S/Times 12/2/89

(214)

By Julie Walker

SEVERAL years ago when John Fletcher was prospecting his gold mine he learned that there was no piece of equipment commercially available to treat his deposit.

"Everything available was a compromise," says Mr Fletcher So he designed and made a concentrator — remarkable for many reasons

Not only is it less than half the price of an imported machine, it is twice as good It classifies as well as concentrates minerals far more efficiently — "lickety-spit clean", says Mr Fletcher after demonstrating his table

Dissolution

One of the major restrictions on plant capacity is the long residence times required for high dissolution and recovery of gold Only the free gold — the largest particles — takes a long time

Most of the rest is dissolved in about four hours, but the free gold can extend the time to 40 hours Tabling the ore before it is leached removes that gold — Mr Fletcher's concentrator makes it much faster and cleaner

One of the industry's gripes about tables has been their vulnerability to theft of the concentrates The Fletcher concentrator can be covered and locked to limit access

Often a process which is established under laboratory conditions cannot be successfully reproduced on a full-scale plant Excuses such as a change in the orebody abound, but it is more likely a case of reproducing the conditions

The Fletcher concentrator allows for control over each variable individually, and the logging of only three important parameters — the dip of the deck, the riffle slope and the inclined angle — ensures that the same conditions can be reproduced anywhere in the world

The whole unit weighs only 25kg, and one man can assemble it in only two hours anywhere Decks can be stacked on top of each other to increase capacity

The surface of the deck has a silicon carbide finish which makes it last almost indefinitely under normal wear and tear There is only a single moving part, the orbital bearing

Patents

Mr Fletcher says his table can be used to treat any ore, from beach sands to mine dump material It is available for hire, and the cost of hiring is recovered from the purchase price if one is bought

Mr Fletcher has applied for patents on his invention in 20 countries, and is promoting it in SA

What is outstanding is that South Africans can buy a table which is the Rolls-Royce of its kind for the price of a Mini

● Mr Fletcher can be reached at (011) 787-5200

Mining industry layoffs 'severe'

10/2/1/X ~~&~~ X ~~&~~ CAPE TIMES 13/2/89

JOHANNESBURG — The 1988 decline in staffing levels in the two main sectors of SA's mining industry — gold and coal — was far more severe than the announcements of about 10 000 layoffs during the year suggest, statistics released by the Chamber of Mines reveal

Provisional figures, computed jointly by the chamber and the Minerals Bureau, show the average number employed on goldmines in June at 523 687, 40 765 down on the previous year This represents the first decline in gold mining employment figures in more than a decade

And staffing levels on SA's collieries, at 87 125, were down by 6 554 on the year and at their lowest mark in a decade

It appears most of these jobs were lost through natural attrition

Chamber senior GM, external relations, Johann Liebenberg warned that the next 12 months "do not look promising" as regards job creation on the gold mines

For twelve of the 31 goldmines affiliated to the chamber, it cost $385 or more to extract each ounce of gold last year

Regarding the collieries, Liebenberg said things were looking up, but this was only relative to the 1987 downturn "The domestic market is dead The international market is picking up both in terms of volumes and prices "

National Union of Mineworkers (NUM) assistant general secretary Marcel Golding said the union was discussing the economic conditions in the industry, including the retrenchments suffered in the last year.

However, he conceded the union faced difficult choices in dealing with the problem of marginal mines and retrenchments A most unpopular solution, which the union had traditionally opposed as divisive, was differential wage rates at those mines

But, he added "We are not oblivious as to what is going on We have always been pragmatic That is why we settled last year "

He stressed, though, the NUM's preparedness to compromise was dependent on an open and frank approach by the industry "We want real and timeous proof of the difficulties the industry tells us it is facing," he said

The NUM accepted the need for fair dividends, he said But this had to be put into perpective next to the need for a living wage

Consgold digs in

LONDON — Consgold chairman Rudolph Agnew has prepared massive defences against another takeover bid by Minorco, the *Daily Express* reported at the weekend

The newspaper said these included the imminent sale of Consgold's half-share in Australian metals business Renison for £300 million against a book value of £220 million

Minorco is widely expected to renew its bid for Consgold after a board meeting in Luxembourg on February 16

But the *Daily Express* said Mr Agnew had prepared an asset valuation worth £19 a share and had a willing buyer in Canada's Placer Dome for his half-share in America's biggest gold producer, Newmont. — Sapa

Star 13/2/89 (B) 214

Grim outlook for SA mines as . . .

Gold price slumps to two-year low

CAP TIMES 14/2/89

By MERVYN HARRIS

PROSPECTS for SA gold mines took another turn for the worse when the metal was fixed at a 26-month low of $384,50 in London yesterday afternoon to put further pressure on the rand gold price

Buffeted by a firmer dollar and a lower gold price, the rand weakened from R2,4317 to close at R2,4522 to the dollar to push the rand price of gold down more than $4 to R942,90

Gold's fall through the $385 support level put gold shares under renewed selling pressure on the JSE With no support for currency linked stocks as the financial rand held steady at R3,9900 to the dollar, the JSE overall market shed 2,1% to 2 211

While industrial shares were expected to cool off after their sharp recent gains, the falls were accentuated by gold's weakness and dealers reported a fair amount of stock on offer

Meanwhile a leading mining official has warned that a weakening of the rand vis-a-vis the dollar is necessary to counter rising costs of production and lower grades in the SA gold mining industry

Clive Knobbs, head of Rand Mines' gold and platinum division says "without this relief, the industry will be faced with the prospects of major cutbacks and even some closures, unleashing attendant socio-economic problems which the country can ill afford"

Outlining the outlook for gold in his statement to ERPM shareholders Knobbs says "The prospects for the gold price in 1989 are anything but sanguine Sentiment is negative and, at best, uncertain Inflation is not expected to be a problem in the western world and continued economic growth in 1989 is anticipated

"A rise in mine production is likely to result in an excess of supply over demand for gold, driving the US dollar price down even further

"Although physical demand in the Far East is likely to persist this year, with the recent removal of various tariffs and sales taxes in areas where demand is strong, there is a growing realisation that this demand is becoming increasingly price sensitive

"The immediate outlook for the dollar is very unsettled with some confusion and much caution spilling over into the bullion markets," says Knobbs

● Gold could fall to $325 an ounce some time this year having completed a bearish chart formation, London-based Kleinwort Benson Securities-Sharps Pixley says in its forecast on the outlook for precious metals

And analysts at traders E D & F Man International say gold could drop to $300 an ounce by the end of the year and platinum to $425

"Gold is at an area of maximum risk and bulls are advised to be extremely cautious," says the Kleinwort review

Falling gold prices continue to push the mining industry into more forward sales as a hedge, it continues It is possible that some 20% of mine production has been sold forward and this could be one of the more bullish points ~~once the~~ market turns

Cape Times 14/2/87 (21U)

Rand Mines in R70m plan to boost ERPM

JOHANNESBURG — Rand Mines is to chip in R70m as part of a proposed new plan to turn East Rand Proprietary Mines (ERPM) around and move it into profits by the fourth quarter of this year

The plan, disclosed by chairman Clive Knobbs, involves a restructuring of the mine's debt and an injection of additional share capital by way of the creation of "A" and "B" variable rate cumulative redeemable preference shares

The plan also includes further financial assistance from the government for pumping costs

Rand Mines will subscribe about R70m for the "B" preference shares, while lenders will be asked to convert all or some of their loans to ERPM into "A" preference shares

Poor prospects as gold hits low

B/Day 14/2/89 .

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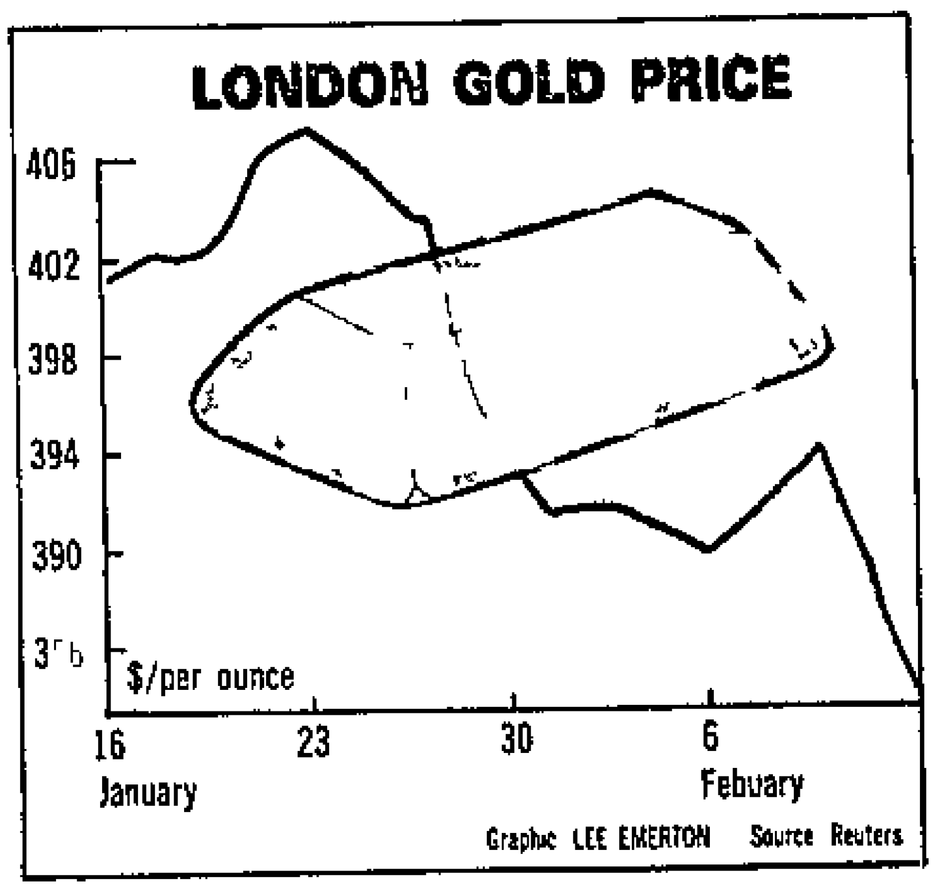

In his statement to ERPM shareholders, Knobbs said "The prospects for the gold price in 1989 are anything but sanguine Sentiment is negative and, at best, uncertain"

He added "A rise in mine production is likely to result in an excess of supply over demand for gold, driving the US dollar price down even further"

A R70-m rescue plan for the ailing ERPM

Star 14/2/87

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By Derek Tommey

A major reconstruction plan to keep marginal gold mine ERPM going and making profits, and which involves a R70 million cash injection by Rand Mines, has been announced by the chairman, Mr Clive Knobbs

The plan follows the disclosure by ERPM that for the second year running it has incurred a loss of more than R60 million, bringing the loss for the past two years to R129 million

This continued operating loss, together with the failure of the rand gold price to keep pace with inflation and the mine's need to raise more money to finance its new Far East Vertical (FEV) complex, has made the reconstruction plan necessary

It calls for a restructuring of the debt plus the payment by the Government for certain pumping activities and a drastic revision of mining activities

One result is that the number of people employed is expected to fall from about 15 800 to 11 200

However, most of the workers affected are likely to be moved to other mines in the Rand Mines group or asked to take extended home leave

At worst, only about 1 000 people are expected to be retrenched, says the mine's managing director, Mr Hugh Stoyell

The mining plan has four key elements

The first will be to concentrate activities on the higher-grade areas serviced by the FEV

The major part of this complex, which is virtually a new gold mine, has been completed at a cost of R260 million

This is a highly concentrated and efficient section Expenditure of an extra R20 million will enable production to reach 60 000 tons a month by the end of the year and contribute the bulk of the mine's gold

At present about 30 000 tons of ore a month are being drawn from this area

The FEV area has reasonably high grades rannging from 600 cm/g to 1000cm/g, which should enable the mine to operate profitablly at the present gold price.

Mr Knobbs says that further relatively inexpensive construction and expansion of the complex in the next few years should double production in the area to 120 000 tons a month

It had been hoped to work the area more intensively last year, he says, but excessive heat and inadequate services delayed full access to the area for some months

Secondly, only certain areas of

Clive Knobbs

the old mine, serviced by pumping shafts and which show a contribution to profits, will be retained under the revised plan

Thirdly, mining operations in the remainder of the "old" mine, which have been such a disappointing financial burden in the past, will cease almost entirely

The Angelo shaft, which was closed by a pressure burst last year, is being abandoned

Fourthly, the capacity of the highly profitable sand retreatment operation on surface will be doubled

The financial restructuring plan involves the creation of "A" and "B" variable-rate cumulative redeemable preference shares and for Rand Mines to subscribe R70 million in additional capital for the "B" preference shares

Negotiations are taking place with a consortium of SA banks to take up the "A" preference shares with R200 million, which they have lent the company

Negotiations are also taking place with lenders of a further R80 million to take up the preference shares

If the banks take up the preference shares, ERPM's debt repayments will be cut considerably

At present the Government assists the company by paying part of the interest on its debt The mine has to pay the first seven percent and the Government pays the next 10 percent

The Government has been asked to pay in future the first 10 percent

Mr Knobbs says the mining plan has been carefully scrutinised by both outside and Rand Mines engineers

"Providing the gold price averages R34 300 a kilogram, the mine will show profits after all appropriations by the fourth quarter of this year

"Dividends on the ordinary shares could be paid in a few years' time, and debts reduced substantially, provided there is a steady increase in the gold price in rand terms to take account of a good proportion of inflation influences on working costs," he says.

NUM declares disputes over gold mine retrenchments

15/2/89 ALAN FINE

THE NUM has declared official disputes with three Gencor gold mines, alleging they had conducted negotiations over 4 500 retrenchments made in bad faith

NUM assistant general secretary Marcel Golding said managements of the Bracken, Leslie and Buffelsfontein mines had given inadequate notice of retrenchments, had made inadequate severance payments, and had failed to consider alternatives proposed by the NUM aimed at minimising lay-offs

Golding said these proposals had been rejected and retrenchments had been implemented unilaterally by management, but Gencor gold division GM Kobus Olivier said all employee representatives were consulted

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ConsGold has new ammo for Minorco fight

B/Day 16/2/89

(214)

LONDON — As Minorco prepares to launch an expected new takeover bid for Consolidated Goldfields (ConsGold), the UK mining company is readying fresh ammunition in its defence, including a valuation of its worldwide assets and a possible partial flotation of its British construction aggregates business, ARC Aggregates.

ConsGold chairman Rudolph Agnew said the company was considering floating part of its ARC Aggregates business because its value had not been fully appreciated by the market.

ConsGold had also been holding in store the results of a valuation of its total net assets, including extensive gold reserves around the world, Agnew said. These data, which the company was not eager to disclose, except as a last-ditch measure, would contain "some surprises" for the market, the chairman predicted.

A takeover defence based on financial grounds marks a switch from ConsGold's previous tactics, which focused largely on legal manoeuvring and efforts to blemish Minorco's name because of its mostly SA ownership.

Minorco first bid £2,9bn for ConsGold in September. That bid automatically lapsed a month later when the matter was referred to the Monopolies and Mergers Commission (MMC). The MMC last week gave Minorco the unconditional go-ahead to renew its bid.

Share price

The market is saying that it wants a very much higher price for ConsGold than in September "I don't think (the market) necessarily wants to sell, but it will be a question of price," Agnew said.

On Tuesday, ConsGold's share price closed at £14,60, compared with £10,85 a share the day before Minorco's bid, worth just over £13 a share, in September.

Agnew attributed much of the share price rise to the company's efforts to "ensure that the market properly appreciates the worth" of ConsGold.

Although ConsGold will continue its efforts to thwart Minorco through legal battles in the US and before the EC Commission, Agnew said the financial defence was much more important.

He said ConsGold would probably face more operating problems, due to its defence against the Minorco bid. Minorco says ConsGold has heightened criticism of its own SA investments, which include a 35% stake in Gold Fields of SA. These problems could cause ConsGold to decrease its SA investments, Agnew said. — AP-DJ.

EEC to release Minorco findings soon

By ROBERT GENTLE

LONDON. — The EEC said yesterday that the findings of its enquiry into the competition aspects of a Minorco bid for Consolidated Goldfields (Consgold) can be expected within a few days

A spokesman from the office of the EEC Competition Commissioner Sir Leon Brittan said in Brussels that this would almost certainly be before expiry of the 21-day bid cycle governing any renewed Minorco offer for Consgold

That cycle has barely a week left to run, after which Minorco will have to wait until around October before it may bid again

The EEC enquiry is one of two regulatory hurdles which Minorco has said it would prefer to overcome before launching a new bid

The other is the New York District Appeal Court case. Minorco is waiting to see whether the court will lift the preliminary injuction imposed on the bid last year on anti-trust grounds

It is understood that that decision is also imminent, which will pave the way for a renewed bid — something the City already regards as a foregone conclusion.

Meanwhile, Minorco said that the much-talked-about Luxembourg board meeting at which Minorco directors were to have considered the merits of a renewed bid had not taken place.

A spokesman said he was not at liberty to disclose when, if at all, such a meeting would occur

Prospecting for SA gold is lagging

0/D/6/2/89 REINIE BOOYSEN 214

THE SA mining house system mitigates the thanatophobia — or fear of dying — of individual mining companies, reducing their growth potential

So says James Capel's Julian Baring, who spoke this week on "Gold the Barbarous Relic" at the Frankel Kruger International Investment Conference

Baring suggested that the amount of prospecting being conducted in SA was lower than optimum because most gold mines in SA were not responsible for seeking and replacing their own ore reserves by prospecting "It is said the threat of one's imminent demise concentrates the mind wonderfully!" added Baring

Production

Most SA mines belong to one of the big six mining houses These usually have a centralised exploration department responsible for the whole group's prospecting programme

Baring said SA was the only country where gold mines were not increasing production and finding new mines

He said "everyone in the business knows that the profit margins obtainable on gold mining can seldom be matched in other enterprises

"There is obviously a tremendous temptation to lock in these profit margins for as far ahead as possible, thus eliminating the volatility of the gold price from future earnings projections

"The only people who are not using these techniques are yourselves as far as I can see What have you heard, I wonder?"

Europe's chiefs give Minorco a Consgold takeover thumbs-up

214

Star 18/7/89

THE European Community (EC) said yesterday it had no objections to Minorco's takeover bid for Consgold

The ruling came after assurances by Minorco that it would sell Consgold's platinum interests if its bid succeeded

But the EC's executive gave Consgold two weeks to comment before it reached a final decision on the bid

Consgold failed earlier this month to persuade the British government to stop the bid

However, a New York appeals court ruling is pending on an injunction granted to Consgold's US subsidiary, Newmont Mining, barring Minorco from launching a bid on the grounds of a possible violation of US anti-trust laws

Consgold complained to Brussels last October that a takeover by Minorco would give it a position of dominance in the European market

The EC said yesterday that on the basis of information gathered it considered the complaint should be rejected, particularly after Minorco's undertaking to sell Consgold's platinum interests within a set period, should its bid succeed

EC competition commissioner, Sir Leon Brittan, stressed the importance of maintaining competition in the platinum market because demand for it was growing from makers of catalytic converters that cut car exhaust pollutions.

The EC said Minorco had agreed not to sell the platinum interests to Anglo or to De Beers

A commission spokesman said the Brussels executive had examined all metal sectors to assess the impact of the takeover on competition in the EC.

"Platinum is the sector where the consequences would be most serious," he said

The spokesman said the commission had the jurisdiction to prevent Minorco selling to other South African companies because their activities affected the EC. "What we're concerned about is the effect on the European market," he said.

Minorco welcomed the EC ruling, but gave no indication of whether the bid would be renewed bid before next Friday.

Analysts in London suggested that Minorco should ask the Takeover Panel for more time to make up its mind

The Financial Times said that in terms of the Takeover Code, Minorco would normally have to make another offer by next Thursday or wait until September — the first anniversary of its previous £2,9 billion hostile bid

The major stumbling block for Minorco is the injunction imposed by the New York court, preventing it from raising its Consgold holding above the current 30 percent.

"Minorco is waiting to hear the outcome of its appeal in the US," the newspaper said "If the injunction remains in place, Minorco could bid again, but would not be able to declare any offer for Consgold unconditional"

The New York judge is aware of the time limit Minorco faces in Britain, but has given no indication that he will take this into account, or even when he will give judgment

Both sides have talked to the UK Takeover Panel recently — Minorco on Wednesday and Consgold on Thursday — but it is understood that Minorco has not asked for an extension of the time allowed

Consgold has said it would agree to an extension, but would urge that, in return, the panel should press Minorco to make a clear statement about its intention

Until the US court ruling is known, Minorco sees little point in calling the board meeting at which it will decide whether to bid again — **Finance Staff, Sapa-Reuter, Financial Times.**

CAPE TIMES 20/2/89

Minorco enters final round

By ROBERT GENTLE

LONDON. — With the deadline for a new Minorco bid for Consolidated Goldfields set to expire on Thursday, one of the City's most controversial and acrimonious takeover battles enters the final round this week.

With the EEC enquiry into the competition aspects of a bid settled in Minorco's favour, the only remaining obstacle is the outcome of the New York District Appeal Court hearing

If, as Minorco hopes, the court rules to lift the injunction against the bid brought late last year by Consgold's 49%-owned US arm Newmont Mining, the way will be clear for the battle to recommence

It has already been suggested that should the NY court decision show no sign of being settled before Thursday's deadline, Minorco may go ahead anyway by making a renewed bid conditional upon a favourable ruling

Supporting that scenario is the fact that Minorco told the Takeover Panel last week that it would not be seeking an extension of the bid cycle

Whatever else the long delay caused by the three-month referral of the bid to the Monopolies and Mergers Commission may have produced, it has certainly allowed Consgold to rally its defences and play for time

The backbone of that defence appears to be the new market value the three-month referral has put on Consgold However, how much of this is due to real growth prospects and how much to bid speculation remains an open question

The day before Minorco launched its £13 per share bid on September 21, 1988, Consgold's share price stood at £10,85 A month later when the bid was referred to the MMC, it had risen to £12,60

Today, analysts say that nothing short of £15 per share will constitute a full and fair offer That pushes the bid size from £2,9bn to £3,3bn — an increase of £400m

Consgold has been lending credibility to these figures with a recent valuation It says total assets could be worth up to £20 a share, which would put a £4bn price tag on the company Consgold bases this mainly on what it perceives to be investor ignorance about the true value of its road quarrying business ARC

And in Australia, Consgold's 49% owned Renison Goldfields recently reported record half-year profits Potential buyers were said to be beating a pathway to Renison's door

While Minorco does not see Consgold in as rosy a light, analysts are convinced it will have to pay a higher price Just how high will be known by week's end

Minorco awaits court ruling

BDay 20/2/89 214

Own Correspondent

LONDON — Minorco is preparing to relaunch a bid for ConsGold

Its next move depends on the outcome of a New York appeal court ruling

Minorco's US lawyers have been trying to speed up the American ruling before the UK Takeover Panel's deadline for a renewed bid expires at one minute to midnight on Thursday

The case, which raises major issues of of international jurisdiction, is being closely followed by the British embassy in Washington

Unless US judges overturn a temporary banning order granted to ConsGold subsidiary Newmont in October, pending a full anti-trust meeting, Minorco may not buy another share in ConsGold

If the order is upheld Minoroco could face years of litigation in US courts

Minorco president Hank Slack flew back from New York to London on Thursday amid intense secrecy with executives anxious to conceal the timing of a key board meeting in Luxembourg early this week

The board, headed by Sir Michael Edwardes, and its advisers, Morgan Grenfell, have drawn up a detailed new offer for ConsGold which will be made if the US judgment is favourable

Lawyers say it is impossible to predict when a ruling will be made. Once the bid is launched, however, the Takeover Panel will be sympathetic to a request to extend the 28-day offer period

If the Newmont injunction is upheld it

● To Page 2

Minorco awaits vital US court ruling

214 BDay 20/2/89

From Page 1

will be the first time a US federal appeals court has intervened to stop the merger of two foreign companies

Newmont lawyer Richard Holwell said the case would be sent back to the district court for a full trial That could take months or years

Newmont is America's largest gold explorer but Minorco has pledged it will sell ConsGold's 49% holding and contests the court's jurisdiction

At ConsGold headquarters in London plans are being drawn up for a two-tier ultimate scorched-earth defence against the bid with chairman Rudolph Agnew presiding over a break-up and sale of major assets of the £3bn empire

Contingency plans have been made to call a ConsGold shareholders' meeting to approve the asset realisation, the centrepiece of a campaign which will argue that existing shareholders, not an enlarged Minorco, should reap the harvests of disposals

□ ROBERT GENTLE reports from London Minorco is poised to renew its bid after a European Commission decision not to block the action

The ruling by vice-chairman Leon Brittan removes a key stumbling block which has kept Minorco from showing its hand

The green light followed Minorco assurances it would sell ConsGold's platinum interests to parties not connected with Anglo American, De Beers nor any cartels associated with them

Business Report

£3,2bn offer a sighting shot?

SAT Times 21/2/87

Minorco's fresh bid 'a ploy'

By ROBERT GENTLE

LONDON — City analysts were unimpressed by yesterday's new £3,2bn Minorco offer for Consolidated Goldfields, describing it as a ploy aimed at flushing out the latter's defence strategy

The consensus opinion is that the new offer is little more than a sighting shot Once Consgold shows its hand and brings its asset valuation into the open, Minorco will move in with a final, higher, killer blow

Such an offer could be between £15 and £16 per Consgold share, higher than the present £14

Minorco is offering Consgold shareholders £20,50 cash and one Minorco share — valued at £7,50 at last week's close — for every two Consgold shares valued at £14 each

That £3,2bn offer compares with the previous offer of £13 per Congsold share, which valued the company at £2,9bn

Consgold Chairman Rudolph Agnew described the the new offer as totally inadequate, of questionable value, and clearly not meant to be taken seriously by Consgold shareholders

Minorco CE Sir Michael Edwardes dismissed talk of a sighting shot. Speaking at a press conference, he said the latest offer valued the company fairly

The media had been sidetracked by "frothy estimates" valuing Consgold at up to £20 per share What counted was not Consgold's break-up value as measured by its assets, but its earning potential

Backing up his argument with Minorco's own estimates of Consgold's last set of operating profits, he said the offer gave Consgold a price-earnings (PE) ratio of 27,4

This compared with Rio Tinto Zinc (RTZ) and Tarmac, two companies similar to Consgold which had comparable PE ratios of only 9,7 and 9,4 respectively

Sir Michael stressed that the new offer was conditional upon a favourable ruling by the New York District Appeal Court, which has yet to decide whether it will lift a preliminary injunction placed on the bid in the US late last year.

Mixed reaction to Minorco's bid

By Ann Crotty

Minorco's renewed offer for Consgold has met with a mixed response from both the London and Johannesburg markets, with some investors expressing disapointment that the revised offer is worth only 100p more than last October's original offer of £13 per Consgold share

But analysts believe the latest offer will be enough to attract acceptance from enough shareholders to give Minorco control

One cloud hanging over the new offer is the fact that it is conditional on the vacating of an injunction (preventing Minorco from buying Consgold shares) that is currently before the US Court of Appeal

Encouraged by the favourable response from the Monopolies and Mergers' Commission and the EC, the Minorco team is optimistic about the US outcome

Minorco CE, Sir Michael Edwardes, believes the latest offer represents very good value and is emphatic that it is not merely a "sighting shot" to be revised when the net asset value of Consgold is made public by the Consgold team in its attempt to ward off the unfriendly bid

According to reports from London last week, the Consgold team was suggesting that the net asset value was£20 per share

Sir Michael, speaking in a telephone link-up from London yesterday, referred to this sort of valuation as "frothy" and said that anything in this ballpark was likely to reflect the break-up value of the group and that any such a break-up of Consgold would carry with it a heavy tax bill

He believed that if allowance were made for this tax, the shareholder would be looking at no more than £15 a share

But he stressed that Minorco had pitched its offer on the basis of achieved earnings "The offer represents a price/earnings multiple of 27 times on the adjusted earnings figure for the 12 months to June 1988 The offer fully values Consgold whose share price continues to reflect a significant speculative element." (The earnings adjustment relates to income received from the sale of assets)

In view of Consgold's poor earnings performance to date, an attempt by its management to use a high net asset valuation as a defence against Minorco could very easily backfire as it would draw shareholder attention to the poor performance, in terms of return on assets, that management has reported

Responding to disappointment that shareholders were not offered an alternative 100 percent cash offer, Sir Michael said Minorco was keen to widen its base of shareholders and to this end had indicated that a successful bid would see Minorco holding 40 percent of Consgold and issuing about 80 million Minorco shares to help fund the deal.

The mix-and-match provision included in the offer would allow those shareholders who wanted to take more shares and less cash to match up with shareholders who wanted more cash and fewer shares

Sir Michael believed the former category would probably comprise SA shareholders who would be keen to hold on to an attractive rand-hedge share investment

Having announced the offer, Minorco has 28 days in which to post the offer, which remains open for three weeks after posting

This means that it could be as many as seven weeks before there is some indication of shareholder response

Minorco has not yet decided when to post the offer Analysts believe it may want to await a decision from the US Court of Appeal Minorco's decision may also be influenced by its view on the short-term outlook for gold

A sharp drop in the gold price would encourage favourable response from shareholders

If it is successful, the bid will have been an expensive one It will include the additional cost of the revised bid and the estimated £50 that the Consgold team is believed to have spent in defence It will be justified if the assets are better managed

n as 'sighting shot'

battle

Star 21/2/89

nsgold

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Prisoner attacks guard, escapes again from police custody

By Craig Kotze, Crime Reporter

One of South Africa s most notorious prisoners has again escaped from custody after attacking guards at Johannesburg s Brixton Murder and Robbery Unit cells, along with two other suspects held on murder and rape charges

Mr Michael Mathebula's bid for freedom today came within a hair s breadth of failure This was Mr Mathebula s fourth successful escape

But quick action by the commander of Brixton Murder and Robbery, Colonel Floris Mostert, prevented the two other suspects from getting away

Mr Nobert Makgatho held on a charge of killing a Greymont cafe owner recently, was shot and wounded in the leg

Mr Vincent van Rooyen, currently standing trial in the Rand Supreme Court on a charge of raping a 73 year-old woman, was also recaptured minutes after the escape bid

Mr Mathebula, who has already escaped twice from Diepkloof Prison and has also escaped from police custody in Bophuthatswana was being held in connection with the murder of Miss Gail Inggs at her Midrand cottage early last year Her charred body was found in the gutted ruins of the cottage, which was set alight

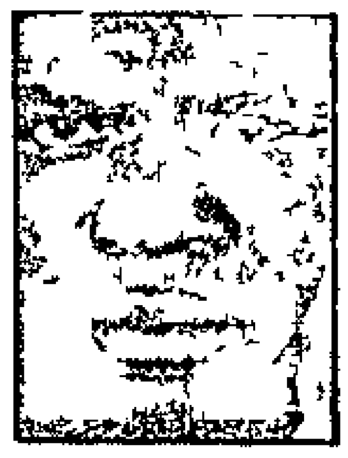
The three men, described by Colonel Mostert as ' extremely dangerous suspects had apparently planned the escape

A massive search has been launched for Mr Mathebula on the Reef He was wearing a red V necked jersey with navy-blue trousers He has a scar on his left wrist

He is to be regarded as extremely dangerous as police expect him to arm himself at the earliest opportunity

Colonel Mostert said the escape began when prisoners were being served breakfast The three called their guard When he arrived at their cell they pulled him in and overwhelmed him

Anyone with information is asked to contact Warrant Officer Willie Steyn at (011) 839 3322



Mathebula ex tremely dangerous

'High-spirited' detainees talk to press at hospital

Star 21/2/89

By Janet Heard

About 15 emergency detainees, some as young as 17, walked down the steps of Hillbrow Hospital Johannesburg yesterday and chatted freely to a large press contingent while police watched from a distance

The press had gathered to speak to the Rev Frank Chikane, secretary general of the South African Council of Churches, who visited the more than 20 detainees at the hospital for two hours

The detainees are at the hospital recuperating from the effects of the hunger strike which was suspended at Diepkloof Prison last week

Seventeen year old Cecil Mawela, a Soweto Students Congress (Sosco) member who was one of the first detainees to embark on a hunger strike on January 23 lost 14 kg

The hunger strike has only been suspended and we are waiting for the Minister to release all detainees We do not know what crime we have committed and we have never been taken to court to be charged he said

Mr Chikane said the detainees were in high spirits

● A spokesman for the Minister of Law and Order, Mr Adriaan Vlok said last night that no release forms were signed yesterday

It is believed that many detainees will be released today

About 50 detainees may be released nationally over the next few days, and 20 today

Brigadier Leon Mellet, press secretary to Mr Vlok said the Minister was dealing with the matter urgently

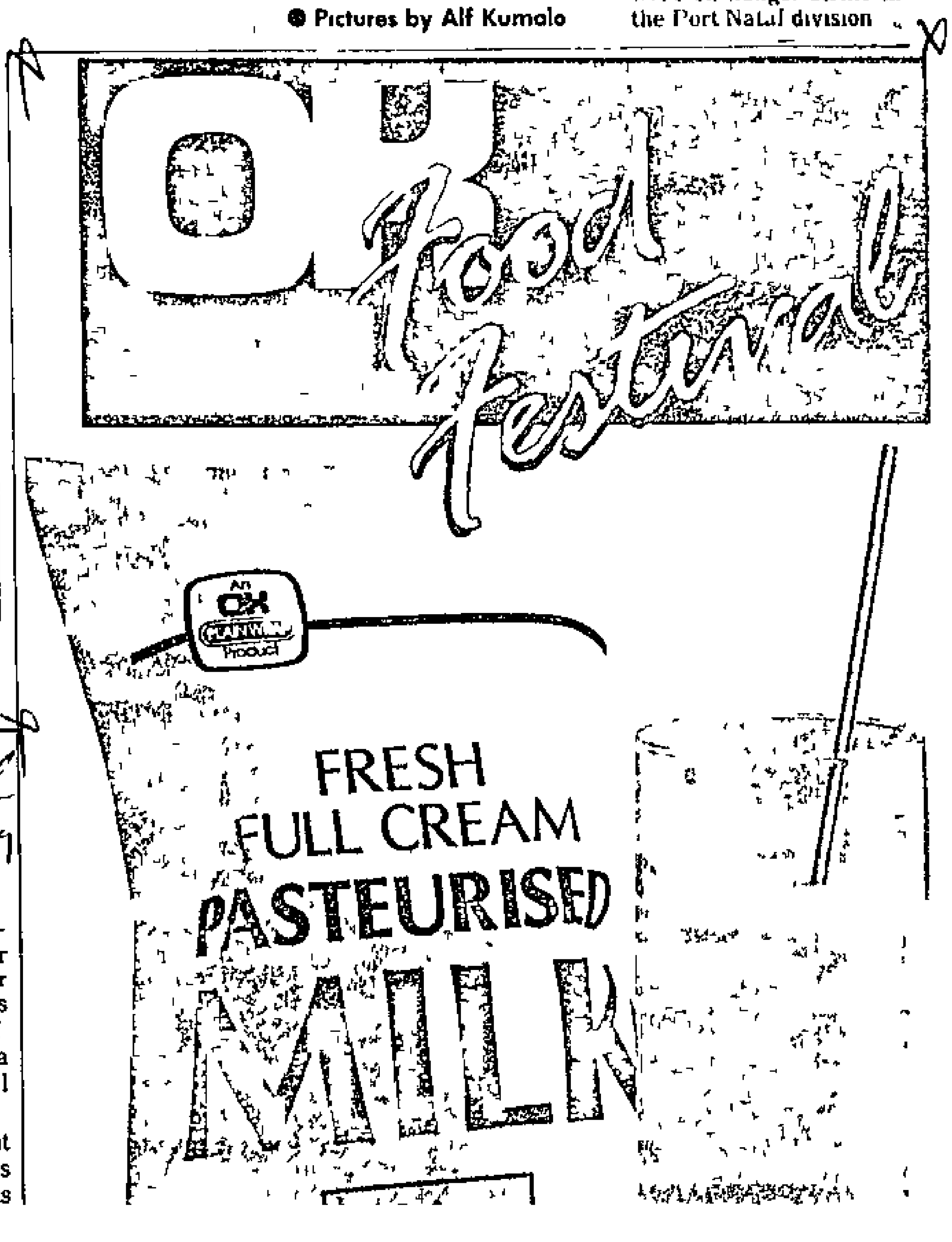
Lawyers in Durban met last night to plan a meeting with Mr Vlok There are at least 43 hunger strikers at Westville Prison and about 100 in Maritzburg

● Brigadier Mellet confirmed 113 detainees were on hunger strike in the Port Natal division

A small taste of freedom emergency detainees recuperating from the effects of the hunger strike speak freely to members of the press in the garden of Johannesburg's Hillbrow Hospital yesterday

● Pictures by Alf Kumalo

Soweto activists Mr Amos Masondo (left) and Mr Dan Montsitsi leave Johannesburg Prison with Mr Montsitsi's wife, Elizabeth, after recuperating from the effects of the detainees' hunger strike The two men have been heavily restricted



...ewed PFP call for Viljoen ...uit as 10 officials suspended

21/2/89

...Fabricius, Political Correspondent

...ked by a wave of corruption scan... ...ernment faces further exposure of ...by officials

...said today it was busy investigating corruption and repeated its call on ...Viljoen, Minister of Education and ...nt Aid, to resign

...n announced yesterday that he had ...ten officials from the Department ...tigated against them for alleged fraud in acquiring departmental supplies, including radio equipment

Earlier, he announced that senior Department of Education and Training official Mr Eben Coetzee had been suspended following evidence given by him to the Van den Heever Commission investigating the Department

This brings to 14 the number of officials who have been forced into retirement, sus...

'Zimbabwe freight via SA will drop'

Star 21/2/89

MUTARE (Zimbabwe) — The Beira Corridor Group forecasts that for the first time in 15 years the total Zimbabwe traffic through South Africa would this year fall below 50 percent

In 1988, Zimbabwe sent about 35 percent of its total imports and exports

R14-bn bid seen as 'sighting shot'

Bitter battle for Consgold is resumed

Star 21/2/89

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By Sven Lunsche

Anglo American-backed Minorco has delivered a "sighting shot", analysts believe, in its renewed offer for British mining giant Consolidated Gold Fields (Consgold) and a bitter battle for the company is expected

If successful, the £3,2 billion (about R14 billion) bid by Luxembourg-based Minorco would be the biggest takeover in British corporate history

Consgold said yesterday the £14 per share bid (about R62), which was launched at the opening of the London Stock Exchange yesterday, was not in the interests of its shareholders and it would recommend they take no action

Minorco still believes it can use its existing position to acquire your company on the cheap" Consgold chairman Mr Rudolph Agnew said in a statement to shareholders

'This renewed bid, which is of questionable value, bears no relation to the underlying worth of the company and is clearly not meant to be taken seriously by shareholders,' Mr Agnew said

Analysts in both London and Johannesburg said yesterday that the offer of £14 a share was too low and that it only represented a 'sighting shot' by Minorco

'This offer is designed to drag the Consgold asset valuation into the light of day, and when they've seen that I expect Minorco to put in a higher offer,' said Mr Mark Wellesley Wood of UK brokers Kleinwort Benson

"Minorco should pay £15,50 a share (about R68) for Consgold,' commented Mr John Lee an analyst at Williams de Broe Hill Chaplin

'Very good value'

But Sir Michael Edwardes said the latest offer represented very good value and he was emphatic that the offer was not merely a "sighting shot'

Minorco made its first move for Consgold last October with a bid valued at £2,9 billion It resulted in a concerted effort by Consgold, anti apartheid groups and numerous foreign governments to block the bid mainly on grounds of Minorco's South African links through the Oppenheimer family

But the offer was cleared earlier this month in separate investigations by Britain's watchdog Monopolies and Mergers Commission, and the European Community

The latest offer is conditional on the outcome of a Minorco appeal against a New York court order which temporarily restrains the company from buying Consgold shares on the grounds that US anti trust laws could be violated

But Minorco has committed itself to selling a large part of Consgold's associated companies in order to comply with findings by the investigations that, if the bid was succesful, Minorco would have a virtual monopoly in the production of strategic minerals such as zircon, titanium and platinum

Minorco has already indicated it would sell Gold Fields of South Africa (GFSA), US-based Newmont Mining and Renison Goldfields of Australia, as well as all of Consgold's other South African interests

The Minorco board headed by chairman Mr Julian Ogilvie Thompson and chief executive Sir Michael Edwardes is confident it can win shareholders support for the new bid

Minorco is believed to need at most about 15 percent of the shares to win 51 percent control

Minorco now has 28 days to submit a formal offer document and Consgold will have two weeks to respond Shareholders will then have to decide whether to accept the offer

Soweto activists Mr Amos Masondo (left) and Mr [...] Montsitsi's wife, Elizabeth, after recuperating from [...] men have been h[...]

Renewed PFP call for [...] to quit as 10 officials su[...]

Star 21/2/89

(South)

By Peter Fabricius, Political Correspondent

Already rocked by a wave of corruption scandal the Government faces further exposure of dishonesty by officials

The PFP said today it was busy investigating further corruption and repeated its call on Dr Gerrit Viljoen Minister of Education and Development Aid, to resign

Dr Viljoen announced yesterday that he had suspended ten officials from the Department of Education and Training and of Develop-

tigated against them quiring departmen[...] radio equipment

Earlier, he announ[...] ment of Education a[...] Eben Coetzee, had b[...] evidence given by hi[...] Commission investig[...]

This brings to 14 who have been forc[...] pended or transferre[...]

Pension fund rejects protest at SA links

TANIA LEVY

MICHIGAN state treasurer Robert Bowman rejects protests against its retirement system's $100m investment in Minorco

"The transparency of efforts to extort the retirement system's support in the take-over battle with ConsGold are matched only by the profligate waste of corporate money in this self-serving advertising campaign," he writes in a letter to ARC America CE Keith Orrell-Jones

ARC protested against the hostile take-over bid on its parent company, ConsGold, by Minorco

ARC says if Minorco is successful it will become the largest SA acquisition of US assets in history and insulate SA's largest business from US economic sanctions

Bowman replies the protests have a hollow ring Minorco is a European company and its only SA interests are indirect through a 29% stake in ConsGold

Bowman adds ARC fails to mention its parent derived 17% of 1987 profits from direct investments in four SA mining corporations

BD 21/2/89 (214)

Minorco launches fresh assault

214

Battle for ConsGold begins again

B/D cy 21/2/89

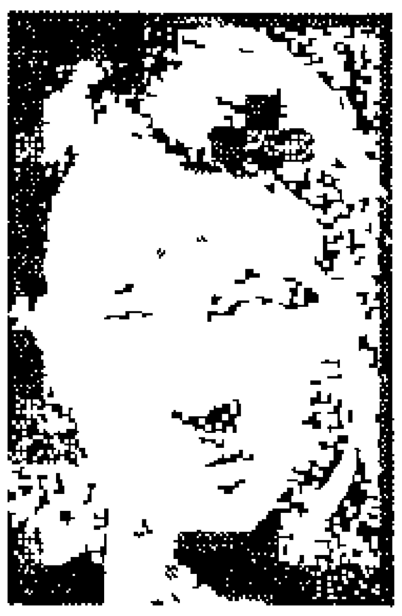
ROBERT GENTLE and REINIE BOOYSEN

LONDON — The battle for control of Consolidated Gold Fields (ConsGold) began in earnest yesterday, with its board immediately rejecting Minorco's fresh £3,2bn offer

Minorco yesterday raised its offer by £1 a share to an effective £14, consisting of cash and Minorco shares

ConsGold chairman Rudolph Agnew described the new offer as totally inadequate, of questionable value and clearly not meant to be taken seriously by ConsGold shareholders

"Minorco still believes it can use its existing position to acquire the company on the cheap," he said



● EDWARDES

He also expressed concern that ConsGold shareholders would have to partly exchange ConsGold's UK shares for Minorco's Luxembourg paper

"The board intends to resist the bid strongly," he said

Indications are that Minorco's takeover bid will now be waged solely on financial criteria

The months of political manoeuvring by the ConsGold board — including its appeals to the British Monopolies and Mergers Commission and the European Commission — have proved fruitless.

ConsGold's only remaining hope is that the New York district appeal court will uphold last year's preliminary injunction against the bid in the US

The offer will, nevertheless, go ahead, conditional upon "satisfactory resolution of the US litigation"

In terms of London Stock Exchange rules, Minorco, having declared its renewed intentions, now has 28 days in which to submit a formal offer document to ConsGold

ConsGold will then have 14 days to submit its defence document — which will contain the directors' valuation of ConsGold's assets This will leave shareholders with seven days to decide

London analysts predict Minorco will move in with a final killer blow once ConsGold shows its hand and brings its asset valuation into the open

"The offer is nothing more than a sighting shot," said one analyst. He estimated the final offer could be between £15 and £16/share

Minorco's latest offer to ConsGold shareholders is £20,50 cash and one Minorco share (worth £7,50 on the LSE on Friday) for every two ConsGold shares (worth £14 each on Friday)

This £3,2bn offer compares with the previous offer of £13/share, which valued the company at £2,9bn

Minorco CE Michael Edwardes yes-

● To Page 2

Minorco makes fresh bid for ConsGold

214 B/D cy 21/2/89

● From Page 1

terday dismissed the suggestion that its offer was merely a sighting shot He said the new offer valued the company fairly

"The media has been sidetracked by frothy estimates valuing ConsGold at up to £20/share," said Edwardes "What counts is not ConsGold's break-up value as measured by its assets, but its earning potential"

Backing up his argument with Minorco's own analysis of ConsGold's last set of operating profits, he said the offer gave ConsGold a price-earnings ratio of 27,4

Edwardes said Rio Tinto Zinc and Tarmac, two companies similar to ConsGold, had comparable PE ratios of only 9,7 and 9,4 respectively

Edwardes also sought to allay investor concern about the desirability of holding Minorco paper and dealing with a company based outside the UK

"Minorco intends keeping all its shareholders informed as though it were a UK company," he said, adding that Luxembourg had certain tax advantages which would work to their benefit

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Business Report

Minorco bid pales

By ROBERT GENTLE

LONDON. — Consolidated Goldfields yesterday closed 17p higher at £14,60, confirming market sentiment that Minorco's present £14 per share offer is inadequate.

"No bid below the market price can be taken seriously," said an analyst at securities house Kleinwort Benson.

Trading in Consgold was not particularly heavy, with only around 1,1 million shares changing hands. Minorco, however, fell 13c to $13,37.

Another analyst suggested that while holders of Consgold shares were hanging on in the hope of a higher bid, Minorco paper was losing ground because there will be more of it about if the bid succeeds — a reference to the 80 million new Minorco shares that form part of the present £3,2bn offer

He added that despite reassuring noises by Minorco CE Sir Michael Edwardes, institutions were still very wary of Minorco paper.

Their concern stems from reluctance to hold dollar-denominated Luxembourg-quoted shares One reason is that dividends on such shares would be paid gross of tax, unlike in the UK where they are paid net of tax

Most UK institutions are long-term holders of Consgold shares, and support for the company is said to be high.

While the City awaits developments, parallels are already been drawn with the recent battle in which leisure group Ladbroke acquired the Thomson T-Line industrial holding company.

When Ladbroke first announced an 80p per share offer for T-Line late last year, the City called the offer inadequate. T-Line stubbornly traded above that level, and Ladbroke was eventually forced to increase its bid to 90p to reflect the prevailing market price.

It is widely expected that Minorco will have little choice but to do the same.

● Meanwhile, Michigan state teasurer Robert Bowman has reacted strongly to protests against the state retirement system's $100m investment in Minorco.

"The transparency of efforts to extort the retirement system's support in the takeover battle with Consgold are matched only by the profligate waste of corporate money in this self-serving advertising campaign," he writes in a letter to ARC America CE Keith Orrell-Jones.

ARC has protested through advertisements in the media against the bid of its parent company Consgold by Minorco.

Bowman says the protests have a hollow ring. ARC fails to mention that their parent derived 17% of its 1987 profits from direct investments in four SA mining corporations, Bowman says.

If Minorco successfully acquires Consgold it has indicated it will divest in Consgold's SA investments.

The Star Finance

Star 22/2/89

Lean times ahead for the marginal mines

214

The slide in the gold price is threatening the future of many South African mines, which are old, deep and expensive to run

"If the price remains at these levels, there would have to be serious consideration of actual closures or retrenchments," says Johann Liebenberg, senior general manager of the Chamber of Mines

Gold recently fell to its lowest in two-and-a-half years Its highest was $850 in January 1980

Analysts say the 10 most efficient producers, which account for half the country's gold output, are clearly profitable, but that 12 to 15 mines could become serious lossmakers

Other mines will have to cut costs and raise efficiency This could lead to tough talk when annual pay negotiations with the National Union of Mineworkers begin in April

Most South African mines have to dig deep through hard rock to get at narrow seams of gold reef in stifling heat, using labour-intensive methods

"Existing mines are working at great depths, down to 4 km at some mines Working costs are fairly exorbitant," Mr Liebenberg says

Costs are increasing at a faster rate than profits

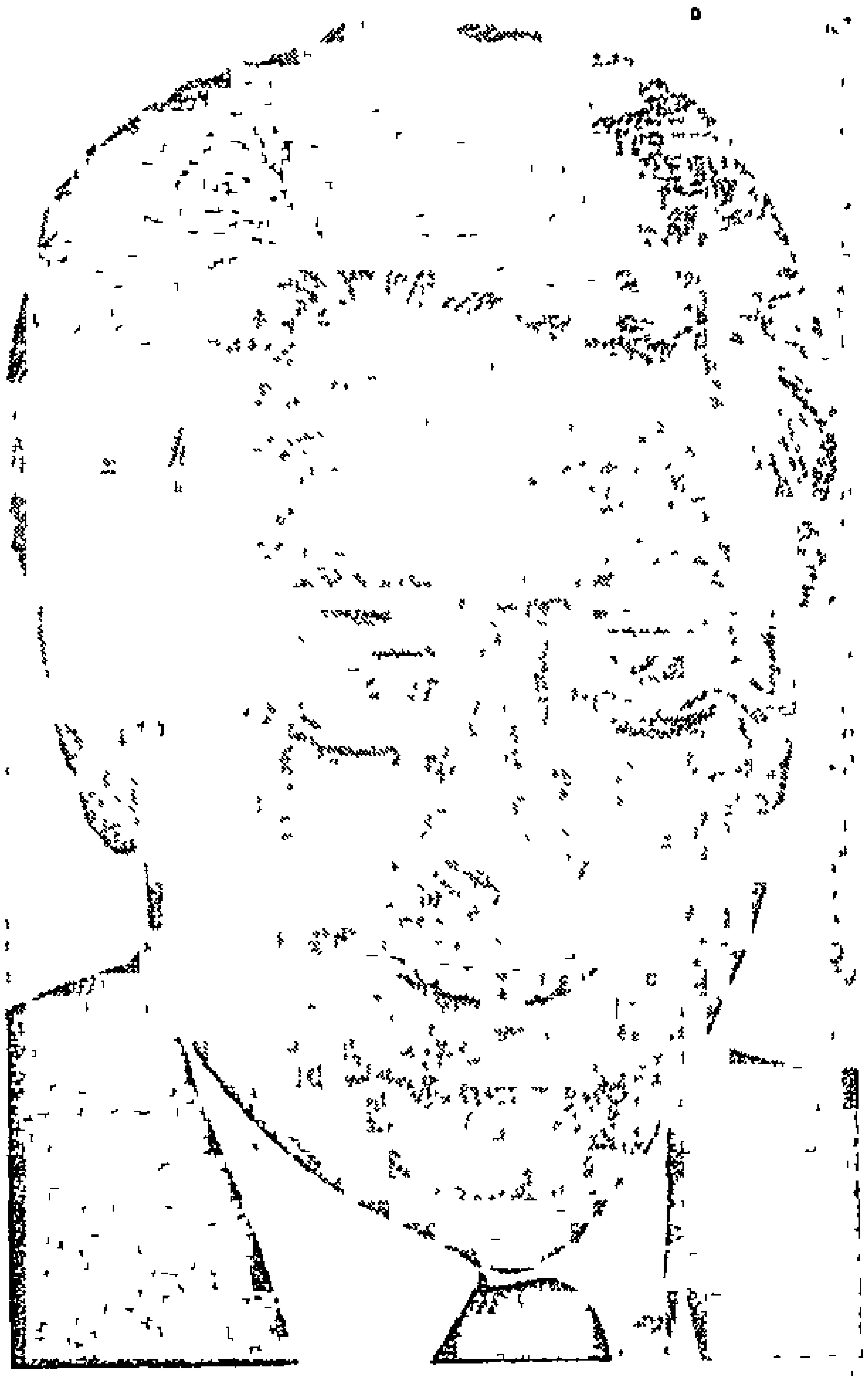
Chamber figures show total gold and uranium mine revenue rose by 9,7 percent from 1987 to R18,8 billion last year

Working costs rose 17,7 percent to R11,85 billion Pre-tax profit fell by 1,6 percent in 1988 after a 14,6 percent drop in 1987

By contrast, many new mines in Canada, the United States and Australia are surface, or shallow, operations, which can produce gold cheaply and retain healthy profits, despite lean prices

With gold about $400, 12 of the 34 mines belonging to the chamber look barely viable, Mr Liebenberg says

Bruce Williamson, an analyst with finance house J D Anderson says



Johann Liebenberg, the Chamber of Mines's senior general manager

"Some other mines, which are not members of the chamber, could be even more deeply in trouble"

The low bullion price could delay the opening of another 15 mines, which are crucial to a revival of South Africa's declining share of world production

"Their prospects are dismal," Mr Williamson says

A new South African mine needs 10 years of development work and at least R2 billion of investment before a bar of gold is poured

Labour accounts for 31 percent of working costs, and jobs at gold mines have already started dropping — to about 536 000 in 1988 from 553 000 in 1987 — according to chamber figures

The National Union of Mineworkers, recovering from the damaging effects of a costly 1987 pay strike, says mines still paying high dividends should look instead to improved pay for its 260 000 black members

White miners have already demanded a 20 percent rise

"Because of the volatility of the gold price, we need to err on the side of caution in determining pay levels," says Mr Liebenberg — Sapa-Reuter

Industry must protect

Consgold relies on new defences to block Minorco

Star 22/2/89 (214)

Star Foreign Bureau

LONDON — Consolidated Gold Fields is to speed up publication of its half-year results in the wake of Minorco's new £3,2 billion bid

Auditors were checking the figures Tuesday and Consgold expects to give shareholders the details before the end of the week

Analysts expect the results, for the half-year to December 31, to be good but not spectacular compared with those for the same months of 1987 when Consgold achieved £182,7 million before tax That total included an extraordinary profit of £82 million from the sale of shares in its associate, Gold Fields of South Africa

Consgold said Tuesday the interim results would show that, up to the end of December, it had spent 'substantially less than £20 million to defend itself against the previous Minorco bid — well below the figure of £50 million sometimes quoted by Minorco

According to reports in the London *Guardian* yesterday, Consgold was also expected to unveil plans for a corporate restructuring once Minorco had given formal details of its new bid

The newspaper said analysts believed the UK company may announce proposals to float its ARC aggregates operations and US-based Gold Fields Mining Corporation as part of its attempts to fight off Minorco

The *Guardian* quoted Consgold chairman Mr Agnew, as saying "We have a number of ideas and schemes we could introduce"

With both sides lining up behind familiar battle lines, Consgold's defence strategy could hinge solely on price and on the asset valuation which it is expected to publish as part of its defence

Sir Michael Edwardes, Minorco chief executive, yesterday launched a pre-emptive strike Any price must focus on the earnings performance actually achieved, he said On this basis, the higher the defence pitch their asset value, the less credible their performance in terms of earnings in recent years

Consgold's share price yesterday rose 17p to £14,60 in London and by 180c to R101,30 on the JSE confirming analysts statements that the new offer of £14 per share was too low

Unravelling Minorco's mysteries

214 Star 22/2/89

Analysts and investors have had difficulty in placing an exact value on Minorco, which is being used to gain control of Consgold

Before it leapt to media prominence last October when the initial bid was announced, Minorco was a mystery among analysts and investors, enjoying a lacklustre following

But things have changed and since last year analysts have poured over the balance sheets, trying to unravel the faceless congolomerate.

The only highlight was when Minorco succeeded in its "dawn raid" in the early eighties to gain a stake of 29,9 percent in Consgold

Since last October the share price has risen from a low of R33 to R53.

Analysts consider the company to be hopelessly under-valued in relation to its net asset value (NAV) At current levels it is trading at a discount of 37 percent to NAV of R84,61 a share (calculated with the financial rand at 390c to the dollar)

Minorco's two main controlling shareholders are Anglo with 39 percent and De Beers with 21

Diagonal Street

MAGNUS HEYSTEK

percent

An analysis by Francois Lutsch of stockbrokers Senekal, Mouton and Kitshoff, shows Minorco owns significant investment stakes (apart from Congold) in Charter Consolidated (36 percent), Engelhard, US (30 percent), Adobe Resources, US (48 percent), Inspiration Resources, US (56 percent), Anglo of South America (21 percent) and Danville Resources (86 percent).

The fact that Minorco has no direct investment in SA, apart from an indirect one via its holding in Consgold, which controls GFSA, makes it an attractive rand hedge.

At its current price of R53, Minorco is trading on a P/E of 14,3, with the historic dividend yield at 1,4 percent

Against what shares on the JSE should Minorco be measured? Mr Lutsch says a comparision could be drawn with FIT, the international investment holding company in the Liberty, and Richemont

FIT continues to amaze the market and at current levels of R13,50, the share is trading on a dividend yield of 0,8 percent, while the P/E is at 64! Richemont, on the other hand, is trading at a dividend yield of 0,9 percent with a P/E of 24.

Using this rule-of-thumb, it would seem Minorco is underpriced Should Minorco succeed in its bid, the share price should react positively

However, as is becoming apparent, the battle for Consgold has only just begun, with both sides confident of a victory And one must not forget the forthcoming ruling by a US appeals court which could still upset the apple cart

But judging from comments by London brokers and analysts, it seems a foregone conclusion that Minorco will succeed in its hostile bid for Congold Unshackled by these uncertainties, Minorco's rating in the market is bound to improve

(214)

SA URANIUM TRADE WILL SURVIVE 'NEW' EUROPE

ANDREW BUDDEN

SA'S URANIUM exports to Europe would not be significantly affected by a united post-1992 Europe, according to the SA Nuclear Fuels Corporation (Nufcor)

SA exports to the US were terminated in December 1986 following enactment of the US Comprehensive Anti-Apartheid Act, and those to Japan would soon be significantly reduced following a December 1988 Japanese decision not to renew SA supply contracts as they lapse

However, a Nufcor spokesman yesterday expressed doubt whether Europe, now the largest potential purchaser of SA uranium, would go the same route in introducing stricter controls on SA.

Europe has a limited common nuclear policy determined by the Euratom agreement, allowing individual countries and even different utilities within a country to make their own decisions regarding purchase of SA uranium, he said

He did not foresee any strengthening of its role after 1992 While SA exports faced resistance in some European countries, existing customers remained loyal to SA

Recent reports in the British Metal Bulletin claimed economic sanctions forced closure at the end of 1988 of several producers, including Gold Fields' Driefontein operation, JCI's Randfontein Estates, Gencor's Chemwes and Rand Mines' Harmony

This is reflected in a dramatic decline in production since 1983 from 7 000 tons U3O8 to just 4 400 tons last year The Japanese decision, while not immediately affecting SA, would further decrease the size of SA's market as existing contracts were not renewed or enlarged on their expiry

Interim results due later this week

B|Day 23/2/89 (214)

GonsGold: profit downturn expected

LONDON — Consolidated Gold Fields (ConsGold), currently facing a £3,2bn hostile bid from Minorco, is expected to produce sharply lower interim profits when the figures are released later this week

Analysts said yesterday that pre-tax profits for the half-year to December would probably be around £125m, 31% down on the previous half-year figure of £183m

That figure includes an extraordinary profit of £82m on the sale of shares in Johannesburg-based Goldfields of SA (GFSA) On a strictly operational basis therefore, the pre-tax profit of around £125m expected this week would actually represent an increase of 24%

Minorco CE Sir Michael Edwardes has repeatedly castigated ConsGold for this method of accounting, saying profits from asset disposals and share dealing should be kept separate from normal, day-to-day operating profit

ROBERT GENTLE

Good performances are expected from ConsGold's local ARC quarrying operation, and its wholly-owned US mining subsidiary, Gold Fields Mining Corporation

Above share offer

ConsGold shot up to £14,70 during the day before slipping back to £14,55 by late afternoon Though 5p down on yesterday's close, the share price is still well above Minorco's £14 per share offer

Meanwhile, Minorco informed the New York District Appeal Court about its decision to launch a new bid

Also in New York, Chemical Bank's decision to help finance Minorco's bid could lead New York City's pension fund to sell its $7 6m in Chemical stock

Such an action by this large fund could prompt other institutional investors that follow anti-apartheid policies to review the situation and possibly take similar action

Chemical, a unit of Chemical Banking Corp, is one of four banks that agreed to bankroll Minorco's bid with a £1 4bn loan facility

In early January, Chemical announced that it had broadened its anti-apartheid policy to include loans, such as the one to Minorco, made to offshore South African entities that didn't do business in South Africa

But the bank also told the New York City comptroler's office, which manages the pension funds, that it was contractually required to help finance the Minorco offer

Edwardes aid sought in planning row

Own Correspondent

LONDON — Sir Michael Edwardes is to be asked to intervene in a planning battle in the Cotswolds if his Minorco company's £3,2bn bid for Consolidated Goldfields (ConsGold) is successful

Campaigners against an £85m waterside holiday complex with an 25m-high glass "pleasure dome" are trying to enlist his support

ConsGold subsidiary, the Amey Roadstone Corporation, has agreed to sell the 161ha site at Lower Mill Farm if planning consent is obtained

The 700-strong Cotswold Water Park Villagers Society has been formed to fight the proposals

Muriel Watkins, the society's secretary, said this week "We will be writing to Sir Michael to see if there is anything he can do if the Minorco bid goes through"

ARC, in partnership with Granda Group subsidiary Park Hall, has applied for permission to build the complex, which includes 600 lodges and a 70-suite hotel, creating 400 jobs Cotswold district councillors will consider the plans on March 21

Northern Ireland Minister Richard Needham, who lives in one of the villages affected, has asked for the plans to be called in by government

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Cit 22/3/89

Interim results due later this week B/Day 23/2/89 214

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The Star Finance

Gemex, a small outfit that's going places

Star 24/2/89

(214)

By Derek Tommey

A little company with imagination and enterprise seems well on it way to making its name on the mining scene

Gemex, the mining subsidiary of Genwest, took over the SA interests of General Electric of the US in 1986

While no announcement has been made about the company seeking a listing, it would seem as if its need for funds could soon point it in that direction

Gemex's philosophy is to target projects with a short lead time, says managing director, Ken Barnard "You wont find us drilling 2,5km-deep boreholes on the Witwatersrand

"We're looking for precious metal deposits which can be exploited quickly and cheaply — as the Australians are doing"

The results of this philosophy have been exciting and have made Gemex both a gold and platinum producer

Gemex's gold is being produced at its Amalia project, 32km west of Schweizer-Reneke in the south-western Transvaal

Mining at Amalia was going on before Eersteling was started, with

Ken Barnard

gold coming from the schist belt, but the mine shut down in 1953

Gemex has spent R1,5 million installing a carbon-in-leach process to extract gold from the old dumps and it is just about breaking even

It intends restarting underground mining The old workings, 60 metres below surface, are in a sound condition But this is just the start of plans to develop the area

"We expect further exploration will reveal extensions to the existing workings and also new ore bodies," says Mr Barnard

The company has just consolidated options over a single area stretching for 30km along the schist belt from Amalia and will investigate these options by way of trenching and geophysical and geochemical analysis It is hoped to work any deposits by open-pit methods

Platinum comes from an unusual source — old chrome dumps Gemex has developed a plant to recover platinum from these dumps and has arranged with one of the major mining houses to treat a 1 million tons of dump The plant, which treats about 30 000 tons of ore a month, also produces a chrome concentrate

Mr Barnard says the plant was a "first" for SA Though the dump has a limited life, it is expected the plant will be used to treat ore from underground There are negotiations to instal similar plants at other chrome dumps

Other mining activities include the acquisition from Bophuthatswana of a prospecting lease for precious stones in an area along the Molopo river

The lease, issued last June, is for two years Gemex hopes to have done sufficient prospecting and proved sufficient reserves to warrant an application for a mining lease

It has a third interest with a major mining house in a Witwatersrand gold prospect

Consgold profits drop 25%

CA Times 24/2/89

214

By ROBERT GENTLE

LONDON — Consolidated Gold Fields yesterday announced a 25% drop in net pre-tax profits to £138m (£183m) despite excellent operational performances from subsidiaries and associate companies

The results, which were at the top end of analysts' expectations, saw earnings attributable to shareholders dip 18% to £101m (£123m)

Gross expense costs incurred in the initial Minorco bid were listed as £16,9m, though this had no immediate effect on earnings per share of 47,3p (58,2p), also down 18%

The board nevertheless declared a higher interim dividend of 12,5p (10p), which had the effect of slashing dividend cover to 3,78 (5,82)

The apparent contradiction between the poor bottom line performance and the good trading performance of Consgold's worldwide mining operations arises from its accounting policy of including profits from dealing and asset disposals in its overall profit figures

So while in the previous set of half-year results, profits were buoyed up by a £83,4m windfall on the sale of 10% of Johannesburg-based Gold Fields of SA (GFSA), no such profit was realised this time round

Consgold director Anthony Hitchen admitted as much, saying that if one neglected the "distorting effect" this had had on the bottom line, yesterday's results were actually a tremendous improvement

This was evidenced by the 35% leap in operating profits to £172m (£128m) from Consgold's worldwide operations, he said

The star performer was Renison Goldfields in Australia, whose half-year pre-tax profits more than doubled to £13,6m (£6,6m) thanks to buoyant sales of titanium and zircon sands The UK quarrying subsidiary ARC also performed well on the back of a buoyant crushed stone market, turning in a 73% increase in pre-tax profits to £62,1m (£35,8m) The US operations performed less well with both ARC and Newmont Mining reporting slightly lower profit figures

Gold Fields of SA also achieved good results in rand terms, though its contribution in sterling was reduced by 14% to £14,2m as a result of the weakening rand

Nevertheless, chairman Rudolph Agnew declared himself fully satisfied with the results He said they gave the lie to Minorco's claims that Consgold was sitting on underperforming assets

He also launched a fierce attack on Minorco and its associates, calling them "parasites feeding on their South African parentage"

'Smoking chequebook' held to ConsGold chief's head

The Argus Foreign Service

LONDON — Consolidated Gold Fields chairman Mr Rudolph Agnew was at his most barbed at yesterday's presentation of the interim results

He said he took particular exception to Minorco chief executive Sir Michael Edwardes's suggestion that, should Minorco win control of ConsGold, it would remove "the small reactionary group" at the top, and, to justify the price, would "need to squeeze the pips very hard"

Muttering as an aside, "pipsqueak making the pips squeak", Mr Agnew accused Minorco of not understanding the nature of ConsGold's business

"As far as I know there is only one gold-mining company in the world which has never found a mine — Anglo-American Corporation,'" he said Anglo and De Beers, between them, own 60 percent of Minorco

Mr Agnew than moved to a "swingometer" to illustrate the profitability of a gold mine He apologised for the simplicity of the illustration, but said it was necessary "in case Michael Edwardes creeps in"

Of Minorco he said "They are basically asset strippers sitting in a tax haven (a reference to Minorco's Luxembourg base) They have little knowledge and no experience (of natural resources business)"

Mr Agnew said that since 1980 "they have held a smoking cheque book to my head" trying to get control It was "a form of financial terrorism"

ConsGold reported that operating profits surged to £172-million in the six months ended December against pds 128 million the same period the previous year

Operating profits for the year to June 1988 were £264-million

Aiming at keeping shareholders loyal, ConsGold's board raised the interim dividend to 12,5 pence from 10 pence The annual dividend thus creeps up to 34,5 pence from 32 pence The dividend yield on the shares currently trading around £14,60, however, is only 2,4 percent

Earnings per share fell to 47,3 pence from 58,2 pence but earnings are not comparable

In the six months ended December 1987, ConsGold included an extraordinary item of £83,8-million following the sale of GFSA shares That asset sale was worth 38 pence a share, so in the second half of 1988 actual earnings increased sharply

Turnover in the six months rose to £719-million from £616-million in the comparable period of 1987 The return on capital employed was 25 percent

Star 24/2/89

(214)

Consgold results invite better offer

By Neil Behrmann

LONDON — Forcing Minorco's hand to raise its offer, Consgold said yesterday that operating profit surged to £172 million in the six months to December, against £128 million in the same period the previous year

Operating profit for the year to June 1988 was £264 million

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Turnover in the six months rose to £719 million from £616 million in the comparable period of 1987

The return on capital employed was 25 percent

South Africa now only contributes seven percent of operating profits, compared with 37 percent from the aggregates business in the UK and US

In Australia, Rensison Goldfields raised its profits by 106 percent to £13,6 million, or six percent of total operating profits, because of a strong titanium and zircon sand market

ARC, the UK aggregates business, boomed in the past six months, with operating profit rising 73 percent to £62 million from £38 million in the 1987 period

Profits from ARC in the US fell to £17,9 million from £22,7 million the year previously because of tougher business conditions

But despite the weaker gold price, there was a surge in profitability of Gold Fields Mining in the US to £25,5 million from £16,8 million

It is easy to see why Minorco wants to keep these assets ARC and Gold Fields Mining accounted for 61 of operating profits

Profits from Gold Fields of South Africa fell to £14,6 million from £16,6 million because of the declining rand

Portfolio, management and property development profits soared to £36,4 million from £22,5 million in the previous six months

Share-dealing profits for the whole of the previous financial year were £31,9 million

Consgold's defence has cost £16,9 million Yet the company has managed to boost its share price by nearly £2, or £450 million, following its campaign

Total borrowings net of cash amounting to £663 million, represent 45 percent of net worth, plus investments at market value

The majority of analysts contend that Minorco will have to raise its offer price to win over more than 75 percent of shareholders

ConsGold accuses Minorco of terrorism

BDay 24/2/89

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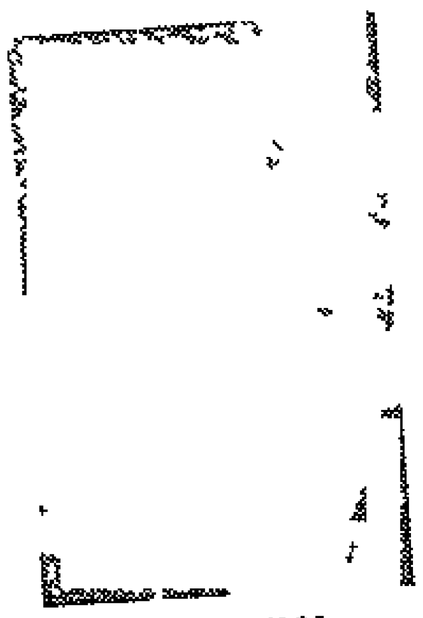
ROBERT GENTLE

LONDON — ConsGold chairman Rudolph Agnew yesterday called Minorco and Anglo American asset strippers, parasites and financial terrorists

He said, at the presentation of his company's half-year results, Anglo had first raided ConsGold in the most outrageous manner in 1980 and was now trying to get total control



● AGNEW

"They are using two tactics — aggression and misinformation We will match them in agression"

He expressed little surprise at the way the battle for ConsGold was being conducted "They have to do that They are basically asset strippers They have little knowledge and no experience"

Since the initial dawn raid in 1980, Agnew said Anglo had been holding "a smoking chequebook" to his head

He likened this to financial terrorism, though hinted he may give in if the price was right

□ ConsGold reported a 25% drop in net pre-tax profits to £138m (£183m) in spite of excellent operating performances from subsidiaries and associates

The results, which were at the top end of analysts' expectations, saw attributable earnings dip 18% to £101m

□ Responding to Agnew's charges, a Minorco spokesman said "We understand he gave a well-rehearsed performance yesterday"

A Day 24/2/89 (214)

Share prices surge as confidence returns

Gold rebound breathes life into JSE marginals

REINIE BOOYSEN

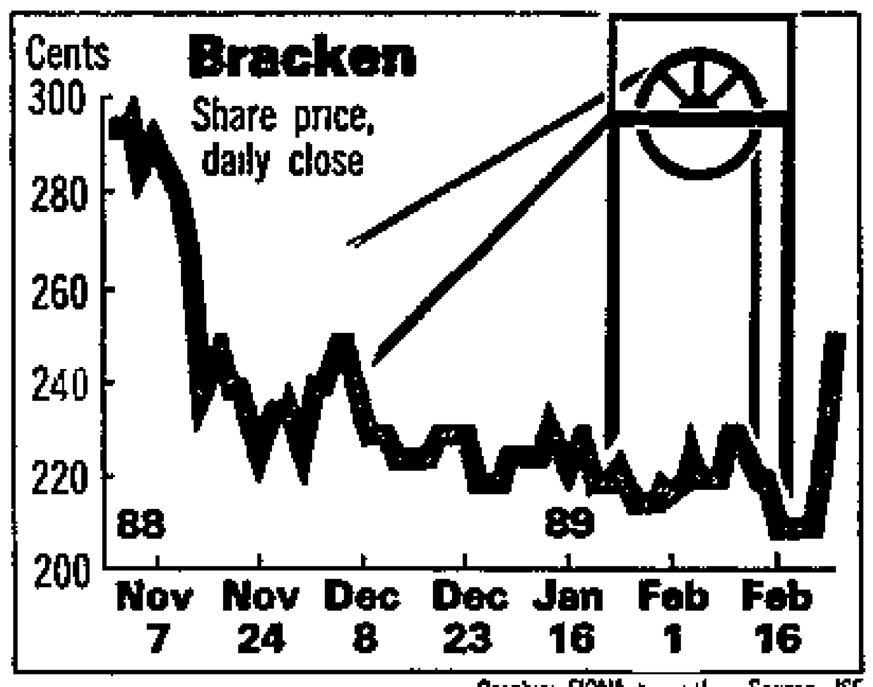
THE recovery of the gold price to the important psychological level of $390 on world metal markets yesterday — it closed at $391,00/$391,50 an ounce in London last night — sparked off renewed interest in the so-called marginal gold mines on the JSE

Marginal gold mines are those which have a small margin between their operating costs and operating profits

They mostly have low grades of gold in their ore resulting in relatively high working costs in terms of gold production

Working costs on SA gold mines have increased steadily in recent years, and this has necessitated concerted efforts by mine managers to control costs

Nevertheless some mines have ended up in situations where small movements in the gold price, and the rand-dollar exchange rate can make all the difference between profit and loss



Graphic: FIONA ... Source JSE

Unlike many other industries, the SA gold-mining industry has very little control on the price of its product, and many decisions to construct or reopen disused mines were made when the price of gold was more favourable

Yesterday 11 600 shares in five mines — Bracken, Lesley, Vlakfontein, Witwatersrand Deep and Consolidated Modderfontein — changed hands on the JSE

The share price rises were as follows Bracken by 25c or 11,1% to 225c, Cons Modder by 20c or 11,1% to 180c, Leslie by 25c or 10% to 250c, Vlakfontein by 20c or 8,7% to 230c, and Wit Deep by 50c or 7,7% to 650c

Besides Wit Deep, all these shares were last at 12-month highs in February or March last year, and they all touched 12-month lows in the last two weeks

The fact that sentiment has improved markedly is evidenced by the interest in Consolidated Modderfontein, which is known to be suffering from dangerously tight cash-flow constraints

There was also increased interest in an exploration company recently listed by JCI, Barnato Exploration Its share price rose by 11% from 320c to 360c

According to information contained in the most recently quarterly reports released by the mines, two of the above mines have working costs which are way above the current gold price Bracken's working costs were $400/ounce of gold produced during the December quarter, while Cons Modder's working costs are at $464/ounce

Raging Rudolph and smoking chequebook

S Times 26/4/89 (214)

By Richard Rolfe

LONDON. — An unrepentant Rudolph Agnew, chairman of Consolidated Gold Fields, stepped up his campaign of vilification against Minorco this week

He accused Minorco, which earlier in the week renewed its £3,2-billion bid for Cons Gold, of conducting "an aggressive campaign of misinformation"

"They are asset-strippers," Mr Agnew raged "They have held a smoking chequebook at my head They are financial terrorists"

Reactionary

Minorco has alleged that the "reactionary board" at Cons Gold has starved the operating subsidiaries of funds

Mr Agnew produced figures to show Cons Gold had invested £580-million in its ARC operation in the past five years Its profits rose from £36-million to £62-million for the half-year to December

"Is that a company strangled by reactionary management?"

Overall, Cons Gold taxed profits were down from £124-million to £102-million The earlier period included profits controversially brought to account from the sale of 10% of Gold Fields of SA to Rembrandt

In a further demonstration of the bitterness of the battle, James Capel, Minorco's broker, was excluded from the analysts' meeting to discuss Cons Gold's results

Pipsqueak

Hurling back a phrase of Sir Michael Edwardes, Minorco chief executive, Mr Agnew said "This pipsqueak says he is going to make the pips squeak They are parasites They feed on their parent in Johannesburg and if the takeover were to succeed they would feed on the brilliance of Cons Gold's management"

On the financial front Mr Agnew's main thrust was directed at Minorco's plans to sell Cons Gold's low-yielding assets, Newmont and Renison

"Low-yielding assets is another phrase for growth investments"

Mr Agnew said Cons Gold's now highly profitable US gold mines had once shown low or negative yields

Armoury

He produced figures to demonstrate that Cons Gold's exploration expenditure of £190-million over five years had yielded 16-million oz of gold reserves outside SA at a cost of $18 an oz

"There's one group in the world that's never found a gold mine," Mr Agnew growled "It's not us

"Their philosophy is don't be creative, be an asset-stripper in a tax haven" — a reference to Minorco's Luxembourg domicile

One of Mr Agnew's senior advisers, Wall Street investment banker Joseph Perella of Wasserstein Perella, told Business Times he expected the battle to continue for several more weeks

Known as "Poison Pill" Perella for his imaginative defences against unwanted bids, Mr Perella indicated that Cons Gold still had an extensive armoury of tactics at its disposal

"These people aren't going to give up," Mr Perella said, indicating Cons Gold executives

Minorco still has to post its bid under London rules, which it must do within 28 days of announcing the revised terms It has held off posting in the hope that the US courts will lift the injunction restraining Minorco from buying more Cons Gold shares

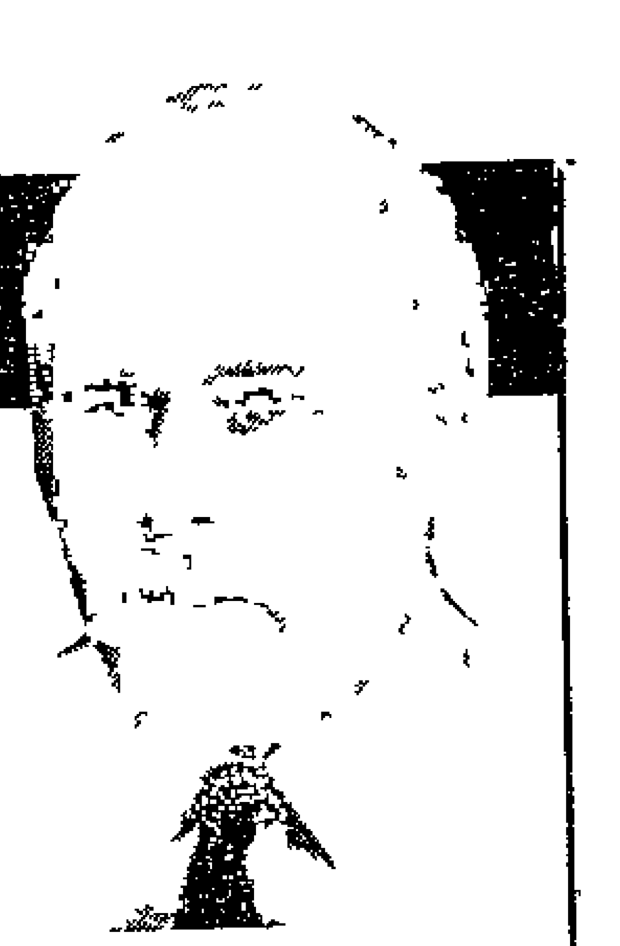
Astonishing

Allowing for compliance with all the London rules, merchant bankers Schroders, Cons Gold's lead advisers, believe the bid could run on for at least another 12 weeks

Word from Minorco was that it regarded Mr Agnew's latest comments as "astonishing"

"We can only think it was done to create a diversion from Cons Gold's poor figures"

RICHARD ROLFE in LONDON



Disaster turned to opportunity

214

AFTER the anti-South African sentiment generated by Cons Gold's scorched-earth response to the Minorco bid, it is a relief to be able to report that the hue and cry is dying down.

The implications of foreign investment by Minorco and thus, at one remove, by Anglo American, have been investigated by the UK and Europen Economic Community competition authorities and have not been found to be against public interest

So far from being hindered, future investment by SA businesses abroad may be facilitated

Hostile bids might even be possible It is doubtful whether any future target would find it worthwhile to conduct the type of defence so far put up by Cons Gold

CATHARTIC

Minorco made a great show this week of having survived what chief executive Michael Edwardes described as "the cathartic experience" of investigation by the UK Monopolies and Mergers Commission

His chairman, Julian Ogilvie Thompson, added that to undergo the official scrutiny "had been vital for Minorco's whole future to be cleared"

All this is true, but it is also the case that Minorco was shocked out of its wits by the original referral to the MMC. It regrouped, dealt with the commission's questions and has now achieved beneficial results. Disaster was turned into opportunity, as in the Chinese proverb

For the greater Anglo group, there is still the matter of the inquiry by the UK's Office of Fair Trading, the first stop before the MMC, into the diamond cartel But that looks like being a formality

The European Commission says it will continue to monitor the platinum market in the EEC and has noted allegations by Cons Gold of illicit trading practices and discriminatory pricing arrangements Sir Michael and his henchmen are unlikely to lose any sleep over that

DISCOUNT

The MMC report, quoting an unnamed platinum industry executive, said that Minorco associates Engelhard and Johnson Matthey, the biggest platinum refiners, bought all or most of their metal from Rustenburg at a discount of 7%

This enabled them to squeeze other manufacturers "and was a barrier to new entry into the market"

In the US, the MMC observed, "the terms of the commission received by Engelhard and Johnson Matthey could be described as a restrictive practice"

Making a statement earlier this week as Minorco renewed its bid for Cons Gold, deputy chairman Sir Michael dropped the pretence that Minorco was not controlled from SA

Last September, the party line was that Minorco under Sir Michael was fiercely independent of Anglo and De Beers However, nobody believed it — and it gave Cons Gold the opportunity, which it exploited to the hilt, to present Minorco's SA connections as sinister

Instead, Sir Michael said this week "Nobody should pour scorn on our SA parents, who have been in the forefront of the fight against apartheid"

That, for my money, is a much more defensible approach

He was asked to quantify the damage caused by the Cons Gold defence Sir Michael's reply was that damage had been "significant"

Cons Gold's highly politicised moves had highlighted both the SA stake in Minorco and Cons Gold's own SA affiliations

But, Sir Michael added, "two bits of intelligence have to be balanced against that"

First, "there has been less opposition expressed to SA in the field than the other side suggests"

Second, Cons Gold had scored a spectacular own-goal with some of its activities in the US where it has been stirring up opposition to Minorco among state and city authorities with anti-SA ordinances on the statute books

REPLY

As an example, Minorco published a letter from Robert Bowman, treasurer of the state of Michigan, in reply to Keith Orrell-Jones, chief executive of Cons Gold's major subsidiary, construction materials group ARC

Its US subsidiary, ARC America Corp, is the fifth-largest US producer of aggregates for the construction sector and the biggest manufacturer of concrete pipes

Pursuing the scorched-earth defence, it took space in Michigan newspapers to say HELP KEEP SOUTH AFRICA OUT OF MICHIGAN

The advertisement says "If Minorco succeeds, it will be the largest SA acquisition of US assets in history It will also insulate SA's largest business from US economic sanctions"

BIGGEST

The Michigan state pension fund owns 6% of Minorco — it is the biggest shareholder after Anglo group and Oppenheimer family interests — in spite of having recently passed anti-apartheid legislation

ARC attacks Mr Bowman for retaining the Minorco holding and urges him to "find another good investment among the close to 15 000 publicly traded companies in America"

It urges the state authorities to "put teeth in the divestiture law you fought for"

In response, Mr Bowman writes to Mr Orrell-Jones "Various attempts by you, your public relations firm and your parent to extort support in your takeover battle with Minorco seem less than genuine

"You, as president and chief executive of ARC America Corporation, have expressed no problem with Minorco's 29% ownership of your parent, Cons Gold Only after Minorco attempted to buy the remaining 71% have you raised any objection"

HOLLOW

Mr Bowman says that Cons Gold derives 17% of its profits from SA "If your commitment to divestment is legitimate, instead of exhorting (us) to sell Minorco, you should be convincing your parent to divest of its direct investments in SA"

He notes that all the same arguments have been presented to the UK Monopolies and Mergers Commission and rejected unanimously by it

"For these reasons, your urging on what actions (we) should take have a hollow ring to them

"The transparency of your efforts is matched only by your profligate waste of corporate money in this self-serving advertising campaign"

As Mr Ogilvie Thompson said in London this week 'We couldn't have put it better ourselves"

Cons Gold responded tersely to publication of Mr Orrell-Jones's letter "The Michigan governor shouldn't have any stake in SA He's been caught with his pants down"

Business Report

Minorco keeps the heat on Consgold

GM/C Times 27/2/89

Own Correspondent

LONDON — In a move designed to sustain the pressure on Consolidated Goldfields, Minorco will fire its offer document early this week rather than wait for judgment on a New York court ruling barring it from acquiring more shares

Meanwhile, the Takeover Panel is monitoring personal remarks made in the battle last week after warning both sides earlier in the fray to avoid going "over the top" in comments about individuals

Last week, Consgold chairman Rudolph Agnew accused Minorco CE, Sir Michael Edwardes, of "financial terrorism", calling him and his company asset strippers and parasites

Agnew also made a *sotto voce* remark about "pipsqueaks" wanting to "make the pips squeak"

Said Sir Michael "If I was a Consgold director, I would wonder whether he is losing his self-confidence"

He plans to submit Consgold's £18-million defence costs to the "closest scrutiny" Ahead of the Consgold asset valuation and expectations of an improved final offer around £15, Consgold shares closed at £14,60

Minorco's offer is around £14 per share

There is growing confidence in the Minorco camp that the tide is now ebbing from earlier asset projections which ranged up to STG20 a share

In addition, there are signs of modest but growing institutional support for Minorco shares, up 10p on the week at £7,63 on analysts' calculations that winning Consgold could boost assets to £10,17 a share

The offer document attacks Consgold's latest interim results and higher borrowings, and points to a half-year return of just £34m on assets and expected to fetch about £1,5-billion on sale —

It highlights substantial Corporation Tax penalties at the full rate which Consgold would suffer on any asset disposal programme of its own It also gives a pledge not to cut back on exploration spending

"Far from asset stripping, we want to take the peel off the orange and get to the segments," said Sir Michael

His remarks shore up earlier ones made by Minorco finance director Tony Lea, who suggested the defence costs listed by Consgold in the latest set of interim results are not a true reflection of what was really spent

Lea estimated Consgold spent £3,3m a week compared to the £1,2m Consgold said it spent

He also refuted Consgold's claims of improved financial health, pointing out that the dividend had increased by 25% despite the debt/equity ratio having soared to 98%

"This underlines the financial constraint on Gold Fields' ability to develop further its wholly-owned businesses"

Lea further argued that the core operating assets Minorco intended to keep if its bid was successful contributed 78% of operating profits

The latest results were, he said, "a complete vindication of Minorco's business strategy and lends support to its current offer to Gold Fields' shareholders"

Meanwhile, Minorco is perceived in the city to be on a good wicket even if it has to increase its bid An analyst said the proceeds from the sale of Consgold assets would still clear the debt incurred by the bid

A straw poll conducted by the London Sunday Times of 20 of Consgold's leading instutional shareholders — holding between them 20% of the equity — showed a majority believed a bid of between £15 and £17 would be needed to succeed

Harry O and five others to quit Minorco's board

214 Star 27/2/89

The Star Bureau

LONDON — Mr Harry Oppenheimer is to step down from the board of Minorco in May, according to a letter accompanying Minorco's offer document, sent to Consolidated Gold Fields shareholders yesterday.

In all, six directors of Minorco are stepping down from the board.

In his letter, Mr Julian Ogilvie Thompson, Minorco's chairman, says that the board is being restructured to reduce the representation of Anglo American and De Beers — which own 60 percent of Minorco's equity.

The five other directors to depart are Mr Sidney Spiro, Mr Neil Clarke, a former chief executive of Charter Consolidated, Mr John Abell, Mr Robert Clare and Mr Louis Marx However, there will still be an Oppenheimer on the Minorco board — Nicholas, Mr Oppenheimer's son, is joining as a non-executive director.

Institutional investors in Consgold expect Minorco to raise its £14 a share bid for the British mining and aggregates giant A straw poll conducted by the London *Sunday Times* of 20 of Consgold's leading institutional shareholders — holding between them 20 percent of the equity — shows the majority believe a bid of between £15 and £17 a share will be needed to succeed.

● See Page 18

The Star Finance

Minorco's bank ally comes under pressure

Star 27/2/89

(214)

The Star's Foreign News Service

NEW YORK — The role of a major US bank in helping to finance Minorco's bid for Consolidated Gold Fields (Consgold) could lead to a major selling of the bank's stock, the first of which would be New York City's $7,6 billion pension fund investment

In a reporting on this development, the *Wall Street Journal* says that such an action by so large a fund could trigger other big institutional investors that follow anti-apartheid policies to review the situation and possibly take similar action.

The bank, Chemical Bank, is one of four international institutions that agreed to support Minorco's bid with a £1,4 billion loan facility

Chemical's share is £300 million

IDENTICAL

The bank facility for Minorco's new bid is identical to one made in support of Minorco's original £2,9 billion bid last September

When Britain's objections were removed earlier this month, Minorco revived its bid for Consgold with a higher offer of about £2,2 billion for the 70,4 percent of the British mining giant that Minorco doesn't already own

When anti-apartheid groups and some employees last year criticized Chemical Bank for its involvement in the Minorco deal, the bank vigorously defended its action, contending that the loan commitment was "consistent with Chemical's anti-apartheid South African policy in every way"

Early in January, Chemical announced it had broadened its anti-apartheid policy to include loans, such as the one to Minorco, made to offshore South African entities that did not do business in South Africa.

The bank, however, also told the New York City Comptroller's Office, which manages the city's pension funds, that it was contractually required to finance the Minorco offer

This, however, has not satisfied the City Comptroller, Harrison Goldin, who now insists Chemical Bank can pull out of its commitment to Minorco

Chemical has declined to say what penalties it would suffer if it pulled out of the loan, though it has expressed concern about its loss of face in the international banking community "that we are people who couldn't be trusted to go through with a deal if pressure is applied"

The New York municipal pension fund's stake of 237 499 Chemical shares represents only 0,37 percent of Chemical's outstanding shares

But overall the city is considered a large and influential institutional investor whose actions are likely to have an influence onothers

Anglo offers more shares

214

Finance Staff

3rd 27/2/87

The Anglo American Group Employee Shareholder Scheme announced on Friday that employees would be issued five more Anglo American shares at the corporation's head office and participating gold mining companies

The gold mining companies participating in the scheme are Freegold, Vaal Reefs, Western Deep, Elandsrand, SA Land and Ergo

Employees who have already joined the scheme will automatically receive the five shares Those eligible employees who did not join the scheme last year and those who have now completed the qualifying two years' service will be entitled to join the scheme and receive five shares

Other participating companies will have to decide how many shares to offer their employees this year This will depend on how the companies have performed financially

About 120 900 employees from 19 companies have already joined the scheme Mr Clive Fletcher, manager of the scheme, believes that more employees will take up the offer

Verdict won't delay fired-up Minorco

Own Correspondent

(BD) (214) BDay 2/12/89

LONDON — In a move designed to sustain the pressure on Consolidated Goldfields, Minorco will fire its offer document early this week rather than wait for judgment on a New York court ruling barring it from acquiring more shares

Meanwhile, the takeover panel is monitoring personal remarks made in the battle last week after warning both sides earlier to avoid going "over the top" in comments about individuals

Last week, ConsGold chairman Rudolph Agnew accused Minorco CE Michael Edwardes of financial terrorism, calling him and his company asset strippers and parasites

Responded Edwardes "If I was a ConsGold director, I would wonder whether he (Agnew) is losing his self-confidence", adding that he planned to closely scrutinise ConsGold's £18m defence costs

"Far from asset stripping, we want to take the peel off the orange and get to the segments," said Edwardes

Minorco's offer is about £14 per share and there is growing confidence in the Minorco camp that the tide is now ebbing from earlier asset projections which ranged up to £20 a share

The Mincorco offer document attacks ConsGold's latest interim results and higher borrowings

Earlier Minorco finance director Tony Lea countered ConsGold's claims of improved financial health, saying the dividend increased by 25% despite the debt equity ratio soaring to 98%

"The latest results are a complete vindication of Minorco's business strategy and lends support to its current offer to Gold Fields' shareholders," he said

□ A straw poll conducted by the London Sunday Times of 20 of Consgold's leading institutional shareholders — holding between them 20% of the equity — showed a majority believed a bid of between £15-£17 would be needed to succeed

CONSGOLD ISSUES MINORCO BID REJECTION LETTER

LONDON — Consolidated Goldfields said yesterday it has posted a letter to shareholders urging rejection of the Minorco bid.

B/Day 1/3/89

The letter advises shareholders to take no action in relation to the bid until they have received the ConsGold board's further advice explaining why they should reject the offer. No date for the next advisory note was available.

Minorco's offer of around £14 a share, in the form of Minorco shares and cash, values ConsGold at £3,2bn. Minorco has a 30,1% stake in ConsGold. — Reuter

214

Has the gold share rocket taken off?

Star 3/3/89

214

Diagonal Street

ISSY BACHER

Until last week the action and performance of shares on the JSE left gold shares largely untouched. Coals, De Beers, mining financials, the metals sector and institutional industrials had been the major beneficiaries of the bull market.

The fundamentals for gold shares could not have looked worse, with both the dollar and the rand gold price consistently diving to new lows.

Previously a weak dollar gold price had been balanced by a weak rand but this has not been the case this time round and the rand gold price has not been able to get above the important R1 000 mark to make the majority of mines viable

Suddenly in the past few days gold shares have come alive Has the gold rush begun? On Friday February 17 the All Gold Index was 1291. Ten days later the index was up 14,1 points to 1 432 and all that was needed to trigger this rise was a small spurt of the gold price from $380 to $390

First, the rise is part of a phenomenon that has been developing in the relationship between gold shares and the gold price for the past year, namely that the size of the gold price rise needed to send gold shares on a 80 to 100 point spurt is getting smaller and smaller

Secondly, the All Gold Index has been holding up remarkably well; up to last week in a sideways channel between 1 290 and 1 400 regardless of the fact that bullion was sinking to and then falling below the $400 mark

A study of the two graphs illustrates both points The top graph shows the declining gold price. Each rise of the gold price at point ABC & D resulted in a reflex climb of the gold index by approximately 80 points This is seen at the exact same points on the lower graph but the rise needed to trigger the gold index climb diminishes from A to D, and what is more interesting, this has occured as the gold price has fallen both in dollar and rand terms

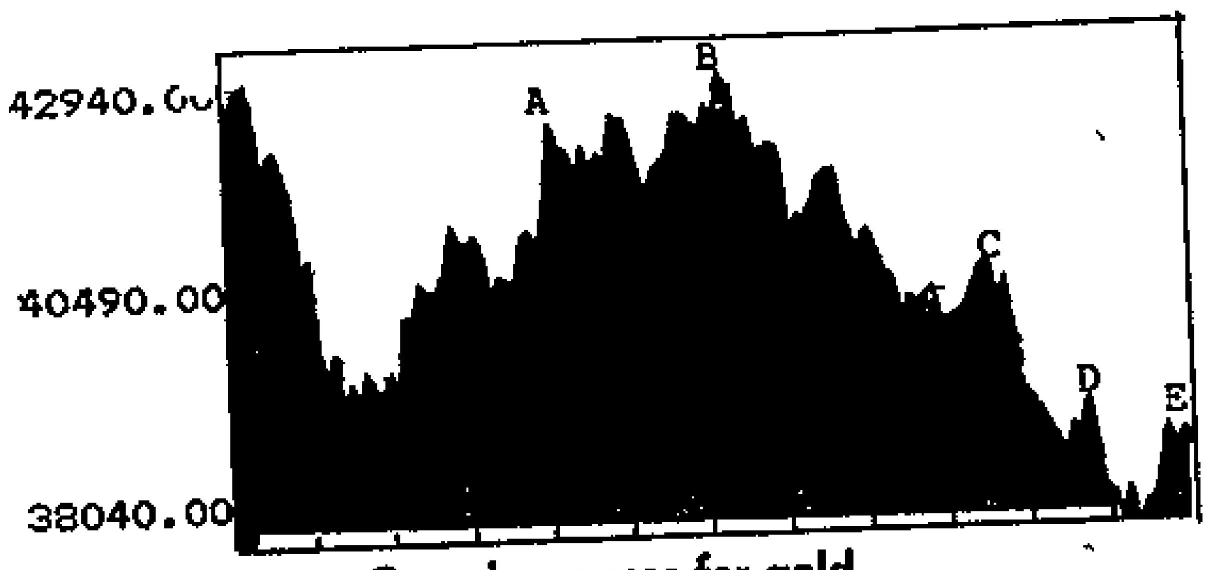
The most recent development is seen at E where the rise of bullion to $390 has sent the All Gold Index soaring to a four months high of 1 432 and by doing so it has broken through strong resistance — which is significant. This development is exciting and holds explosive potential for the future As the gold price falls the shares are being accumulated by the smart money and are going into strong hands As soon as the gold price turns the scrip dries up and there are no sellers

So the knee-jerk reaction to the gold price rise gets bigger and bigger Until now the gold price rise has aborted just as it has appeared that the shares are going to blast off

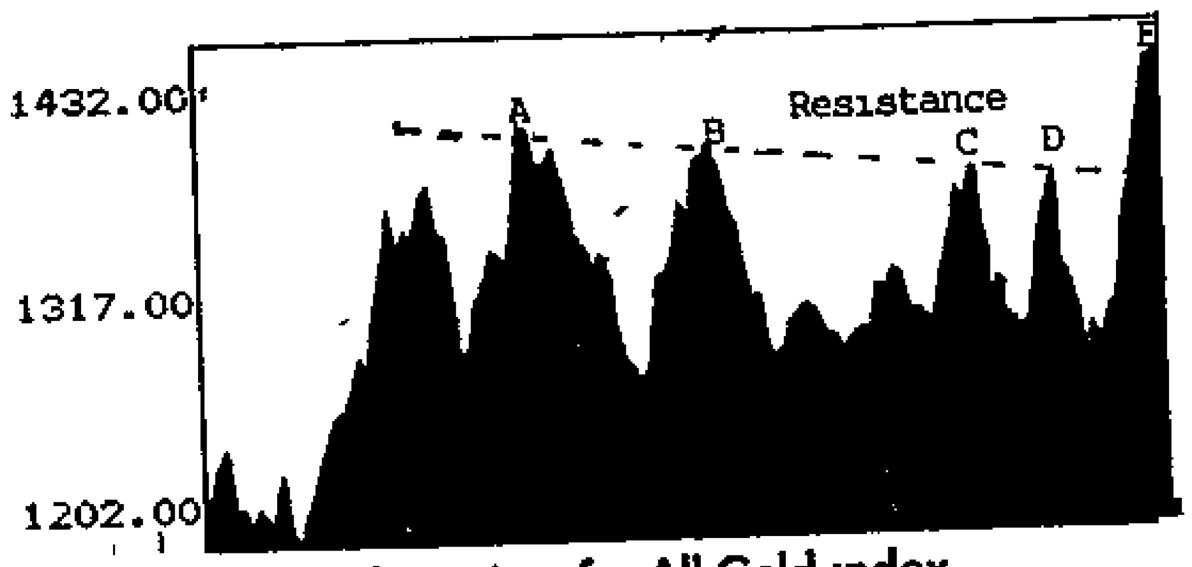
The present break-out of the All Gold index points to bullion breaking past $400

Failure to do wo will abort the gold share rise.

It will be surprising indeed if the present strength of gold shares turns out to be false.



One-day prices for gold.



One-day prices for All Gold index

Source Fintel Graphics

Gold mines set to expand

Star 3/3/89 214

Finance Staff

Some 15 new gold mining projects could be developed between now and the end of the century, an industry analyst said yesterday

Speaking at the 1989 Capital Expenditure Prospects Conference, Mr Mike Brown, an analyst with stockbrokers Davis Borkum Hare, said that a further five new platinum mines and a number of other expansion projects were under way

These projects require capital expenditure of about R28,2 billion in today's money and could provide a host of new investment and job opportunities

The R28,2 billion brings the total estimated capital expenditure between 1989 and 1993 to R30,5 billion in current terms, about R20 billion of which will be on expansion of gold capacity and R5 million each on platinum and other minerals

This estimated expenditure represents a near doubling in the real rate of capital spending compared with the last five years, Mr Brown said

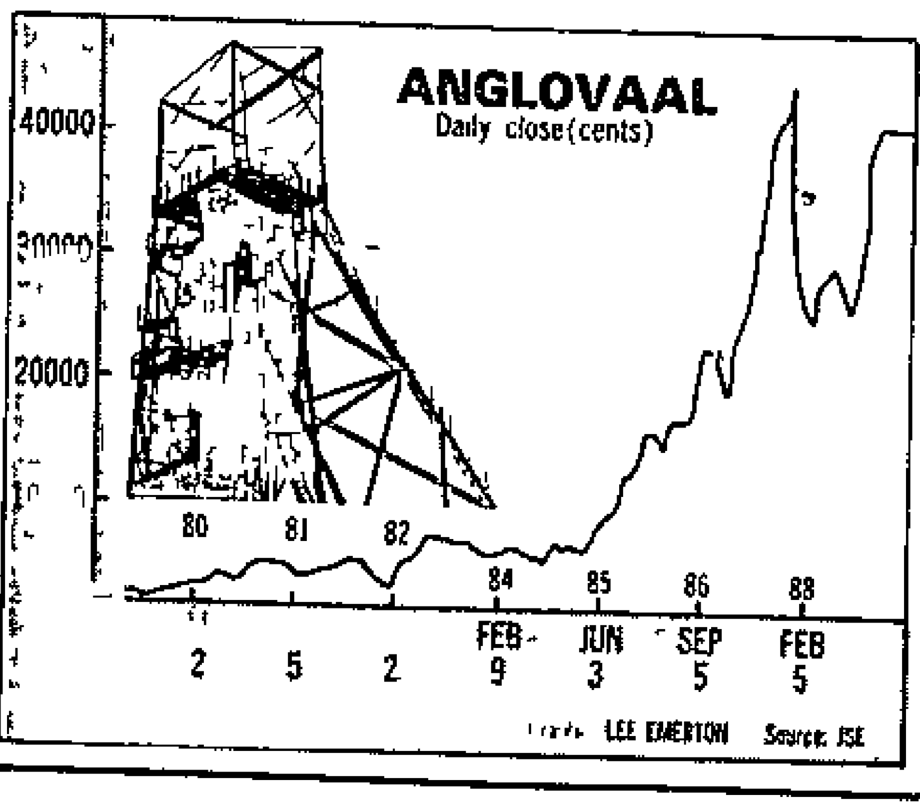
He told delegates that the development of new mines depended mainly on two factors, namely the full implementation of the Marais Committee tax proposals for new mining projects and a rand gold price of about R900

● See page 14

Industrials outshine golds for Anglovaal

B/Day 3/3/89

(214) REINIE BOOYSEN



ANGLOVAAL'S industrial and manganese interests countered the dull performance from the group's gold mine investments in the six months to December 1988 — resulting in a 12% rise in attributable earnings to R78,6m (R70,2m)

Subsidiary Anglovaal Industries yesterday declared interim earnings of R79,9m — 22% higher than the previous year's R65,7m This largely explains the parent's 23% rise in operating profit, to R229m (187m)

The parent's earnings a share (ordinary and "A") are 1 836c (1 641c), and an interim dividend of 250c a share has been declared (1987 220c)

Income from investments — largely in gold mines — declined 8% to R26,6m (R29m)

The 106% rise in equity-accounted earnings, to R16,7m (R8,1m), is derived mainly from Associated Manganese Mines The directors pointed out in

● To Page 2

Anglovaal's interim earnings rise 12%

(214) B/Day 3/3/89

● From Page 1

August that "increased sales volumes and higher US dollar prices for manganese and iron ores and for ferro-manganese and ferro-chrome, together with the lower average value of the rand against the dollar" were positive factors affecting the company's performance

Another interest which should have performed well was Prieska Copper Mines, also as a result of good metal prices But because it only declared a dividend on February 14 — 20c a Prieska share, equivalent to 100c an Anglovaal share — this will only be accounted in the current half-year

The consolidated costs of the group's exploration programmes in the northern Free State, a feasibility study on the southern portion of the Sun prospect area, and certain mineral rights purchases amounted to R23,3m (R28,7m) — of which R20,6m was for the Sun and Oribi programmes

Mines to incur R30,5bn capex

B|Day 3/3/89 (214)

REINIE BOOYSEN

THE SA mining industry was expected to incur capital expenditure of about R30,5bn (in constant 1989 terms) during the next five years — largely on the expansion of SA's gold and platinum production capacity, said Davis Borkum Hare economist Mike Brown yesterday

He told a Johannesburg conference on Capex over R20bn would be devoted to the expansion of gold production capacity, about R5bn on platinum, and R5bn on other minerals

He said some 15 new gold mines could be developed in SA before the end of the century. He added that five new platinum mines and a number of expansion projects were under way.

The development of the new gold mines would depend partly on two important factors:

□ The full implementation of the Marais Committee tax proposals for new gold mining projects, and

□ A "kick-off" gold price of R900.

Assuming that these two criteria apply, he said 15 new projects were researched which had the required minimum grades of ore reserves to provide "a real internal rate of return of 7% a year", which he said should meet the requirements of the mining houses.

The estimated capex of more than R30bn by the mining industry in the next five years represented a near doubling in the real rate of capital spending compared with the past five years

Some positive aspects for the mining industry of the Marais Committee's recommendations were.

□ Accelerated depreciation of capex;

□ A relaxation of "ring fencing",

□ The gradual phasing-out of present tax surcharges and mining leases; and

□ A more favourable tax formula for low-cost, high-grade producers.

Said Brown "This mining industry expansion — already apparent in platinum group metals — should broaden out into a new generation of gold mines, hopefully commencing in the near future and continuing for the rest of the century.

"It promises to herald the 'third great wave of new mine development' which has occurred over the past century and should generate significant benefits in job creation and economic development over the next decade

"Accordingly, the mining industry promises to be in the forefront of the economy's renewed vitality and future prosperity in the years to come"

□ Brown said, the draft Minerals Bill, published late last year, was a limiting factor in mineral resource exploitation

Evaluating gold mines and projecting profits

w/e Argus
4/3/89
214

TAKING STOCK

RICHARD CLUVER

OVER the past few weeks I have explained how one might make forward projections of individual gold mine production tonnages, their gold yield and their working costs and how from these one can calculate their likely pretax profits

One can then compare these with the known figures from the previous year to determine the percentage changes coming in pretax profitability of each mine under varying conditions of gold price and rand/dollar exchange rate

The share market is often surprisingly slow to recognise these changes developing but it does in time respond to them, not in absolute proportion, but in reasonable relation to them

The profitable inference is that the fundamental analyst, who each time the mines release their quarterly results in January, April, July and October, performs the calculations that I have described, can pick in advance which gold shares will in time start moving ahead This is what my Gold Mine Finder computer programme does for investors who subscribe to it

Additional products

Depending upon the state of the market, such investors have a greater or lesser amount of time to make their investments When gold fever coincides with a bull market, the response to the changes implicit in the quarterly results is almost immediate and insider trading makes it nearly impossible for the slow investor to take a profitable position

When the market is on the bottom, however, I have known it to take up to two months before reaction becomes obvious and in such cases one needs to turn to the charts for confirmation that accumulative activity is taking place

Critics will argue that calculating upon gold yield alone is not sufficient After all many mines produce additional products like silver, uranium, osmiridium and sulphuric acid which contribute to profits There are variations in taxation, tribute income paid by other concerns to them and so on

The answer is that the only way one can handle all the calculations I have described in respect of all South Africa's gold mines is to use a computer And while one can theoretically keep on adding additional refinements one after the other to take into account every single profit variant, there is a limit to what the ordinary PC can handle and, of course, there is a limit to the amount of data one can or indeed would want to capture

Retrospective studies of actual mine profits made — and predicted — compared with the movement of their share prices have made it clear that there is really no need to go so far

In virtually every case one can safely project future pretax profits calculated from gold workings alone, compare like with like, and produce a projected profit increase/decrease figure It then remains only to rank one's mines in descending order of anticipated profit increase and one can be reasonably sure which will perform the best and which the least in future

There are two other factors which must, however, be built into the equation how long will the mine remain payable and how well can it withstand reversals such as a sudden decline of the gold price or an adverse trend of the exchange rate

The life of the mine is a matter of obvious concern, particularly if one is considering investing in a mine nearing the end of its effective working life

However, interpreting the balance sheets and accompanying mining reports of South African mines is really something beyond the capabilities of the average investor who, I suggest, should content himself with the mine life categorisations provided from time to time by the Chamber of Mines

One can obtain this information from the SA Mining Journal, from the chamber itself, from your stockbroker or, periodically, in the financial Press

Do not, however, take it as information written on tablets of stone for there are a surprising number of annual changes as new exploration adds to the reserves of a particular mine or, sadly, proves that sections of reef which were expected to pay well in the future, are faulted or of lower than expected yield

Normally the mines are grouped into four categories — the rich/long-life mines, medium-grade mines, short-life mines and, finally, the marginals

The rich/long-life mines can normally be distinguished by their low average working costs One can safely invest in these, mines like Driefontein Consolidated, Kloof, ET Cons, Southvaal, Deelkraal, Elands, Winkels and Western Deep Levels, knowing that they can keep on producing for decades to come

Furthermore, factors such as changing gold price, inflation, the exchange rate of the rand and so on do not make significant impacts upon mine profitability Dividends thus remain stable and share prices tend not to move either up or down with any volatility

For practical purposes one can lump the last two categories together and treat them as one, that is the short-life mines and the marginal-cost mines for both behave in virtually the same fashion Both are courting closure, the marginals if they are unable to contain their costs sufficiently to remain at least marginally profitable and the short-lifers because they are nearly worked out

Swing profits

Why bother with this latter category? Because this is where the quick killings are made When, like now, the gold price is falling, profitability of the marginals crashes But a few dollars increase in the gold price can sharply swing profits the other way

For my money the most interesting mine in this category is Grootvlei which I have watched swing from a 60 percent loss to a 6 000 percent projected profit increase situation and then back once more and all in just a few month

Between these lie the medium-graders which effectively sit on the fence offering the best or, depending upon one's investment perspective, the worst of the other two categories

Next week I will publish a full list of the principal mines and the profit projections generated by my Gold Mine Finder computer programme and demonstrate the arithmetic of investment in the three mine categories

New 'insider' scandal erupts over Consgold

Star 6/3/89

214

Star Bureau

LONDON — A new Consolidated Gold Fields insider dealing scandal is set to erupt in the City this week.

Department of Trade and Industry inspectors have uncovered what they believe to be insider trading in Consgold shares during autumn 1986

Consgold is currently the target of a hostile £3,2 billion bid from the South African-controlled Minorco

Lord Young, the Trade Secretary, is still considering the inspectors' report, but he is expected to pass it on to the Serious Fraud Office for possible criminal investigations He is expected this week to come under mounting pressure to publish the report


Lord Young

The suspected illegal trading occurred while a Canadian gold mining company, American Barrick Resources, was planning a bid for Consgold it is understood that Barrick is not implicated

It is thought that insiders who may have known of Barrick's interest, bought Consgold shares In just a few months, while the Canadian company built up a 4,9 percent stake, the Consgold share price raced up from £4,00 to more than £6 50

The *Sunday Times* reported that the DTI was now linking its current investigation into last year's frenzied buying of Consgold shares — ahead of Minorco's initial £2,9 billion bid in September — with dubious share dealing in Consgold in 1986

The DTI report was ordered in December 1986 after Consgold, led by its chairman Rudolph Agnew, had made allegations about a possible "concert-party" raid on the company Agnew suspected that another company was acting alongside American Barrick

A copy of the DTI's report into what happened in 1986 was sent to Consgold on Thursday, but its findings will not be made public until a decision has been taken on possible prosecutions

However, Consgold is this week expected to press for full public disclosure ahead of the DTI s on-going investigation into the flurry of share buying that took place just before the Minorco bid

James Capel, the stockbroker, has been drawn into the DTI's inquiries because it advised American Barrick in 1986 Capel is now acting on behalf of Minorco, which last month increased its offer for Consgold to £3,2 billion after being cleared to bid by the Monopolies Commission

Chinese Wall

Peter Quinnen, James Capel's chief executive, said "We did deal in Consgold shares, but there was a Chinese Wall between our mining department and our corporate finance team which advised American Barrick

"Our maximum position in Consgold at any one time was about half a million shares (worth about R14 million at the time)'

Minorco has tried to distance itself from the Barrick/Capel affair A spokesman declared "Minorco have nothing to fear from publication of the report Company representatives saw the inspectors for 45 minutes on an informal basis in late 1986 or early 1987 Remember, Capels were only appointed brokers to Minorco last year"

● Consgold's formal defence to Minorco's cash-and-share offer, worth £14,17 a share, is expected by the middle of this week Agnew's defence can be expected to highlight the thin market in Minorco's shares

Star 6/3/89.

The Star Finance

Further spectacular fall in gold price likely

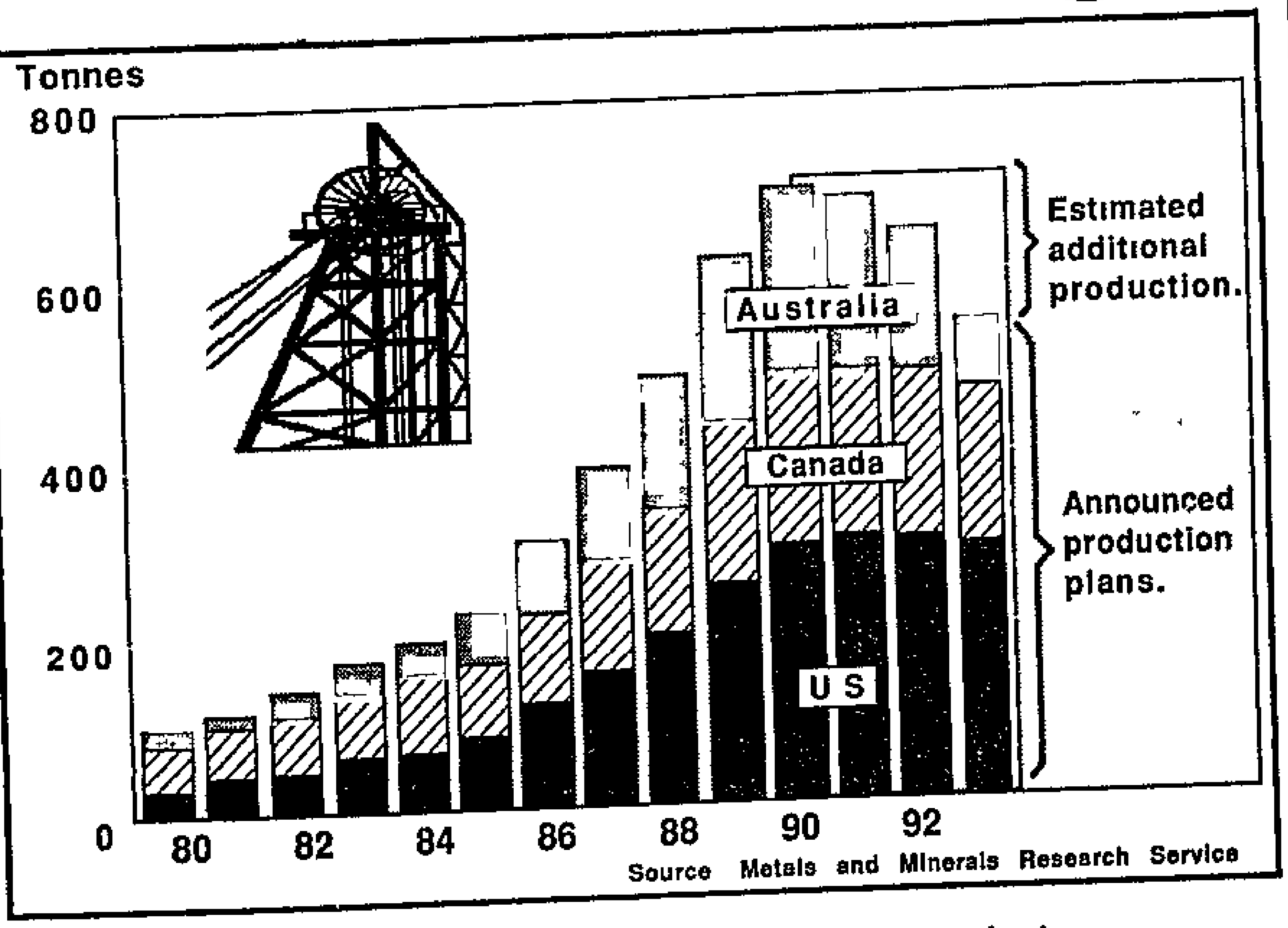
(26) 244

Star Bureau

LONDON — The gold price, which has now settled well below $400 an ounce, could be set for a further spectacular fall, according to a British research consultancy

Metals and Mineral's Research Service (MMRS) says high-cost producers are not willing to cut production, despite this year's slide, and that world output is likely to grow by four percent a year to 1993, generating "excesses of supply reminiscent of those seen in the base metals industry in the early 1980's"

The rise in production could take output in 1993 to about 1 780 tons, about 60 percent more than in 1983



Combined North American and Australian gold production.

MARGINALS

Marginal producers are already coming under threat of closure, the consultancy notes, but

- Most gold production in South Africa, the world's largest producer, will be protected by government intervention and devaluation of the local currency
- The Australian dollar is also expected to depreciate, offsetting further falls in the gold price in local terms, although that country's output might drop by half over the next five years
- Producers in Latin America are protected by governments which need foreign exchange and put a premium on the gold price
- The North Americans, the lowest-cost producers in the world, will not be significantly affected unless gold falls to the low $300 an ounce level
- Many producers, particularly in North America and Australia, are protected by high forward sales and revenues for up to three or four years ahead.

Giving preliminary results from its latest report on world gold supply, scheduled to be published in May, MMRS points out that between 1980 and 1987 non-Communist world output rose by an annual five percent

Nearly two-thirds of the increase came from three countries The US, Canada and Australia Encouraged by a gold price which averaged $420 for the past eight years compared with $132 in the 1970's, the combined production of this group grew by about 21 percent a year

Mr Tim Petterson, MMRS's gold analyst, estimates that last year gold output in the US, the world's third-largest producer, jumped by 25 percent to about 193 tons

The US should easily be able to sustain a production rate of more than 250 tons a year over the next decade, approximately triple the rate of 1985, he says

MMRS suggests Canada's gold output between 1986 and 1990 will show an annual increase of 20 tons By the end of next year output is expected to reach an annual rate of 190 tons, more than double that of five years earlier

Australia's third gold rush has boosted its output from 17 tons in 1980 to about 150 tons last year, according to MMRS This year it should reach about 175 tons but becausemany of the country's mines have limited lives output could halve in the next five years

Even so Australian and North American output combined is likely to about equal to that from South Africa If South African production remains at last year's level, total gold output will grow by 4,5 percent a year to 1993 to reach 1 780 tons.

Amgold hit by lower gold price (214)

Finance Staff

The lower gold price and higher prospecting costs hit Anglo American Gold's (Amgold) earnings for financial 1988

Earnings per share declined by 3,2 percent to R15,05 (15,55), while the total dividend payment was reduced by 75c from R14,25 in 1987 to R13,50 last year The final dividend of 700c was 25c down on the second half of 1987

Total investment income from the group's gold mines decreased from R355,9 million in 1987 to R352,4 million Interest earned, less administration expenses, was R500 000 lower at R6,6 million, while prospecting costs increased by 35 percent to R28,7 million Star 6/3/89

Although no taxation was payable during the year (R500 000 in 1987), net income fell by 3,2 percent to R330,3 million from which the total dividend distribution for the year absorbed R296,4 million, leaving retained earnings of R34,9 million (R28,5 million)

Investments, loans and mineral rights increased by R37,4 million to R396,6 million, but net current assets decreased by R3,4 million to R22,2 million

Amgold's investments at market values and directors' valuations were R6,064 billion, 18,9 percent higher than the previous year Net asset value, after providing for dividends stood at R27,98 (R23,49) a share at the end of February

- Anglo subsidiary Botswana RST's (Botrest) woes continued during the year to end-December

Botrest increased its operating profit from Pula 20,41 million to P281,6 million But its accrued royalty and interest payments, which are deferred for payment, now stand at a deficit of P184,2 million and combined with currency exchange losses of P227,3 million, the accumulated deficit at the end of 1988 was P1,347 billion

The deficit at the end of 1987 was P1,165 billion The attributable loss during financial 1988 was therefore P182,3 million

Rising costs hit Amgold

CMT 6/3/89

2/4

Own Correspondent

JOHANNESBURG — The weak gold price and continually rising working costs in the SA gold mining industry are two major factors behind the decline in Anglo American Gold Corporation's (Amgold) taxed income, to R330,3m (R341,3m) in the year to end-February 1989

Earnings a share are down 3% to 1 505c (1 555c), and total dividend distribution is 5% lower at 1 350c (1 425c), following the declaration of a final dividend of 700c

This is the second consecutive decline in Amgold's fortunes Last year the company reported an 8% decline in earnings/share, to 1 555c (1 697c to February 1987), and an 11% decline in dividends/share, to 1 425c (1 600c)

Vaal Reefs — Amgold's largest investment, which contributed R60m to investment income in the form of dividends in the 1989 financial year — is a good example of the general trend affecting Amgold's portfolio

Although the average gold price received by Vaal Reefs during its financial year to end-December 1988 rose 10% to R31 876/kg (R28 968/kg), working costs rose by 11,4% — to R16 126/kg (R14 480/kg)

This mine managed to lift gold production, and counter the squeeze on its profit margins, so that it could maintain dividend distribution at 1 900c/share

Some of Anglo's investments — like Elandsrand, Ofsil, Freegold, Welkom and Buffels — felt the squeeze more, and declared lower dividends The net effect was a decline in investment income, to R352,4m (R355,9m)

A notable change in the income statement was prospecting expenditure, which rose R7,5m to R28,7m

Amgold's investments, loans and mineral rights increased by R37,4m to R396,6m and net current assets decreased by R3,4m to R22,2m

Amgold's investments at market values and directors' valuations were R6,064bn, 19% higher than the previous year's R5,099bn

Net asset value, after providing for dividends, stood at 27 979c/share (23 491c) at the end of February

Amgold income has fallen again

B/Day 6/3/89 (214)

REINIE BOOYSEN

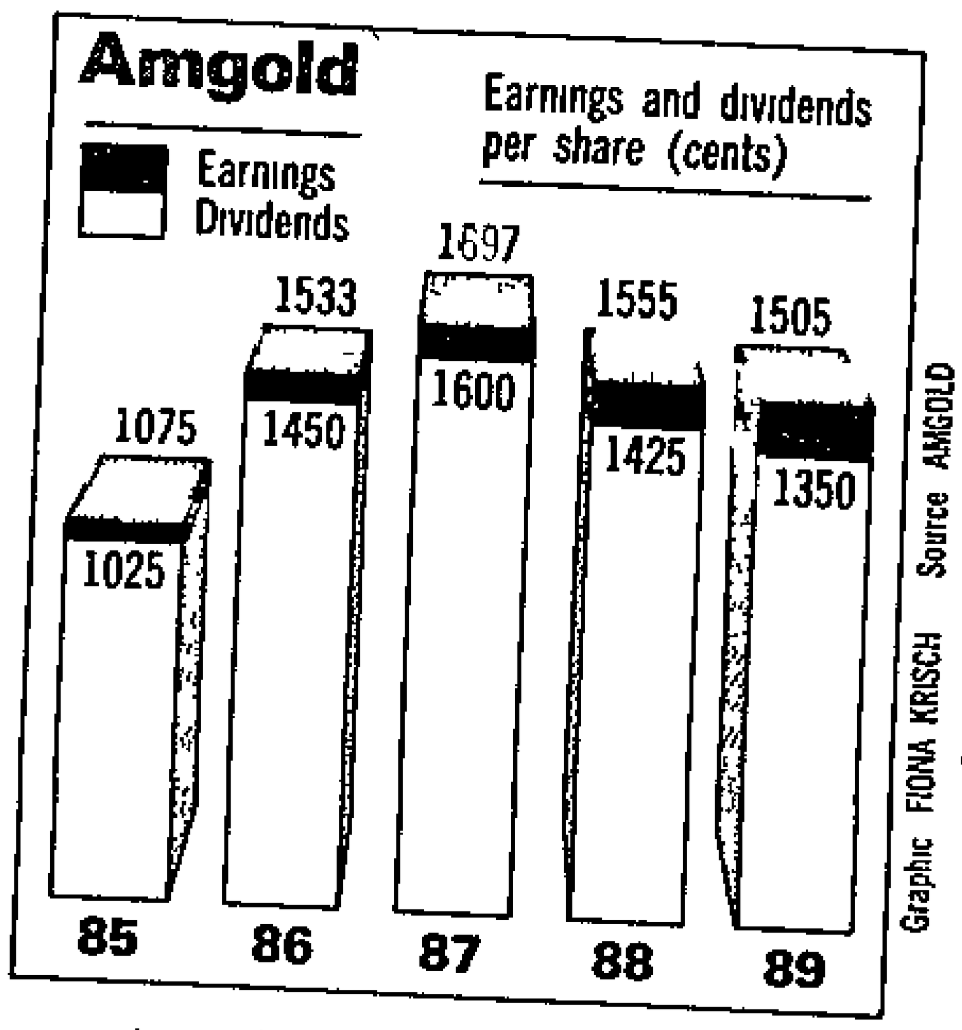
THE weak gold price and steadily rising working costs in the SA gold mining industry are the two major factors behind the decline in Anglo American Gold Corporation's (Amgold) taxed income to R330,3m (R341,3m) in the year to end-February 1989

Earnings a share are down 3% to 1 505c (1 555c) and total dividend distribution is 5% lower at 1 350c (1 425c), after the declaration of a final dividend of 700c

This is the second consecutive decline in Amgold's fortunes Last year the company reported an 8% decline in earnings/share, to 1 555c (1 697c to February 1987), and an 11% decline in dividends/share, to 1 425c (1 600c).

Vaal Reefs — Amgold's largest investment which contributed R60m to investment income in the form of dividends in the 1989 financial year — is a good example of the general trend affecting Amgold's portfolio

Although the average gold price received by Vaal Reefs during its financial



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● To Page 2

Amgold records second drop in income

(214) B/Day 6/3/89

● From Page 1

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CONSGOLD-MINORCO HOSTILITIES TO RESUME SOON

ROBERT GENTLE

LONDON — Consolidated Gold Fields (ConsGold), facing a £3,2bn hostile takeover bid from Minorco, is expected to release its defence document before the end of next week.

A spokesman said the document was in the process of being drafted and was unlikely to be available before then.

The eagerly awaited defence document, prompted by the posting to ConsGold shareholders last weekend of Minorco's offer document, is expected to contain a detailed valuation of ConsGold's assets.

This would be aimed at rebutting arguments from Minorco that ConsGold is worth a lot less than its market price.

The spokesman said the defence document would also attack the calibre of Minorco's management team and would reinforce the concern already expressed among institutional investors about the desirability of holding Minorco paper.

Meanwhile, all is quiet on the battle front. An analyst called it the calm before the storm He said. "Hostilities will recommence with a vengeance next week."

3/10/88

214

Minorco's gladiator spends time a-courting

214 (a) Star 7/3/87

The chief executive of Minorco paid a flying visit to South Africa this week. Michael Chester takes a look at Sir Michael Edwardes

...el Edwardes is trying to win hearts for Minorco's bid to take over the Consolidated Golds Fields empire

Sir Michael Edwardes was on home ground in Johannesburg yesterday when he transferred back to South African soil — at least momentarily — the multibillion-rand battle launched by Minorco to take control of the multiational Consolidated Golds Fields empire

In the process, he shed the image of a modern business gladiator engaged in the biggest and perhaps fiercest takeover scrap in the corporate history of Britain

Sword and armour were left behind at the Minorco head office in Luxembourg, the newest base of the finance and investment company that has launched a R14-billion takeover bid that Cons Gold is fighting tooth and nail

Instead, the warrior, wearing a plain grey business suit, was armed with little more than an innocent pair of reading spectacles that he periodically perched on the end of his nose while his eyes flirted between referring to notes and peering over the minuscule rims at interviewers

Sir Michael, now deputy chairman and chief executive of Minorco, had clearly come a-wooing on his 24-hour flying visit

By the time he met financial journalists at a mid-morning news conference, he had already briefed the higher echelons of the Anglo American Corporation and the De Beer diamond company — big shareholders in Minorco — about the state of the battlelines in the takeover tussle

Now, he said, he was rushing around trying to convince South African financial institutions with investments in Cons Gold to see the virtues of the takeover exercise

Equally, he was keen to persuade local shareholders in Gold Fields South Africa, which at the moment is controlled by Cons Gold in London, to go along with the bid — especially since they stood to be on the inside track when Minorco followed a pledge to sell the Cons Gold stake in South Africa if it emerged the victor

To remind South African investors of his own origins — born in the Cape in 1930 and educated at St Andrew's College in Grahamstown and Rhodes University — Sir Michael took the opportunity at most sessions to chuck in a few familiar Afrikaans phrases and witticisms

He made it seem like a tiff over a son of the veld being misunderstood — an international commotion in which hostile overseas elements, including the Cons Gold hierarchy, were engaged in another round of South Africa-bashing instead of looking at the merits of a corporate wedding

After all, he said, more and more institutional investors overseas were coming round to support Minorco when they heard the plain facts of the matter and the debate had jettisoned anti-South Africa misinformation

That had become evident at meetings the Minorco team held with no fewer than 60 institutions in London and Edinburgh last week And he was confident he could win more hearts in Europe when he flew off to talk to big institution investors in Frankfurt, Zurich and Paris

One sensed Sir Michael intended staying in diplomatic garb when he jetted back to Europe last night But one also sensed an iron fist beneath the velvet glove, ready for the next bout with Cons Gold

The scrapper instinct behind the quiet mould became apparent soon after Sir Michael launched his business career as a management trainee with the Chloride battery company in southern Africa in the 1950s — and emerged at the top by 1971

It was also seen when he was called in to rescue the ailing Dunlop rubber company in Britain — and sacked the entire board as starters And then he was asked to put the stalled British Leyland motor company back on the road

At one moment in Johannesburg yesterday, someone wondered whether there was a chance of a White Knight — financial world parlance for a third company which intervenes in a hostile takeover battle with a bid of its own — stepping into the Minorco clash with Cons Gold.

That, said Sir Michael, looked unlikely

But one felt Sir Michael the gladiator mentally re-checked his sword and armour

GFSA directors face conflict of interests — Edwardes

214

By Sven Lunsche

Sir Michael Edwardes, chief executive of Minorco, yesterday called on Gold Fields of South Africa (GFSA) directors to clarify their positions with regard to Minorco's bid for Consolidated Gold Fields

Sir Michael said at a press conference yesterday that he was "sick and tired of hearing from Consgold in London what its associates, including GFSA, felt about the proposed takeover"

He said that GFSA directors should "lift their heads above the parapet and take a stand"

Sir Michael posed the question of "how far the board committee of non-executive directors of Gold Fields of South Africa are involving themselves in the decision on our offer"

He said he would be asking four questions to GFSA directors "as there is a certain conflict of interest involved"

GFSA's chairman, Robin Plumbridge, was not available for comment yesterday

The Minorco board also seemed extremely confident that it could convince institutional investors to support its bid for Consgold

Sir Michael said he was encouraged by the way the institutions had responded to Minorco's latest presentations

The Minorco team, headed by Sir Michael and financial director, Tony Lea, is currently touring financial capitals to convince institutional holders of Consgold shares to accept the offer

Mr Lea said that since Minorco was not increasing the cash part of its offer, institutions were forced to evaluate Minorco paper and they were seeing good value in it

Sir Michael said that the £14,06 a share offer was looking better everyday as the gold price weakens and interest rates continue at their present high level

"Most people are amused by my comments that it is a source of some regret that under the British Takeover Code you cannot reduce an offer once it has been made," Sir Michael said

Many British analysts disagree In a recent newsletter, London-brokers SG Warburg Securities recommend that Consgold shareholders hold on to their shares, expecially since the company released better-than-expected interim results recently

"The market ~~is plainly~~ mainly looking for a better offer than £14,06 per share and most estimates of the net asset value suggest that this is low," Warburg writes, adding that their own estimates at market value puts Minorco at about £16,50

Sir Michael also stressed that the bid was conditional on the outcome of the appeal case before a New York court, but he was optimistic that the appeal would succeed

Commenting on UK press reports that some UK institutions had expressed reluctance to take Minorco paper, as their funds were obliged to have most of their investments in UK stock, Mr Lea said that this was an inaccurate comment "as their was no legal limit to the holding of foreign funds by UK institutions" last year's 3,147 million ounces

Minorco improves earnings by 32%

Star 1/3/89

By Sven Lunsche (214)
and Foreign Staff

Minorco received a major boost in its £3,2 billion bid for Consolidated Gold Fields, by reporting a 32 percent increase in earnings before extraordinary items to $136 million (R347 million) for the six months to December

The actual increase in earnings amounted to $139 million, but as a result of a change in accounting policy, the figure was slightly reduced On this basis interim earnings during 1987 amounted to $103 million

Operating income surged by 86 percent to $83 million

The increase on the operating level derived from a 35 percent rise in dividend income and a trebling of interest incomefrom Minorco's near $900 million holdings in cash

The income from dividends was $41,5 million and $45,3 million from interest income The increase was achieved despite an 18 percent fall in earnings from its 29,9 percent Consgold stake on an equity-accounted basis, a fact which undoubtedly will help Minorco in its bid for the UK mining giant

Earnings per share before extraordinary items rose from 60,6 US cents to 80c, while the interim dividend was raised by 40 percent to 14c

Net earnings fell to $125,8 million, after deductionsof about £5,8 million, which ironically is Minorco's share of Consgold's elaborate £16,9 million defence campaign against the bid

Minorco's costs of the bid at end-December were £10 million, covering its £1,4 billion loan facility and legal costs, which have been deferred and will either be included in the price paid for Consgold, if successful, or written off

Minorco's shares on the LSE yesterday slipped 12p to £13,62 ahead of the first closing date of its bid on Saturday

Commenting on the results Minorco directors said increased earnings came from affiliates Adobe Resources, Charter Consolidated and Anglo American

They added that Engelhard contributed slightly less, while Western Gold Exploration and Mining made a negative contribution after extensive exploration programmes in North America

Gold shares rally after 16-month bear market

(214) Star 9/3/89

By Derek Tommey

The gold share market has sprung to life and advanced strongly in the past two weeks It has rallied in spite of the gold price standing below $390 an ounce — which is about its lowest for two years and some $100 below year-ago levels

Since Februry 17, the Johannesburg Stock Exchange's All Gold index has risen some 12 percent and the index is now back to where it was in February, last year This latest rise has increased the value of gold shares by R5,3 billion to just under R50 billion

The rally appears to have brought to an end the 16-month bear market in gold shares which began at the time of the October, 1987 share market crash

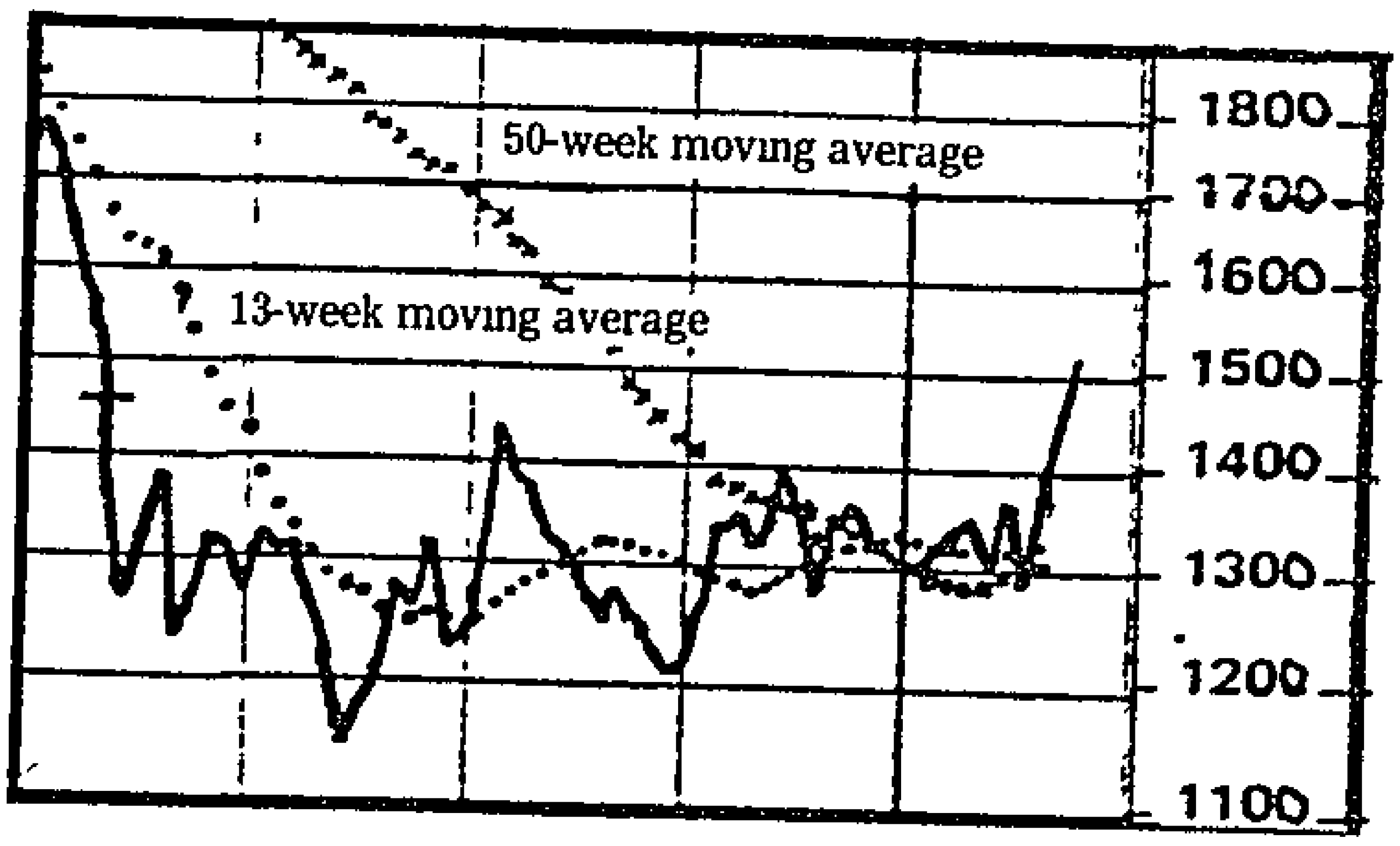
This bear market cost holders of gold shares about 45 percent of their investment, or some R45 billion But holders of marginal mines fared even worse Some of these lost between 80 percent and 90 percent of their capital

Higher yields

Mr Gerhard Pretorius, gold analyst with Max Pollak and Freemantle, is optimistic about the gold share market

The fact that gold shares were running ahead of the gold price was a good sign, he said

"Gold shares went too low and now investors are beginning to appreciate that they were offering higher yields than industrials," he said "We just can't get hold of stock — not even from the bears"



The All Gold index since January 1988

He saw several reasons for expecting a firmer gold price and a better gold share market One was the considerable resilience shown by the gold price to the heavy selling that developed last month, suggesting that there was a fairly strong floor under the metal

He believed that the problem of Third World debt was one of the reasons for the gold's strong undertone

The United States was facing renewed inflation, he said But if it tried to counter inflation by increasing interest rates it would put heavy pressure on the economies of the major debtor nations such as Mexico, Brazil and Venezuela which are already in serious difficulties

He also pointed to the report that Australia gold production is running at abnormally high levels This was being done to generate as much profits as possible before a gold mining tax is imposed next year

The failure of a gold mining company recently to repay a gold loan had also helped stiffen the gold market

The news that American Barrick, one of North America's largest gold producers, has sold forward 75 percent of its gold production over the next three years at a minimum average price of $434 an ounce was an encouraging factor This suggested that many gold users believed that the gold price was likely to go higher than to decline

The breakout of the gold share index above its 13-week and 50-week moving average was also a bull point

Meanwhile, some of the buying of shares in the Gold Fields of South Africa mines could be in anticipation of a change of contro[l] and a major drive to expand ton[]nage and gold price

Dries and Kloof had lives o[f] 70 years, he said and both coul[d] increase output

Mr Pretorius said that recen[t] demand for blue chip gold producers was possibly due to hopes that the Government might lighten the tax burden on the gold mining industry in the Budget on March 15, in line with the recommendations of the Marais Commission

Not so bullish is Mr Rodney Yaldwyn of Simpson McKie who points out that investors had begun to switch out of industrials into golds to take advantage of the higher yields

Gold loans

Some investors believed that the gold price had bottomed and one reason was the drying up of gold loans which should lead to an improved supply-demand situation Another was that inflation was rising in the United States and United Kingdom which usually led to increased demand for gold

The continued high US trade deficit was also likely to lead to pressure on the dollar and a demand for gold

But Mr Yaldwyn said he thought gold shares were overvalued in relation to the gold price and that investors should wait to see what happens to the gold price in the next month or so

Minorco offer for ConsGold 'looking better every day'

ANG95 1/3/89

From SVEN LUNSCHE

JOHANNESBURG — The Minorco board is extremely confident that it can convince institutional investors to support its renewed R13,2-billion bid for Consolidated Gold Fields

At a Press conference here yesterday, Minorco's chief executive, Sir Michael Edwardes, said that he was encouraged by the way the institutions have responded to Minorco's latest presentations

Sir Michael Edwardes

The Minorco team, headed by Sir Michael and financial director Tony Lea, is currently touring major financial capitals to convince institutional holders of ConsGold shares to accept the offer

Mr Lea said that since Minorco was not increasing the cash part of its offer, institutions were forced to evaluate Minorco paper and they were seeing good value in it

"This is also reflected in the fact that Minorco's share price has been rising over the last few weeks," Mr Lea said

Sir Michael said that the £14,06 a share offer was looking better every day as the gold price weakens and interest rates continue at their present high level

"Most people are amused by my comments that it is a source of some regret that under the British takeover code you cannot reduce an offer once it has been made," Sir Michael said

Many British analysts disagree In a recent newsletter, London brokers S G Warburg Securities recommend that ConsGold shareholders hold on to their shares, expecially since the company released better-than-expected interim results recently

"The market is plainly looking for a better offer than £14,06 per share and most estimates of the net asset value suggest that this is low," Warburg writes, adding that their own estimates at market value puts Minorco at about £16,50

Sir Michael also emphasised that the bid was conditional on the outcome of the appeal case before a New York court, but he was optimistic that the appeal would succeed

Commenting on UK Press reports that some UK institutions had expressed reluctance to take Minorco paper, as their funds were obliged to have most of their investments in UK stock, Mr Lea said that this was an inaccurate comment "as their was no legal limit to the holding of foreign funds by UK institutions"

Minorco confident of bid

Cape Times 7/3/89

214/89 ESE

Own Correspondent

JOHANNESBURG — The Minorco board of directors says it has no fear of being frustrated by the US courts in its bid to take control of London-based Consolidated Goldfields (ConsGold).

"Satisfactory" resolution of the US litigation is an important condition of Minorco's renewed offer for ConsGold, but Minorco CE Michael Edwardes says his board "has faith in American justice"

A decision by the US Federal District Court for the Southern District of New York is the only remaining legal obstacle to Minorco's bid

In October ConsGold subsidiary Newmont was granted a preliminary injunction based on anti-trust issues, which prevented Minorco from buying further shares in ConsGold

This decision is the subject of an appeal, and the Minorco board is confident of success

Edwardes yesterday said the basis of the decision was spurious "The accusation was that Minorco intended buying Newmont, and closing it down in order to improve Anglo American Corporation's clout in the gold market

"That is clearly not true, as we have given our assurance that Newmont will be sold off"

He added that the US courts have in the past shown their "awareness of commercial considerations"

Minorco's bid would be frustrated if the US court delays its decision beyond the final closing date of Minorco's offer, but Edwardes said the US courts have in the past always expedited their decisions in order to meet takeover deadlines

Minorco confident of favourable US ruling

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17 Bday 8/3/89

REINIE BOOYSEN

MINORCO'S board says it has no fear of being frustrated by US courts in its bid to take control of London-based ConsGold

A favourable resolution of US litigation is important to the renewed offer for ConsGold but Minorco CE Michael Edwardes says his board "has faith in US justice"

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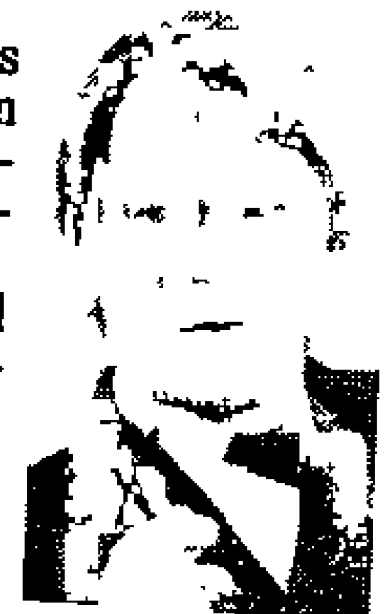

● EDWARDES

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Edwardes said US courts had in the past shown "awareness of commercial considerations"

Minorco's bid would be frustrated if the court delayed its decision beyond the final closing date of Minorco's offer but Edwardes said the US courts had previously always expedited decisions to meet take-over deadlines

Consgold launches new defence

214 5 Star 10/3/89

LONDON — The £3,2 billion takeover battle for Consolidated Gold Fields moved into another phase yesterday as the UK-based natural resources group produced a defence document which did not put an asset value on its shares but gave shareholders and analysts data from which to draw their own conclusions

Minorco immediately dismissed the combination of asset valuations, market prices and a divisional profits forecast as apples and pears

On the question of an asset value, Mr Rudolph Agnew, Consgold's chairman said it was not in the interests of shareholders to name a figure

The defence document, published eight days before the first close of the offer, said that Consgold'sUS gold interests alone had been valued at between $3,25 billion and $4 billion, or between £8,44 and £10,39 per Consgold share

The company also forecast that operating profits at its ARC construction aggregates subsidiary would rise by at least 55 percent to £158 million in the year to June 30 Listed and unlisted investments were also valued at a total of £1,17 billion, and Consgold cited the blue sky potential of its exploration programme

Minorco and its advisers ran the document through their calculators and concluded that it meant the shares were worth about £14.30 not coincidentally, perhaps, close to the current value of their offer

Other City analysts could find arguments for valuations at anywhere from £15 to £20, before any tax liability on disposals The stock market, however, appeared to tend towards Minorco's view, as Consgold shares closed only 12p higher at £14,35

Minorco also repeated its attack on the flawed structure of Consgold, which produced miserable returns in terms of dividends from associate companies — **Financial Times**

Gold production up and mineral exports surge 13,1%

Star 10/3/89

By Sven Lunsche

South Africa's total mineral sales in 1988 were 16 percent higher than in the previous year at R33,41 billion

Provisional figures released yesterday by the Minerals Bureau show that export sales increased by 13,1 percent to just over R27 billion Local sales were 32 percent higher at R6,3 billion

Gold production climbed from 601 tons to 617 tons, resulting in sales of R19,7 billion, 12,5 percent up on the previous year's R17,5 billion The weakening rand and the subsequent increase in the rand gold price explains the difference between growth in production and the revenue increase

Coal, South Africa's second major source of export revenue, also showed good growth in both the domestic and the export market, despite the continued sanctions campaign and the slowdown in demand from Eskom

Domestic sales rose by about 19,7 percent to just over R3 billion, while export sales totalled R2,73 billion, 19,9 percent up on 1987's R2,28 billion.

Surging base metal prices boosted the earnings from nickel, copper and zinc exports

Despite a drop in copper production by 9,5 percent to 170 000 tons, total sales were 53 percent up at R948 million, with half of this amount originating from exports

Nickel sales surged by almost 190 percent to R305 million, with export earnings up 211 percent to R161 million Export revenue from the sales of zinc rose by a similar amount to R35,2 million, altough domestic sales remained unchanged at R94,6 million

There were also significant increases in the production of manganese ore, iron ore and chromite ore, although diamond production dropped by 7,3 percent to 8,3 million carats

● Sapa reports that Natal's nine anthracite mines are experiencing a boom period as a result of a sharp increase in the overseas demand for South African anthracite since October last year. In addition, profits have been boosted by a rise in the export price from about R14 a ton in 1987 to R70 a ton last year.

As a result, exports last year totalled R234 million, 27 percent more than in 1987 — despite the fact that three percent less anthracite was exported All anthracite mines in Natal are in full production because of the upsurge and a new mine has come into operation near Vryheid during the past 18 months

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US bid to block SA gold

LONDON — A team from the United States Government Accounting Office has arrived in Britain as part of a congressional initiative to examine the feasibility of imposing sanctions on South Africa's gold, *The Guardian* reported yesterday

The newspaper said the office, a non-partisan research department, had been asked to produce the report for Senator Edward Kennedy, a co-sponsor of a new US anti-apartheid Bill which, if passed, would have a serious impact on the South African economy

"The Gold Institute in Washington, which represents bullion dealers and refiners, recently sent out a 'member alert' notice, warning of the office's investigation and promising concerted lobbying on Capitol Hill"

The Guardian said Senator Kennedy's Bill, presented to Congress last week, was supported by three other Democratic senators, Mr Alan Cranston, Mr Albert Gore and Mr Paul Simon

T 29

ERPM puts itself into hock to carry on

Star 7/3/89 214

By Derek Tommey

The Government has agreed to support Rand Mines' new reconstruction plan for keeping in operation the marginal gold mine, ERPM But in exchange Rand Mines has to put another R70 million into ERPM — and to pledge to the Government the mine's fixed and moveable assets as security

ERPM, the Rand's oldest operational gold mine, has lost R129 million in the past two years and had a loss of R13,9 million in the December quarter

However, Rand Mines claims that the development around the new Far East Vertical complex is tantamount to opening a new large high grade gold mine Some R250 million has been invested in this area and Rand Mines contends that an investment of a further R40 million over the next two years will ensure its operation

ERPM's chairman, Mr Clive Knobbs, says the Government has agreed to grant further assistance to the mine to offset its pumping costs It would also increase its guarentee for deferred interest by R67 million to a maximum of R287 million

But this assistance was conditional on Rand Mines contributing R70 million to ERPM

The interest subsidy granted by the Government would be maintained and the State would continue to subsidise the balance of interest incurred above 7 percent to a maximum of 17 percent until December 31, 1992

The Government will increase its guarantee for deferred interest, provided that a mortgage bond over the immoveable assets and a notarial bond over the moveable assets or ERPM is registered as soon as possible

At the annual meeting yesterday, the mine's shareholders agreed to raise ERPM's borrowing powers from R300 million to R400 million and to increase its share capital from R17 million to R35 million by creating 18 million new R1 shares, one million variable rate cumulative redeemable "A" 1c preference shares and 3,5 million similar "B" 1c preference shares

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Star 10/3/89

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SA churchmen call for more sanctions

BRUSSELS — South African church leaders yesterday urged the European Community's executive commission to impose further sanctions on the South African Government

The church leaders told a news conference that no progress was being made in fighting apartheid

"That's why we want the commission to impose further sanctions Any further pressure must have a very profound impact on South Africa," they said — Sapa-Reuter

ConsGold unveils defence document

CAPE TIMES 16/3/89

From ROBERT GENTLE

LONDON — Consolidated Gold Fields (ConsGold) yesterday unveiled its defence document with a plea to shareholders to firmly reject Minorco's £3,2bn offer and hold out for a higher price

Chairman Rudolph Agnew said Minorco had totally failed to recognize Consgold's growth prospects and underlying value

"To add insult to injury, it is even hoping to pay in part with a Luxembourg share whose future price is impossible to predict"

Agnew poured scorn on Minorco's shares, which he said was in the London Stock Exchange's gamma category — the lowest possible — while Consgold's was in the top alpha category

"Minorco is committed to flooding the market with 80m new shares, not one of which has been underwritten What will that do to the price?"

He derided the quality of Minorco's management, singling out Michael Edwardes for lack of experience and a less than impressive track record At least two of the team owed their jobs to "family connections"

"Minorco as an investment company has had a consistently low return on equity and a generally poor record of investment decisions," he said, adding that £100 invested in Consgold six years ago was now worth 300% more than the same investment in Minorco

Such a management team gave the lie to Minorco's pledge that it would better be able to manage Consgold than Consgold's own present management

Allied to Agnew's strong attack on Minorco was a passionate defence of his company's own worth in terms of mineral reserves and future profitability

Citing the findings of a report commissioned by US broking house Shearson Lehman, he said the value to Consgold of its US gold interests alone was between £1,9bn and £2,3bn, equivalent to £8,4 and £10,4 per Consgold share

He also forecast a 55% increase in profits for ARC, which had become the largest producer of crushed stone in Britain and one of the largest in the US

"Minorco's offer completely fails to recognize the premium value of ARC," Agnew said

However, he flatly refused to give a net overall asset evaluation figure for the whole of ConsGold, saying it would be playing into Minorco's hands

"When you're selling a house, you don't let the purchaser know what your advisers think the house is worth"

Nevertheless, the figures unveiled give ConsGold a market value of around £17 per share, £3 more than Minorco's £14 a share offer

Agnew advised shareholders to take no action and let the first deadline of March 18 pass

"Minorco has expressly reserved the right to increase its offer It can do this anytime until April 12 Do not sell"

GW Times 10/3/89 (214)

Intense demand for JMF shares

Own Correspondents

JOHANNESBURG — Demand for shares linked to Joe Berardo's cash-strapped mining group — Johannesburg Mining and Finance (JMF) — intensified on the JSE yesterday on speculation that a foreign investor was negotiating to bail the group out of its difficulties

JMF deputy-chairman Don Grant-Hodge yesterday declined to confirm or deny the speculation He also declined to comment on persistent rumours that chairman Berardo was negotiating a deal in Portugal

"That's private information," said Grant-Hodge He said Berardo was on holiday

Last month panic-stricken shareholders dumped enormous volumes of group shares when news filtered through to the market that group companies had struck liquidity problems and were negotiating disposal of assets to raise funds for debt obligations

JMF was the most traded share on the JSE last month, with 27 million shares changing hands, compared to a JSE total of 222 million

A group company — Witwatersrand Nigel — yesterday cautioned shareholders that it was engaged in negotiations with Southgo and Nigel "which could affect the price of the companies' shares".

It is rumoured the entire Wit Nigel workforce was given notice on Friday. The share closed unchanged yesterday at 75c, on small volume

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Business Report

State to support ERPM further

JOHANNESBURG — East Rand Proprietary Mines is to be granted further State assistance to offset its pumping costs, chairman Clive Knobbs said at the AGM yesterday

In addition the Government will also increase its guarantee for deferred interest by R67m to a maximum of R287m The assistance, however, is conditional on Rand Mines contributing R70m to ERPM

Knobbs said that the government is providing a subsidy of approximately R8m for current costs as well as a R10m loan for the operation and maintenance costs of the shaft infrastructures where pumping takes place The R10m loan will carry the standard Treasury rate of interest

The interest subsidy granted would be maintained and the State would continue to subsidize the balance of interest incurred above 7% to a maximum of 17% until December 31 1992, Knobbs said — Sapa in leases, but lacked the five-year trading record required for the Official List ■

MINORCO/CONS GOLD 214

F mail 10/3 88

Sound and fury

With the Consolidated Gold Fields offer document due out this week, and most of the legal hurdles out of the way, Minorco's bid for the group hinges increasingly on the persuasive powers of the contestants Efforts to have the deal blocked have proved unsuccessful in three instances the Hart Scott Rodino, the Monopolies & Mergers Commission (MMC) and the EEC inquiries A verdict has yet to be delivered by the fourth such hurdle, the New York courts

Minorco CE Sir Michael Edwardes, who was in Johannesburg this week to brief the press and address the Investment Analysts Society, contends success will depend on two factors One is whether Cons Gold and its associates can, through the New York courts or other means, frustrate the bid "by depriving the Cons Gold shareholders of their right to make a free market decision " The other is whether institutional shareholders will give a fair rating to Minorco paper

A criticism of the bid was that shareholders were offered a combination of cash and Minorco shares rather than all cash Minorco has long traded at a discount to net worth, and currently stands 40% below The Minorco directors think they are making progress towards winning a better rating for the share It has been firming despite there being a bid in the market which, if successful, will result in the issue of an additional 80m shares Edwardes points out that it is unusual in a bid situation for the predator to see his share price increasing

Financial director Tony Lea says that apart from the few ethical funds, practically no UK institutions are legally prohibited from holding Minorco paper And, considering that the institutions are generally cash flush and have tax considerations, many would prefer to take paper. For SA institutions there would be attractions in Minorco paper as a rand hedge stock.

Minorco also believes the prospects — if any — of a Cons Gold defensive move involving a listing of assets such as ARC are extremely slim Lea says such a move would be a disaster (as a defence) but is no longer achievable in the time available If ARC was listed, he says, the market would accord it a p e of only about 9 or 10 times, in line with that of the comparable Tarmac Cons Gold has been arguing there should be a premium for control of its assets and is calling for a p e of around 18 times This could hardly be done through a listing, while control of cash flow would be lost and large tax payments would be incurred

Edwardes says the announcement that a number of Anglo American and De Beers directors are to withdraw from the Minorco board, including Harry Oppenheimer, was not a response to the anti-SA defence by Cons Gold

Oppenheimer (80) had been intending to retire from the Minorco board at the board meeting last November, but when the first bid was frustrated by its referral to the MMC he stayed on During the MMC investigation Minorco gave assurances that AAC and De Beers would reduce their representation on the Minorco board so that it could be seen to be independent

"When this bid came out we felt it would be best to announce who would leave the board even though we were not ready to announce who would be coming on," says Edwardes "We will not decide who will come on until we get control of Cons Gold "

The Minorco team continue to stress the rationale is to obtain control over cash flow, and that means control over what are seen as the two plums in Cons Gold, Gold Fields Mining Corp and ARC Edwardes points out that 78% of the latest interim profits before tax and interest were derived from these companies which make up far less of the asset value The assets which Minorco wants to sell brought in only £34m in pre-tax profits and £8m in cash on £1,5bn of asset value

London broker Kitkat & Aitken estimates that if the bid is successful Minorco's cash flow will increase from 62c a share last year to 150c in 1990 "We believe Minorco has proven cash control abilities and do not share Cons Gold's scepticism of its managerial capabilities in this area," they say Like others, though, the firm thinks Minorco's final offer will come to £15 instead of the present £14, at that price, they suggest Cons Gold will fall to Minorco

The decision will ultimately be made by shareholders in London, New York and — importantly — in Johannesburg Edwardes this week addressed questions to GFSA directors, who have remained silent on how the house will vote its block of 7,5%-odd

Andrew McNulty

Agnew pours scorn on Minorco's offer

B/Day 10/3/89 ROBERT GENTLE 214

LONDON — Consolidated Gold Fields (ConsGold) yesterday unveiled its defence document with a plea to shareholders to reject Minorco's £3,2bn offer and hold out for a higher price.

Chairman Rudolph Agnew said Minorco had totally failed to recognise Consgold's growth prospects and underlying value.

"To add insult to injury, it is even hoping to pay in part with a Luxembourg share whose future price is impossible to predict."

Agnew poured scorn on Minorco's shares, which he said were in the London Stock Exchange's gamma category —

● To Page 2

Minorco's record slammed by ConsGold

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the lowest possible — while Consgold's was in the top alpha category.

"Minorco is committed to flooding the market with 80-million new shares, not one of which has been underwritten. What will that do to the price?"

He derided the quality of Minorco's management, singling out Sir Michael Edwardes for lack of experience and a less than impressive track record. At least two of the team owed their jobs to "family connections".

"Minorco as an investment company has had a consistently low return on equity and a generally poor record of investment decisions," he said, adding that £100 invested in ConsGold six years ago was now worth 300% more than the same investment in Minorco.

Citing the findings of a report commissioned by US broking house Shearson Lehman, he said the value to ConsGold of its US gold interests alone was between £1,9bn and £2,3bn.

However, he flatly refused to give a net overall asset evaluation figure for the whole of ConsGold, saying it would be playing into Minorco's hands.

US team in feasibility study of SA gold embargo

BLDay 14/3/87 280

LONDON — A team from the US government accounting office has arrived in Britain as part of a congressional initiative to examine the feasibility of imposing sanctions on South African gold, the Guardian reported yesterday

The report said the office, a non-partisan research department, had been asked to produce the report for Senator Edward Kennedy, co-sponsor of an anti-apartheid Bill which, if passed, would have a serious impact on SA's economy

"South African mining companies, through the gold promotion organisations that they discreetly dominate, have expressed alarm at the prospect of Pretoria's principal foreign exchange earner becoming a target for sanctions," the paper said

Complete ban

"The Gold Institute in Washington, which represents bullion dealers and refiners, recently sent out a 'member alert' notice, warning of the office's investigation and promising concerted lobbying on Capitol Hill"

The Guardian says the main provisions of the Kennedy Bill are a complete ban on exports and imports and, most significantly for the capital-intensive SA mining houses, a requirement on US citizens and corporations to divest the large volume of SA stocks held in the US, many of them in the gold mines

Meanwhile, a group of SA church leaders yesterday urged the EC's executive commission to impose further sanctions on Pretoria

At a Press conference in Brussels, the group said no progress was being made in fighting apartheid and "that is why we want the commission to impose further sanctions" — Sapa-Reuter

MINORCO/CONS GOLD (214)

FMAG 10/3/89

Sound and fury

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Andrew McNulty

First US move in bid to ban SA gold

Star 11/3/89

FINANCE STAFF 214

THE South African gold mining industry is not unduly concerned about renewed attempts by US senators to impose sanction on the country's gold

A team from the United States Government Accounting Office (GOA) arrived in Britain this week on the first step to stop imports of South African gold, the country's major foreign exchange earner

Commenting on the US move, a spokesman for the Chamber of Mines said that any attempt to renew sanctions on South African minerals was of concern, but he said that the Chamber was just watching the situation

No attempts have apparently been made to lobby firms and government in the UK and other countries

The Star's London Bureau reports that the GOA visit is part of an initiative by Senator Edward Kennedy, co-sponsor of the US Dellums bill, who has ordered the team to compile a report for him The Office is a non-partisan research group

In London the team is expected to meet representatives of the various City firms which fix the daily gold price and executives from Consolidated Gold Fields, which is currently under threat from Minorco's hostile bid They will also meet sanctions campaigners

They will look into the various European gold markets, particularly Italy which has recently been spotlighted as a major outlet for the South African metal Italy is the major producer of gold jewellery and therefore one of the main users of South African gold

The team is expected to meet the jewellers as well as Italian unions in order to convince them to use gold from other countries

Senator Kennedy's bill has, as its main thrust, a complete ban on exports and imports It requires US citizens and corporations to divest the large volume of South African stocks held in the US, many of them in the gold mines

Minorco gladiator comes a-wooing

W/C AK643 11/3/89 2/4

From MICHAEL CHESTER

JOHANNESBURG — Sir Michael Edwardes was back on home ground in Johannesburg this week when he transferred — at least momentarily the multi-billion-rand battle launched by Minorco to take control of the multinational Consolidated Golds Fields empire back to South African soil

In the process, he shed the image of a modern business gladiator engaged in the biggest and perhaps fiercest takeover scrap in the corporate history of Britain, with shockwaves on an international scale

Sword and armour were left behind at the Minorco head office in Luxembourg, the newest base of the finance and investment company that has launched a R14-billion (£3,2-billion) takeover bid that Cons Gold is fighting tooth and nail and which has captured news headlines around the world

Instead, the warrior, donned in plain grey business suit, was armed with little more than an innocent pair of reading spectacles that he periodically perched on the end of his nose while his eyes flirted between referring to notes and peering over the minuscule rims to talk to interviewers

Sir Michael, now deputy chairman and chief executive of Minorco, had clearly come a-wooing on his 24-hour flying visit — rather than on yet another battle skirmish

By the time he met financial journalists at a new conference he had already briefed the higher echelons of the Anglo American Corporation and the De Beer diamond company — big shareholders in Minorco — about the state of the battle lines in the takeover tussle

Now, he said, he was rushing around trying to convince South African financial institutions with investments in Cons Gold to see the virtues of the takeover exercise

Equally, he was keen to persuade local shareholders in Gold Fields South Africa, which at the moment is controlled by Cons Gold in London, to go along with the bid especially since they stood to be on the inside track when Minorco followed a pledge to sell the Cons Gold stake in South Africa if it emerged the victor

To remind South African investors of his own origins — born in the Cape in 1930 and educated at St Andrew's College in Grahamstown and Rhodes University — Sir Michael took the opportunity at most of the sessions to chuck in a few familiar Afrikaans phrases and witticisms

It made it seem more like a tiff over a son of the veld being misunderstood — an international commotion in which hostile overseas elements, including the hierarchy at Cons Gold, were engaged in another round of South Africa bashing instead of looking at the merits of a corporate wedding

After all, he said, more and more institutional investors overseas were coming round to support Minorco when they heard the plain facts of the matter and the debate jettisoned anti-South African misinformation

And he was confident he could also win more hearts in Europe when he flew off next to talk to big institution investors in Frankfurt and Zurich and Paris

One sensed that Sir Michael intended staying in diplomatic garb when he jetted back to Europe from Jan Smuts Airport this week But one also sensed an iron fist beneath the velvet glove in readiness for the next bout with Cons Gold

Business Report

'Long on rhetoric, short on facts'

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Minorco slams Consgold defence

Cape Times 13/3/89

By ROBERT GENTLE

LONDON — Minorco has slammed the defence document put out by Consolidated Gold Fields (Consgold), saying it contained nothing which justified continued rejection of the present £3,2bn offer

Executive director Hans Slack called the document "totally predictable", and described it as being long on rhetoric and short on facts like asset values and profit forecasts

"Shareholders are given a mass of selective detail drawn up on a myriad of different bases, but nothing to demonstrate why they should not accept our offer," he said

In particular, Minorco disputed Consgold's estimates — based on studies by US stockbrokers Shearson Lehman Hutton — of the worth to shareholders of its American-held gold mining interests

According to these estimates, the stakes held in Newmont Gold and Gold Fields Mining Corporation (GFMC) are worth between £1,9bn and £2,3bn, or £8,4 and £10,4 per Consgold share

Slack said this was based on cashflow valuations, and that Consgold did not and could not control Newmont Mining, which in any case had no gold production to speak of

"The only cash Consgold derives from Newmont Mining is paltry dividends," he said

As for Consgold's valuation of its ARC road quarrying business in terms of profit growth — forecast to increase 55% to £158m next year — this ignored interest payments, tax and assumed planning consent that "has not even been obtained"

Moreover, the defence document made no reference to Consgold's "substantial" head office and other central costs It also assumed action unlikely to be taken by the Consgold board

"Shareholders are invited to place a premium on a sale of Consgold's portofolio of passive investments However, Consgold has stated consistently it will not sell this portfolio," Slack said

Meanwhile, Consgold confirmed it had taken on Wall Street's top private detective agency Kroll Associates to help keep Minorco at bay

According to the New York magazine Manhattan Inc, dozens of Kroll staff have been researching files going back to World War II compiling evidence that the Oppenheimers "hindered the US war effort" by stockpiling industrial grade diamonds

● Minorco has at last broken the veil of secrecy surrounding its anonymous London office at Ely Place

Callers are now greeted with a cheery "Hello, Minorco UK!" instead of the once wary recitation of the telephone number

Analysts are less pessimistic on gold's prospects

214

B/Day 14/3/89

ARI JACOBSON

CAPE TOWN — Pessimism is evaporating among gold experts, who expect the metal to trade close to the $400 range in the coming months before gathering steam to a year-end level of $450

The poor environment for gold was brought about by strong anti-inflationary measures providing foreign investors with solid real returns on paper money, say gold analysts

However, the strong growth being experienced by leading industrialised countries is drawing to a close, according to forecasters, as the negative aspects of restrictive monetary policies come to the fore

An analyst for a leading broking firm says, "A thin line divides effective monetary policy from recessionary tactics which could lead US federal authorities down a cul-de-sac"

He adds that at the moment annualised inflation in the US is close to 5%, historically around the mark gold starts to react, as people get the jitters about ensuing inflation

"There's no doubt the US is walking a tightrope between freeing interest rates and inflationary fears"

John Bergtheil, a base metal analyst for James Capel brokers in London, sees further restrictive monetary measures as a highly unlikely option considering the pressure it places on Third World countries' debt commitments

"Enforced austerity measures have already rocked these countries to social breakpoint, activating social flair-ups from the streets of Venezuela to the copper mines of Peru," says Bergtheil

He says inflation will have a freer rein in the coming months with the gold price in hot pursuit

Personal Trust investment analyst Glenn Moore says the paper debt crisis in the US is going to lead investors back into gold

"At the moment, there are remarkable tie-ups between the US economy today and that of the Great depression years," he says

Fergusson Bros director Ian Michlier argues the present demand-supply situation could prejudice gold's standing with increased supply on the back of "overbought" futures markets

Consgold snaps back at Minorco

CYK - Times 14/3/89 2/4

By ROBERT GENTLE

LONDON — Consolidated Gold Fields (Consgold) has accused Minorco of ignorance, misinformation and inability to understand its defence document, which was released last week

Minorco's reponse to the document, which ConsGold said had been generally recognised to have been professionally prepared, was described as ill-considered and hasty

In particular, ConsGold attacked Minorco's statements that it had no board representation on the American company Newmont Gold

"This is untrue Rudolph Agnew, Antony Hichens and Robin Plumridge, all directors of ConsGold, are also directors of Newmont Gold "

Minorco was also taken to task over claims that the discount rate used in the valuations of Consgold's US gold assets was not accurate ConsGold said the rate used by stockbrokers Shearson Lehman was even more conservative than what Minorco was asking for

As for the statement that ConsGold shareholders could buy and sell Minorco shares through a stockbroker or a bank in the same way as in ConsGold shares, the spokesman called it "blatant mispresentation"

It was "misleading" as it implied an equivalent market in ConsGold and Minorco shares "Minorco trades as a gamma stock through only five market makers ConsGold trades as an alpha stock through twelve market makers," he said

Consgold also dismissed Minorco's claims that it would reinvest proceeds of asset disposals to increase cash returns, saying the bank loan agreement required such proceeds to help fund debt repayment

BDay 14/3/89 (214)

Ailing gold price leaves SA in debt doldrums

Own Correspondent

LONDON — The fall in the gold price is weakening SA's ability to meet its foreign debt repayments, and a number of more marginal mines are already producing at a loss

This was stated in a new survey of the gold industry by City analysts at S G Warburg Securities, who said a further fall of $50 an ounce would render almost a quarter of SA's production unprofitable In mid-February the price dipped to $380 an ounce, its lowest in two years

The spot price in London closed at the weekend at $393, but analysts see this as a temporary rally Stockbroker James Capel sees $320 as a likely low this year

Warburg said 12 major South African producers were generating operating losses with gold prices below $390 at the current rand exchange rates

This group accounted for some 15% of current South African output If the gold price were to fall by $50, six other mines producing another 18% of the annual total would be made vulnerable

Although these marginal producers were facing a tight squeeze, no mine closures were imminent Gold accounted for 40% of SA's annual exports, so government would not wish to see any reduction in its contribution to the balance of payments

At $400 an ounce, SA would expect to generate a surplus on its balance of payments of R4bn A fall in the average price to $380 would cut this by more than R1bn

Star 15/3/89. (214)

12 major gold producers 'unprofitable'

Star Bureau

LONDON — Almost a quarter of South Africa's entire gold production will be rendered unprofitable if the gold price falls another $50 an ounce, according to a new survey of the industry

The report by SG Warburg Securities says the fall in the gold price is weakening South Africa's ability to meet its foreign debt repayments

"One of the first tangible signs of the effect of a weaker gold price in the South African industry has been the announcement in January by Gencor of production cutbacks and labour retrenchments at its marginal mines," says the report

"At gold prices of $390 an ounce and at current exchange rates, it is estimated that 12 major South African gold producers are generating operating losses,' it adds

The spot price in London closed Monday at $392,50 but a number of analysts see this as temporary Stockbroker James Capel sees $320 as a likely low this year

The report says that, should the gold price drop a further $50 another six mines would be vulnerable This would mean a total of 23 percent of production would be unprofitable

It says, however, that none of the major loss-making mines appears threatened with imminent closure

"The alternative to closures and cutbacks would be for the South African Government to allow the rand to fall sharply against the US dollar to boost the mines' revenues to levels to which they can remain profitable

"While accepting that some weakening of the rand is inevitable to help South Africa's mineral exporters remain competitive, the Government does not wish to see an acceleration of domestice inflation"

The report points out that gold accounts for 40 percent of South Africa's annual exports and the Government would be under pressure to "offset this possible decline in gold revenues by encouraging the industry to maximise gold production"

'At $400 South Africa would expect to generate a balance of payments surplus of R4 billion, a fall in the average price to $380 would cut the surplus by over R1 billion," it says

Gencor spins off mining divisions

214

Star 15/3/89

Steve Ellis

Colin Officer

Brian Gilbertson

By Derek Tommey

General Mining Union Corporation (Gencor) has streamlined the management of its mining division by forming a new corporation, General Mining Metals and Minerals Limited, which will take control of all its mining operations

These include 12 gold mines, its Impala Platinum Mine, its Samancor mine and Trans-Natal Coal Corporation

The new arrangement is intended to generate increased growth in the group's mining interests by setting "challenging targets" for the men running it who will control an autonomous management company within the Gencor group

The three men heading the mining division will become the top executives at Genmin They are Mr Steve Ellis (55), who will be chairman, and Mr Brian Gilbertson (45) and Mr Colin Officer (53) who will be deputy chairmen Other directors will be Mr Derek Keys, chairman of Gencor and Mr Naas Steenkamp, head of corporate affairs

Mr Ellis said the decision to establish Genmin was in accordance with Gencor philosophy that with the exception of some limited services of general interest, Gencor does not run anything at the centre

The group's mining and related activities were previously spread over various divisions under different executive directors

Unlike other major components of the Gencor group, no separate management group existed for mining to which the obligation to grow could be delegated

Genmin will carry out its obligations to its parent in terms of an agency agreement of undecided duration at this stage

It will promote and maintain its own corporate identity

However, no assets will be transferred to Genmin, at least at this stage, and Genmin does not contemplate a listing on the stock exchange

GFSA rejects Minorco's bid

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Star 16/3/89

Finance Staff

Gold Fields of South Africa and Driefontein Gold Mine, which own 7,5 percent of Consolidated Gold Fields, have said they will not accept Minorco's present offer or any other bid unless it is declared unconditional

The directors, who made the announcement after recent pressure by Minorco "not to hide behind Consgold's skirt", comprised GFSA and Driefontein directors not on the board of either Consgold and/or Anglo-American

A statement released last night said they would take no action in respect of Minorco's offer on the basis of their commercial and financial interests

This means that Minorco, which owns nearly 30 percent of Consgold, cannot depend on GFSA to help it breach the 50 percent level

● The Star's London Bureaa reports that Consgold has opened a toll-free telephone line to delively to cause great damage to the country — criticism that earned him a place on the State President's economic advisory council

He said South Africa needed to adapt, and that local labour and monetary policies had to be put right

That his views were eventually heeded is difficult to disagree with, for the labour situation was helped, and the monetary policy has over the last five years become more adaptable, as he

Consgold's fate may be decided today

Star 18/3/89

SYDNEY — Renison Goldfields, the 48 percent-owned Australian arm of Consolidated Gold Fields, is on tenderhooks ahead of the first closing date in the controversial £3,2 billion bid battle by Minorco for Consgold

The fate of Consgold, and in turn Renison, could be decided today if a sufficient number of Consgold shareholders have accepted Minorco's share-and-cash bid

Should Minorco win control of Consgold, the Renison stake will be put up for sale, possibly by tender, and undoubtedly as soon as possible, so that Minorco can start to fulfil its promise to make Consgold assets sing

An alternative to a tender offer would be to seek one or a collection of individual buyers of the 48 percent Renison stake

Mr Campbell Anderson, Renison's managing director, says Minorco's declaration of how it would put Consgold's 48 percent Renison stake "in play" is premature

"Minorco have not won Consgold and I hope they never do," he said "Even if Minorco lose their battle, by showing their cards now when they are not even in the driving seat they have proved disruptive to Renison If Minorco does win, then they are going to be destructive — because they plan to break Consgold up"

He said that since Minorco were effectively forced, under threat of political pressure in both Papua New Guinea and Australia, to concede that they would divest Renison, "every major Australian mining giant with million dollar cheque-writing capacity has come knocking at my door"

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Among the potentially interested parties are CRA, Placer, Western Mining, and BHP

Echoing the call of Mr Rudolph Agnew, the Consgold chairman, Mr Anderson urged the company's shareholders "Do not let Minorco steal your company"

If Consgold's 48 percent Renison stake has to fall into new hands, then Renison is determined to see that the stake goes into hands which are supportive, and that the new shareholders are acceptable

"We would be particularly alert to any suggestion that the hand of Anglo-American was in the background,' said Mr Anderson

Among Australian investment circles, Normandy Resources and/or Poseidon are perceived, rightly or wrongly, to be very well connected with the Anglo-American camp and with the Oppenheimer family

Any perceived Anglo-American connection in a changed Renison would raise afresh the political voice of Papua New Guinea, where Renison has a one-third stake in the Porgera gold project

It would also raise afresh the political voice of Australia, whose Prime Minister, Mr Bob Hawke, has voiced his Government's objections to Minorco's bid for Consgold because of the South African connection — The Times

Minorco urged to make higher bid

Star 20/3/89

Star Bureau

LONDON — Minorco is being urged to put in a "grand slam" offer in its Consolidated Gold Fields takeover bid

Acceptances for its £3,2 billion bid are believed to have been minimal as of its first closing date at the weekend

There are reportedly splits within Minorco on what its next move should be. CE Sir Michael Edwardes apparently feels only a small increase is necessary but is under intense pressure from his advisers to deliver a knock-out blow

A higher offer was expected by the market, which pushed up Consgold's share price by 24p to £14,55 on Friday The expiration of the first closing date leaves Minorco until April 12 to change its offer

Meanwhile, speculation has it that the New York courts are poised to rule in favour of Minorco's bid, releasing it from an injunction restricting the South African-controlled vehicle from raising its stake in Consgold beyond 30 percent

The New York ruling is the last legal hurdle facing Minorco

Minorco has ruled out a full cash alternative, which leaves shareholders with the uncertain prospect of Minorco paper

A revised offer valuing each Consgold share at £15 or more is expected

The focus of attention is meanwhile directed on Trade Secretary Lord Young's continued reluctance to publish the report of DTI inspectors into Canadian resources concern American Barrick's controversial share-building exercise in Consgold in 1986 The question being asked now is the degree to which Minorco may be able to help the DTI in its inquiries

B/Day 20/3/89.

London expects higher offer for ConsGold

ROBERT GENTLE

LONDON — Minorco's first closing date for acceptance of its £3,2bn bid for ConsGold passed on Saturday with the City all but certain a higher offer would materialise soon

This was reflected in a sharp surge in ConsGold's share price which rose 224p to £14,55 on Friday in spite of a falling stock market

The expiration of the first closing date means Minorco will be granted an extension It may increase or alter the terms of its present offer any time up until April 12

This will allow ConsGold a further 14 days until April 26 to consider such an offer By that date, the 60-day bid cycle will have run its course

Minorco said it would issue a statement today to clarify its position

Reuters reports from New York that ConsGold MD Antony Hichens — trying to rally support from shareholders for a final showdown with Minorco — says Consgold is determined to stay independent but if forced to sell will seek the highest price possible

"Our duty is to either keep this company independent, so that our present shareholders will enjoy its long term values, or, if the price offered is high enough, to make sure that it really is a high price and that it does give full and proper value for the Gold Fields assets that will be acquired," he said

Hichens hammered away at Minorco, asserting that the bid included stock of questionable value and was far below the real asset value of ConsGold

European securities analysts, after reviewing data prepared by Consgold, have estimated values at £18 to £20 a share or higher

"The City (of London) is taking £20 as being the long-term value of the company and £14 is nowhere near that," Hichens said

Asked whether a white knight could enter the picture with a friendly bid, Hichens said he had no information he could part with

Asked about ConsGold's SA links, Hichens said it had embarked on a strategy ten years ago to develop worldwide natural resource assets

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ARGUS

MINING

Minorco 'grand slam' bid urged

The Argus Foreign Service

LONDON — Minorco is being urged to put in a "grand slam" bid in its Consolidated Gold Fields takeover bid.

Acceptances for its R13-billion bid are believed to have been minimal as of its first closing date at the weekend

There are reportedly splits within Minorco on what its next move should be

Chief Executive Sir Michael Edwardes apparently feels only a small increase is necessary but is under intense pressure from his advisors to deliver a knock-out blow

Meanwhile, speculation has it that the New York courts are poised to rule in favour of Minorco's bid, releasing it from an injunction restricting the South African-controlled vehicle from raising its stake in ConsGold beyond 30 percent

CASH ALTERNATIVE

The New York ruling is the last legal hurdle facing Minorco

Minorco has ruled out a full cash alternative, which leaves shareholders with the uncertain prospect of paper in Mr Harry Oppenheimer's European enterprise

A revised offer valuing each ConsGold share at £15 or more is expected

The focus of attention is meanwhile directed on Trade Secretary Lord Young's continued reluctance to publish the report of DTI inspectors into Canadian resources concern American Barrick's controversial share-building exercise in ConsGold in 1986, despite the strategic leaking of some of its contents to interested parties

The question being asked now is the degree to Minorco may be able to help the DTI in its inquiries

● ConsGold is determined to stay independent but if forced to sell would seek the highest price possible, managing director Antony Hichens said in New York at the weekend

Hichens, here for talks with analysts and advisers, said "Our duty is to either keep this company independent, so that our present shareholders will enjoy its long term values, or, if the price offered is high enough, to make sure that it really is a high price and that it does gives full and proper value for the Gold Fields assets that will be acquired"

In an interview with Reuters, Hichens hammered away at Minorco, asserting that the bid includes stock of questionable value and is far below the real asset value of ConsGold

Analysts expecting higher Minorco bid

SKV 21/3/87

By Neil Behrmann

LONDON — Minorco is playing a waiting game following acceptance of only 0,2 percent or 435 000 shares from Consolidated Gold Fields shareholders

By extending its offer for three weeks, says Peter Rolfe-Johnson of brokers Williams de Broe, the predator is hoping that jittery shareholders will be anxious to accept the offer

To be sure if Wall Street and London continue to weaken, shareholders may be encouraged to do so Consgold, on the other hand, contends that Minorco paper will be even more vulnerable to any downturn in international stock markets Moreover, executives believe that gold will benefit from any financial crisis and any upward move would underpin Consgold

Minorco director, Tony Lea, was unperturbed about the low level of acceptances He said that in two previous hostile bids, Nestle for Rowntree and News Corporation for William Collins, initial acceptance was only 0,03 percent Both companies won in the end

Consgold says, however, that Nestle and Collins had to increase the value of their bids

"The response to Minorco's offer is pathetic," said Consgold chairman, Rudolph Agnew

Investors in the United States and Canada own 4,3 percent and Continental Europe 3,9 percent of Consgold, said Consgold If the offer was reasonable, they would have accepted promptly

Minorco was not prepared to disclose whether it would raise its offer which closes on April 8 But it can increase its bid during the weeks until April 12

Consgold on the other hand has the opportunity to give shareholders more information about net assets and earnings by April 8 So Minorco may well await that date before it makes a decision on a higher bid

The vast majority of city analysts believe that Minorco will indeed increase its offer in April They are convinced that Minorco will fail if it does not do so

Under its present terms Minorco's cash and share mix values Consgold at £14,12 a share

But Consgold shares are trading at £14,50 a share, so the premium indicates that the market takes the view that the offer will be raised Depending on the value placed on ARC, the construction and aggregates business in the UK and US, net asset value estimates for Consgold range between £15,50 to £20 a share

UK institutional shareholders will be the deciding factor in the bid

Consgold's defense document shows that British shareholders own 53 percent of Consgold's shares and 42 percent of that holding belongs to UK corporations, mainly institutions

The South African shareholding of eight percent is also important

But Gold Fields of South Africa (GFSA) directors have said that they would not accept the present offer, unless the bid is declared unconditional

MINING

ARGUS 21/3/89 (62) 214 (232)

Minorco: Anglo's future not outside SA — Relly

The Argus Foreign Service

LONDON — Chairman Gavin Relly has dismissed speculation here that Anglo American's future lies mainly outside South Africa

In an interview on Channel 4's The Business Programme, Mr Relly said "Anglo-American is based in South Africa and southern Africa

"Eighty percent of our assets are there and more than 80 percent of our profit, and it's really the base from which we look to grow"

The Anglo-American chairman described the opportunities in southern Africa as "considerable"

"We have enormous opportunities down the road in additional gold mines, some base metal mines and nickel mines

"I would look to seeing a major technical and investment input going into southern Africa for many years to come," said Mr Relly

Asked how far Anglo planned to focus its interest outside South Africa, he said "It can't really be outside South Africa to a vast extent The bulk of our investment programme has to be within the confines of the rand monetary area"

But he said it was important to have facilities overseas, and added that Anglo would marshall resources overseas "to the extent that we can but it can't be the central thrust of our growth"

Speculation about Anglo's future has been fuelled by Minorco's bid for Consolidated Gold Fields

Mr Relly said Luxembourg-based Minorco was "obviously what we hope will become the cutting edge of a major international resource group"

He said this could not be run from Johannesburg and was essential therefore that "the bunch of assets represented by Minorco should get out and do its own thing"

He denied Minorco was part of a scheme to move interests out of South Africa, adding that he believed South Africa was "coming along" politically and was not far from achieving a position where business in the country would be able to resume its relationship with the international banking community

- The sign of the bear was in the ascendant on the London Metal Exchange last week as zinc and copper continued last the previous week's retreat

Aluminium dipped below $2 000 a ton for the first time in 13 months, and nickel prices touched two-month lows

In the absence of any significant change in the fundamental supply/demand picture for zinc dealers attributed the cash price's $207,50 fall to $1872,50 a ton chiefly to a general feeling that the market had become overbought in the run up to the recent record highs

Much the same could be said of copper But in this case the fall was also influenced by a sharp rise in New York Commodity Exchange (Comex) stocks, which prompted substantial Japanese selling

The LME cash price ended the week £85 down at £1 877,50 a ton

Minorco makes another move

SYDNEY — Minorco had appointed Aries Consultants to sell ConsGold's 48,6% stake in Renison Goldfields if its hostile bid for ConsGold was successful, Aries said yesterday.

An Aries spokesman said preliminary investigations showed a sale by tender was the most appropriate way to deal with the stake.

The tender procedure would oblige the successful bidder to make a cash offer for the rest of Renison.

Renison has a market capitalisation of A$1,38bn.

Minorco renewed its takeover bid for ConsGold on February 25, offering one of its shares plus £20,50 for every two ConsGold shares. It holds 29,6% of the target.

The spokesman said that although it was premature to take action ahead of the outcome of the bid "it was necessary for the preliminary strategy to be put in place now" — Reuter.

Gencor mine to retrench 1 700

BIDay 24/3/87

Business Day Reporter

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GENCOR yesterday announced the planned retrenchment of 30% of the labour force at its Grootvlei mine near Springs. About 1 700 employees will be affected.

A spokesman said the decision, necessitated by the low gold price and declining ore reserves, was taken only after lengthy investigations failed to produce feasible alternatives.

Court ruling likely to block Minorco's R14-billion deal

US knocks bid for Consgold

Star 23/3/89

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By Sven Lunsche

Minorco's aim of forming the world's foremost mining conglomerate, through the acquisition of UK mining group Consolidated Gold Fields, has been dealt a severe, perhaps fatal blow through the ruling of a United States court.

The Associated Press-Dow Jones news agency reported yesterday that the New York appeal court upheld the preliminary injunction issued against Anglo-American subsidiary Minorco in its tender offer for Consgold

Yesterday's judgment could effectively kill Minorco's £3,2 billion (about R14 billion) bid for Consgold as several earlier investigations into the deal had been cleared on the condition that the US courts would sanction the acquisition

Britain's Merger and Monopolies Commission and a commission of the European Community had previously said that Minorco could go ahead with the deal, but the bid was contingent on US approval

Minorco itself had made a renewed offer for Consgold — the original offer of £2,9 billion (R12,7 billion) proved unsuccessful — conditional on the acceptance of the new bid by over 50 percent of Consgold shareholders and the outcome of the US court.

A Minorco spokesman in Johannesburg said the company would respond in a statement later today.

The US court injunction was originally brought in October last year by Consgold's US subsidiary Newmont Gold, claiming that a succesful bid would give Minorco a monopoly on the production of strategic minerals

Judge erred

Federal district judge Mr Michael Mukasey then issued the preliminary injunction against Minorco's tentative offer on anti-trust grounds

But the appeal court found the judge had erred and remanded the claims to New York district court which upheld the original findings

Over the weekend Minorco suffered a setback when its R14 billion offer received only 0,2 percent of acceptances at the offer's first closing date

This took Minorco's stake in Consgold to 30,2 percent — Minorco already owned 30 percent before the original offer — and left the group in the dilemma that it most likely would have to increase the offer

The success of the deal is vital to the long-term profitability of Anglo American

Its earnings have grown at a compound annual rate of 20 percent over the last decade, but the weakness of the South African currency has meant that it has been a poor investment for foreign shareholders Overseas interests now hold only 11 percent of the stock

If it is to remain one of the world's leading mining groups, Anglo needs an effective offshore vehicle, and Consgold is seen by many analysts as the only realistic target

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MINORCO/CGF (214)

24/3/89

Another round

FM MC

Predictably, Minorco's first closing date for the revised offer for Consolidated Gold Fields (CGF) came and went with minimal acceptances Only 0,2% of CGF's equity had been tendered by March 18 — a commonplace occurrence in contested London takeover bids (*FM* March 17)

Minorco has extended the offer until April 8 and is showing little inclination to produce the winning blow suggested by some of the London financial press — looking at the £1,4bn three-year credit negotiated by Minorco and its £520m cash holding This gives Minorco slack of some £280m, equal to £1,75 for each of the 160m CGF shares it is bidding for

Raising the cash element to £12, with Minorco at £7,80, would value CGF at £15,90 (against the existing £10,25 plus half a share bid worth £14,15 which compares with CGF at £14,56 as the *FM* went to press) Rumblings emanating from 44 Main Street suggest the feeling is that Minorco is offering a sufficient premium for CGF, especially when compared with RTZ's investment rating on a p e of 9,7 Even if CGF manages to pull a second-half cat out of the bag and to hold last year's earnings of 100p per share, the multiple is 14 plus

So Minorco may play a waiting game, partly enforced by the awaited decision of the US Appeals Court on the injunction against it acquiring more than 30% of CGF If CGF intends to try to stand alone, the last shot in its locker is the valuation it might adduce to the gravel and stone reserves of Amey Roadstone, the only gap it left in the first defence document

Meanwhile, there is no alternative offer and, indeed, there is the real danger that if CGF's American lawyers manage to string out proceedings in the courts the bid will run out of time in terms of the London Takeover Rules the ultimate closing date for the offer is April 26

Impasse continues

Minorco's interim figures did nothing to break the impasse In terms of cash earnings the proceeds from the Salomon Brothers sale lifted interest earned by 166% to US$45,3m and increased dividends from the portfolio (CGF, Charter et al) lifted this source of income by 50% to $41,5m. The operational bottom-line was up 86% at $83,5m or 49c per share out of which the interim dividend was lifted 40% to 14c

Equity-accounted earnings were slightly confused because the 1987 figures showed full-year figures while the latest bring them in for only six months. Hence the shown attributable of $95,1m for 1987 is reduced to $41m which gives a 32% increase on a comparable basis for the $54m counted in — in spite of CGF's 18% decline at its halfway stage.

Ironically Minorco is having to count the cost of CGF's defence as well as its own expenses involved

Its share of CGF's £16,9m costs (up to December 31), comes in as an extraordinary item of $10,3m But its own cost of $17m (including the charges relating to raising the £1,4bn bank credit) is being deferred until the outcome of the battle is known

At market values last week, net asset worth was $22,45 per share or about £13 But how much will CGF be worth if Minorco walks away and no alternative bidder appears?

The CGF stake is worth £5,50 but the bid premium (assuming a base price of £10 for CGF) amounts to only £1,58 Loss of this would not seriously damage Minorco's NAV Meanwhile, the share price discount of 40% shows the company has still to be rerated, once the beast reveals the promised changes in its spots *John Cavill*

R14-b bid likely to lapse

'Too little time' for Minorco to mount a fresh attack on Consgold

Star 25/3/89

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SVEN LUNSCHE

MINORCO is not likely to give up its fight for British mining giant Consolidated Gold Fields, but analysts feel that it will not have much option but to let the £3,2 billion (about R14 billion) bid lapse.

Minorco's aim of developing the world's foremost mining conglomerate, through the acquisition of Consgold, was dealt a severe blow this week through the ruling of a US court.

The New York appeal court on Wednesday upheld the preliminary injunction issued against Anglo-American subsidiary Minorco in its tender offer for Consgold

The case was sent back to the lower court for further proceedings after Wednesday's unanimous ruling by three judges

The judgment could effectively kill Minorco's bid for Consgold as several earlier investigations into the deal had been cleared on the condition that the US courts would sanction the acquisition

The Saturday Star's London Bureau reports that Minorco was "disappointed"

A spokesman said yesterday it was reviewing the options available to it but added· "There's a lot of life in Minorco beyond Consgold, but I think it would be wrong not to admit that it is a major setback for us."

British commentators think Minorco may now have to let its bid for Consgold lapse

One analyst pointed out that the bid is conditional on there being no litigation outstanding "But the ruling means it could be months before the legal tangle is unravelled," he said

Stumbling block

Neil Behrmann, reporting from London, says Minorco was stunned by the decision.

But Consgold chairman, Rudolph Agnew was pleased at last one stumbling block which he and his advisors shrewdly piled in the path of Minorco, had succeeded

"It must be good news that the US court has found so conclusively in our favour," he said A Consgold spokesman added "We are not boasting yet, but it's better to win than to lose with the three-judge panel"

Lawyers agreed that time is not on the side of Minorco, and there is only a slim chance the decision can be reversed before the bid's closing date of April 26

Some analysts say that the company might become impatient and sell the shares it already owns in Consgold

Others contend that Minorco has already spent millions on the takeover campaign, and unless it finds a willing buyer for its stake, it is unlikely to be in a position to sell

The price would slump Indeed other Consgold shareholders who were hoping for more money, are already heading for the exit

They are noticing that world stock markets (apart from Johannesburg) are sliding.

● Shares in Consgold plunged in value both on the LSE and JSE More than £400 million was wiped off the group's market capitalisation in London on Thursday when Consgold fell to £12,42 from £14,33 the night before, and on the JSE Consgold slumped R11 to R90

Working costs are an easy way to rank gold mines

W/k News 25/3/89

IN previous weeks I have described how South Africa's gold mines might be divided into three categories which, from an investment point of view, behave in distinctly different ways

The easiest way to categorise them is to rank the mines in ascending order of working costs We thus get a "rich mines" category consisting of Dries Consolidated, Kloof, ET Cons, Southvaal, Deelkraal Elands Winkels and Western Deep, all of which currently produce gold at well $200 a fine ounce

TAKING STOCK

RICHARD CLUVER

The "average mines" with breakevens between $200 and $300 an ounce are, in ascending order of working costs, Harties, Beatrix, Sub Nigel, Vaal Reefs, Kinross, Unisel, Randfontein, Ergo, Freefolds, Libanon, Doorns, St Helena, Buffels and Venters.

When it comes to the "high cost" category with breakevens above $300, one is looking at a different ranking criterion Because, as I have previously explained, mines are captives of the commodity they produce and are unable to dictate to the market what price it should pay, the high-working-cost mines might one day make a profit, another a loss, and the percentage terms of these swings might fluctuate enormously They are thus a category of great interest as speculative investments

The would-be buyer of these shares wants to be able to calculate which mines are likely to enjoy the biggest forthcoming profit improvements if the gold price rises or the rand weakens against the US dollar — and of course they need to know which are likely to swing into the greatest losses if the reverse happens.

High cost mines

I thus rank this third category in descending terms of predicted future profitability change using the extrapolation process that I have described in previous columns

It was for just this purpose that I created my Gold Mine Finder computer programme to rank the mines quarter by quarter on projected profitability and then to perform instant further rankings as the gold price and the rand/dollar exchange rate changes

Currently topping this third category of high cost mines on a basis of the lowest projected profit decrease coming is Stilfontein with, in ascending order of predicted profitability decrease Loraine, Harmony, Vlaks, Blyvoor, Village, Sallies, Grootvlei, Leslie, Bracken and Primrose

There is a further group which are now technically unprofitable and which at present combinations of gold price and dollar rand exchange rate seem set to get even worse These include WR Cons, Cons Modder, Rand Leases, Wit Nigel, Eersteling, Modder B, Waverley, Osprey, ERPM, Durban Deep W Areas, W Wits and Marievale

The conservative investor would go for a rich mine like Dries, knowing that he may then safely ignore all but the major swings of gold price and exchange rate The fence-sitters and the "play it safe" group would probably choose from the middle of the average mine category hoping to enjoy a modicum of safety together with the expectation that should the gold price rise substantially they would enjoy some of the speculative profits that the high cost mines would expect to make

You need nerves of steel to put all of your money into the third high cost mine category, into a Grootvlei or a Western Areas, but there you might expect to make or lose a fortune

If I were seeking to design a gold portfolio that would combine the best of all these factors I would place one quarter of my money into the richest and safest of the mines, Dries Consolidated, half into either Vaal Reefs, Sub Nigel or Kinross — or ideally a spread of all three if there were sufficient funds — and the remaining quarter I would spread over a few top-performing high cost mines My personal favourites are Grootvlei, Loraine and Western Areas

Future columns

It is interesting to turn to the charts and note that now, when there are very early signs of some strengthening of gold share prices, chartists are noting massive accumulation on their "On Balance Volume" charts of Dries Consolidated If theory again proves to be fact, this will shortly lead to a major price improvement of these shares and those of the other rich mines

In future columns I shall explain On Balance Volumes and other charting techniques in great detail Suffice it for now to say that a rising OBV is a sign that investors are buying up the shares

My Gold Mine Finder computer programme says the order of increase will be Dries followed by Deelkraal, Southvaal, Westn Deep, Kloof, Elands and Winkels Should these rises occur, there will in turn be in percentage terms, even bigger increases in the average mines group and, ultimately massive percentage increases among the marginal mines In order for this sequence to occur, however, fundamental changes will have to happen in the physical gold market Often short runs begin with the rich mines but peter out before ever reaching the marginals

THE WEEK ON THE JSE

By Julie Walker

De Beers prospers on rough rise

S/Times 26/3/87

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DE Beers jumped from R59,25 to peak at R64 before easing to 6 235c after a sharp rise in the selling price of rough diamonds was announced this week

A year ago De Beers was only R28

A buying order this week for more than a million shares helped the price to rise

Anamint climbed by R50 to R750 a share, and Trans Hex added 135c to 1 425c Last April Trans Hex cost only 450c

Broadacres put on 10c to a new high of 120c But Carrig shed 10c to 40c after rallying from a low of 25c two weeks ago

CONTRARY

Gold shares were favoured, especially heavyweights Because fundamentals have not changed — the gold price and exchange rates were steady — it seems that institutions have started to channel funds into golds instead of into too-high industrials

One of the big three investors well-known for taking a contrary view of JSE trends has sidelined itself from the buying of industrials at current highs

Blue chips have boomed as investors scramble for scrip Many believe that more institutional funds will go into equities after the scrapping of prescribed asset requirements for insurers

Gilts have entered a bear market, dealers anticipating institutional offloading of stock in an attempt to get better returns Rates reached new highs across the board But the positions could be reversed when equities begin to look overpriced

Foreign bourses were weaker, especially the Nikkei Dow, which was hit for six of the past seven days This compounded fears that the SA market was too high It is not even levelling off

Minorco featured this week After a drop, it rallied by 175c to 5 350c in the light of more difficulties in its struggle for control of Cons Gold There is a growing belief, especially in London, that Minorco might be better off without Cons Gold rather than getting it at too high a price

Cons Gold lost 11% on Friday morning in London, and followed suit in SA, where it shed R11 to R90

Duiker Exploration put on 275c for a new high of R17,25 Southvaal added R12 to R159, Vaal Reefs R19 to R351 and Kloof 150c to 3 975c

Barbrook entered the limelight with a rise from 180c to 235c, and Waverley gained 12c to 72c

THIN

Anglo American reached a high of R91 on Friday, but came back to R88 Gencor peaked at R89,75 before closing at R87 Johnnies soared to R725 for a 14% climb and ended at R700

Among industrials AECI added 50c to 2 250c, bringing its gains to 250c since announcing good results

Barlows closed at R37 — 20c down on the week Thinly traded Huntcor added 175c to R15 An offer has been made to oddlot shareholders to round off their holdings

Union Steel kept up its sharp ascent to peak at 550c before easing to 535c The shares cost 90c only 10 months ago The company has entered a venture to produce vanadium with Rhombus Exploration

Siltek climbed both before and after the announcement that it had bought Hewlett-Packard It added 225c to R12,25, but closed R1 lower Analysts are waiting for details of the amount paid for HP and the effect on earnings potential for Siltek

Minorco to pursue bid for Consgold

Star 28/3/89

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The Star Bureau
and Finance Staff

LONDON — Minorco has decided to pursue its troubled £3,2 billion offer for Consolidated Gold Fields, despite a US appeal court decision which will make it difficult to meet the April 26 deadline for resolving the bid

The Luxembourg group intends to defend the US anti-trust and securities law cases brought by Consgold and its associate Newmont Mining, in the hope of persuading the New York District Court to lift the ban on its acquiring Consgold shares in time

It regards any further appeal to higher courts as impractical and has little hope of reaching an agreed bid which would persuade Consgold to halt the actions

Mr Keith Irons, a spokesman for Minorco, admitted that the appeal court decision to uphold the injunction against Minorco may defeat the bid "It is a very serious setback and could still block us," he said

There was some good news for Minorco, however It was told that the US government committee on foreign investment had no objection to the bid on national security grounds under the 1988 Omnibus Trade Act

Minorco said it now intends "to pursue means of lifting or modifying the injunction entered in the US District Court in New York which currently prohibits Minorco from purchasing shares in Consgold to take its stake above 30 percent"

Binding pledge

Graham Serjeant, Financial Editor of *The Times* said Minorco had hoped to persuade Judge Michael Mukasey of the New York District Court, who is hearing the Consgold anti-trust suit, to lift the injunction against Minorco quickly, rather than conduct a full hearing

It offered a binding pledge to sell Consgold's 49 percent interest in Newmont Mining But the judge has warned Minorco that he is unlikely to make any ruling before he goes on a two-week trip next Monday

If that proves to be the case, no ruling could be given before April 17 Under City takeover rules, Minorco must complete its bid by April 26

Minorco's hope is that by the final closing date in April 25 it will have enough acceptances to take its shareholders in Consgold over 50 percent if it was permitted to take up the shares

Only then would it attempt to negotiate a settlement with the Consgold board

The Takeover Code allows a further 21 days after the final closing date for a bid to be completed Minorco believes that if a majority of Consgold shareholders showed clearly they wished to accept its offer, the ConsGold board would be under intense pressure to co-operate and help remove the obstacles presented by the US court

Even if it succeeded, Minorco and its controlling shareholders have spurred the continued interest of competition authorities

Sir Gordon Borrie, Britain's Director of the Office of Fair Trading, told *The Times* that although the Monopolies Commission had passed the bid, "there are still questions in my mind

Competition

"I would predict that in one or more markets in which those companies are involved, the British or European or maybe other competition authorities will get involved and you won't have heard the last of these matters"

To meet the bid timetable under City takeover rules, Minorco might need to raise its £14 per-share offer before the court cases are resolved

Tony Lea, Minorco's finance director, would not comment on the group's plans But it is understood that Minorco may attempt to mount a fresh offer with the aim of getting shareholders owning more than half of Consgold's equity to accept its terms

Fund managers would demand that Mr Agnew either lift the injunction and allow the bid to proceed, or produce his own scheme to give shareholders greater value

His merchant bank, Schroder Wagg, is known to have worked on a number of schemes aimed at realising value for shareholders, and is well aware of the dangers of frustrating an offer that is sensibly priced.

Amgold bullish on gold price

Star 28/3/89

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International inflationary pressures and other problems will, in time, result in a renewed appreciation of the advantages of investment in gold, says Anglo American Gold Investment Company (Amgold) chairman Julian Ogilvie-Thompson in his annual review

Mr Ogilvie-Thompson says that the decline in the gold price has to be seen against the broad backdrop of a firmer dollar, lower oil prices and relatively high real interest rates during 1988 and early 1989.

He points out too that while investors bought additional supplies of bullion in 1987, their willingness to do so in 1988 declined as the net supply surplus was supplemented further by the growing resort to gold loans

It was therefore fortunate that the physical demand for gold in the Far East displayed extraordinary vigour which helped to absorb massive Western dishoarding and a large proportion of new production

PROSPECTS

The prospects for 1989 indicate a larger residual surplus which will have to be taken up by investors at a time when real interest rates will inevitably remain relatively high, Mr Ogilvie-Thompson says

"The vulnerability of the gold price in these circumstances cannot be denied"

However, it is possible that Western investors have reduced their gold holdings below prudent limits

Discussing gold exploration activities, Mr Ogilvie—Thompson says that drilling to the north of Buffelsfontein's Beatrix mine, as well as in the Potchefstroom Gap and Evander and Pietersburg goldfields are encouraging

He adds that Amgold is also participating in gold exploration programmes in Southern Europe, where a number of interesting prospects have been delineated Exploration will continue during the year

He stresses that in the present state of the gold market urgent attention must be given to containing costs and improving productivity to ensure long-term viability of the industry in South Africa

"With costs continuing to escalate, the consequences for profitability and for the position of a growing number of marginal mines are serious and call for a sharp focus on appropriate policies at both industry and national level," Mr Ogilvie-Thompson says — Sapa

Outlook good for investment in gold — Amgold

CAPE TIMES 28/3/89

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JOHANNESBURG — International inflationary pressures and other problems will in time result in a renewed appreciation of the advantages of investment in gold, says Anglo American Gold Investment Co (Amgold) chairman Julian Ogilvie Thompson in his anual review

Thompson says that the decline in the gold price has to be seen against the broad backdrop of a firmer dollar, lower oil prices and relatively high real interest rates during 1988 and early 1989

He points out too that while investors bought additional supplies of bullion in 1987, their willingness to do so in 1988 declined as the net supply surplus was supplemented further by the growing resort to gold loans

It was therefore fortunate that the physical demand for gold in the Far East displayed extraordinary vigour which helped to absorb massive Western dishoarding and a large proportion of new production

"However, banks were reported to be re-assessing the risks attendant on these loans and this might limit their availability in the future"

The prospects for 1989 indicate a larger residual surplus which will have to be taken up by investors at a time when real interest rates will inevitably remain relatively high, Thompson says

"The vulnerability of the gold price in these circumstances cannot be denied Nor can the relative cheapness of the metal always be regarded as an advantage when investor motivation has been impaired"

However, the positive view of the US economic prospects ignored he real problems that still had to be faced

In addition, the Third World has not shared commensurately in the latest phase of Western growth, while socio-political pressures, particularly in Latin America are mounting, Thompson says

At some time therefore there might be a re-assessment of the new-found faith in global management Besides it is possible that Western investors have reduced their gold holdings below prudent limits, Thompson says

Discussing gold exploration activities, Thompson says that drilling to the north of Buffelsfontein's Beatrix mine, as well as in the Potchefstroom Gap and Evander and Pietersburg goldfields are encouraging

He adds that Amgold is also participating in gold exploration programmes in Southern Europe, where a number of interesting prospects have been dilineated Exploration will continue during the year

Thompson believes that the mining tax recommendations should benefit existing mines as well as providing a more favourable climate for investment in new gold mines

Discussing the draft minerals bill, Thompson warns that it contains certain provisions, which, if promulgated, will be detrimental to the mining sector

He stresses that in the present state of the gold market urgent attention must be given to containing costs and improving productivity to ensure long-term viability of the industry in SA

"With costs continuing to escalate, the consequences for profitability and for the position of a growing number of marginal mines are serious and call for a sharp focus on appropriate policies at both industry and national level," Thompson says — Sapa

SA gold output drops

CMT Times 28/3/89

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JOHANNESBURG — SA's total gold output for February decreased by 3 603 ounces to 1 580 044 ounces from January's output of 1 583 647 ounces, the Chamber of Mines announced

The January — February 1989 output of 3 163 691 ounces, however, reflected an improvement on the output for the comparable period last year when 3 146 753 ounces were produced

In 1988 the February output was 1 577 861 ounces compared with January's 1 568 892 ounces — Sapa

Peter Whipp has been appointed marketing director of Highams (SA)

Minorco 'to find way out'

B Day 28/3/89

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ROBERT GENTLE

LONDON — Minorco is expected to pull out all the stops this week in a last ditch attempt to salvage its bid for ConsGold before it lapses on April 26

This follows last week's decision by the New York Appeal Court to reject an appeal by Minorco to have an injunction against the bid lifted

The injunction had been brought by ConsGold's 49%-owned US company, Newmont Mining, on alleged anti-trust grounds and effectively blocked Minorco from acquiring any more shares in ConsGold

A Minorco spokesman said yesterday "It's a serious setback. But we've come this far and we'll find a way out"

He said the news from Washington last week that the proposed takeover of ConsGold did not threaten US national security could further strengthen Minorco's bid to overturn the New York ruling

However, time is not on Minorco's side With barely a month to go before the 60-day cycle expires, the market has already taken the view that, if only for this reason, the bid is dead in the water

This was reflected in the way the New York ruling immediately took the speculative element out of the ConsGold share price. It plummeted £1,85 to £12,28, wiping off about £414m of the company's market capitalisation

Few analysts expect Minorco to ask for an extension from the Takeover Panel

Not only was there no precedent for this kind of request, but it would almost

● To Page 2

Minorco expected to pull out all stops

B Day 28/3/89

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● From Page 1

certainly be turned down as Minorco went ahead with its second bid in the full knowledge that the New York court decision was still pending

What Minorco said it would do, however, was to assure the US court that it would sell ConsGold's stake in Newmont within a reasonable time after a successful takeover and not exercise management control in the interim

The other card Minorco was expected to play was that of a higher offer to ConsGold shareholders That could conceivably result in enough of them turning against the ConsGold board and asking it to drop the US court injunction.

The effects of the New York ruling on the ConsGold share price could well play in Minorco's favour

Minorco expected to pull out all stops

Cape Times 28/3/89

From ROBERT GENTLE

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The effects of the New York ruling on the ConsGold share price could well play in Minorco's favour

While ConsGold's share price stubbornly traded above Minorco's present £14,25 a share offer, City opinion was that it was totally inadeqauate

Now, however, the bottom has all but fallen out of the Consgold share price, and analysts expect the slide to continue if Minorco throws in the towel

"Whereas a week ago ConsGold shares were worth £15, they are now worth £12,50, and anyone who bets otherwise is getting into a very high risk game," said the Financial Times at the weekend

ConsGold chairman Rudoph Agnew's immediate reaction to the latest developments reflected this caution

"The implications for the outcome of this bid are far from clear, but we remain ready for any eventuality," he said

Getting more from gold ore

Argus 28/3/89

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The Argus Foreign Service

LONDON — A process being investigated now by De Beers involving the use of microbes to release residual gold from low-grade ores, could transform South Africa's economy, some mining experts believe

Old mines could be revitalised and new profits could be extracted from the dozens of dumps which dot the gold-mining world

De Beers is "very interested" in the process — called bacterial leeching — and is currently co-funding a study with Mintec at Vaal Reefs.

Much of the research into microbes such as T-ferro-oxidans which eat their way through spoil-heaps and release soluble compounds of valuable metal, has been conducted at King's College in London

So far researchers have found bacterial leeching is best suited to low-grade copper and iron ores. De Beers and companies in Australia and Canada are hoping to be able to adapt the process to recover gold which would otherwise be too expensive to extract

ALTERNATIVE

Scientists, including inorganic chemist Dr Jack Barrett, believe the microbes will eventually dramatically reduce capital outlay, as well as running costs, and could perhaps even replace the alternative processes of roasting and pressure-leeching

So far, however, there is no indication of when — or if — the process will become commonplace But a De Beers spokesman in London said "We are very interested in the process, and are at the moment involved in an extensive study in South Africa"

MINING ARGUS 28/3/89

Minorco to pursue bid for ConsGold

The Argus Foreign Service

LONDON — Minorco has decided to pursue its troubled R13,2-billion offer for Consolidated Gold Fields, despite a US appeal court decision which will make it difficult to meet the April 26 deadline for resolving the bid

The Luxembourg group intends to defend the US anti-trust and securities law cases brought by ConsGold and its associate Newmont Mining, in the hope of persuading the New York District Court to lift the ban on its acquiring Consgold shares in time

It regards any further appeal to higher courts as impractical and has little hope of reaching an agreed bid which would persuade Consgold to halt the actions

Mr Keith Irons, a spokesman for Minorco, admitted that the appeal court decision to uphold the injunction against Minorco may defeat the bid "It is a very serious setback and could still block us," he said

There was some good news for Minorco, however It was told that the US government committee on foreign investment had no objection to the bid on national security grounds under the 1988 Omnibus Trade Act

Minorco said it now intends "to pursue means of lifting or modifying the injunction entered in the US District Court in New York which currently prohibits Minorco from purchasing shares in ConsGold to take its stake above 30 percent"

Graham Serjeant, financial editor of The Times said Minorco had hoped to persuade Judge Michael Mukasey of the New York District Court, who is hearing the ConsGold anti-trust suit, to lift the injunction against Minorco quickly, rather than conduct a full hearing

It offered a binding pledge to sell ConsGold's 49 percent interest in Newmont Mining But the judge has warned Minorco that he is unlikely to make any ruling before he goes on a two-week trip next Monday

If that proves to be the case, no ruling could be given before April 17 Under City takeover rules, Minorco must complete its bid by April 26

Sir Gordon Borrie, Britain's Director of the Office of Fair Trading, told The Times that although the Monopolies Commission had passed the bid, "there are still questions in my mind

"I would predict that in one or more markets in which those companies are involved, the British or European or maybe other competition authorities will get involved and you won't have heard the last of these matters"

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‘Interesting prospects’ in southern Europe

Amgold looks hard at mining project in Spain

B/Day 28/7/87

Business Day Reporter

ANGLO American Gold Investment Company (Amgold) had discovered “positive potential” for a gold mine in Spain, chairman Julian Ogilvie Thompson said.

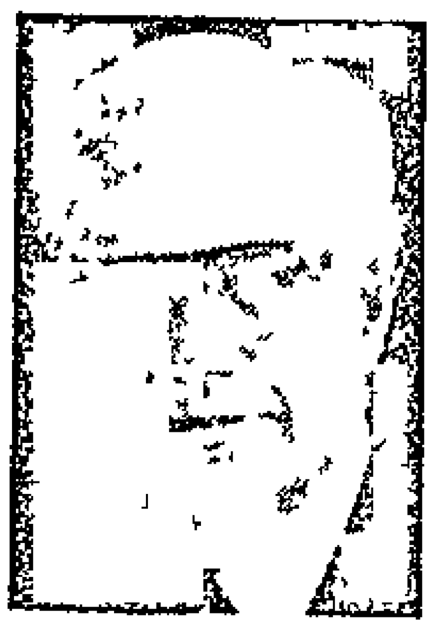
He said in his annual review “a number of interesting prospects” had been delineated in southern Europe — one of which was in Spain, known as the Carles project

Amgold’s other prospecting targets were mainly in SA

□ The Potchefstroom Gap phase one of the New Central Wits joint venture had been completed, where some intersections of the Bird and Main conglomerate formations contained economic concentrations of gold To the south of Stompoorfontein, four boreholes were in progress, following up on the discovery hole which intersected “encouraging” values on the Bird reef

□ Drilling to the north of Buffelsfontein’s Beatrix mine in the Free State goldfield had been completed The results were sufficiently encouraging to warrant a feasibility study which would be undertaken later this year Future exploration would be concentrated largely in the area to the north of Freegold’s Saaiplaas mine where the main targets were the Basal and the “B” reefs

□ Drilling continued in the Evander goldfield where the programmes were geared for completion towards the end of the year The results in the northern part of the prospect had been sufficiently encouraging to warrant the purchase of mineral rights



Ogilvie Thompson

□ The main emphasis of the small-mine exploration programme was in the Pietersburg goldfield where a drilling programme had been completed in an area adjacent to the Eersteling gold mine Initial exploration results to the north at Zandrivier had been sufficiently encouraging to warrant an underground exploration programme for a detailed evaluation of the ore body and shaft sinking had been started for that purpose

Turning to gold exploration activities outside SA, Ogilvie Thompson said Amgold was taking part in exploration programmes in southern Europe A number of interesting prospects had been delineated and exploration would continue during the year

In Spain, an appraisal study of the Carles prospect had indicated positive potential

Ogilvie Thompson said gold exploration was being undertaken by Anglo American Corporation of South America (AMSA) in Brazil, Chile and Argentina in a variety of geological environments, with generally encouraging results

Mining industry on the threshold of new gold boom

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Star 29/3/89

By Magnus Heystek,
Finance Editor

The South African gold mining industry is on the threshold of a "Third Great Wave" with production set to rise to about 800 tons a year from the current 600 tons by the turn of the century, says Mr Mike Brown, economist for stock-broking firm Davis, Borkum and Hare

Mr Brown was addressing an international gold conference in Perth, Western Australia

South African gold mining production has declined from a peak of 1 000 tons in 1970 (approximately 75 percent of the free world's production) to 605 tons in 1987 with a marginal increase to 619 tons last year, equivalent to about 44 percent of free-world production

This decline is partly due to falling grades in South African mines, rising production elsewhere in the Western world coupled with the rising cost structure on local mines

"However," says Mr Brown, "I believe the South African gold mining industry stands on the brink of its Third Great Wave of mining expansion which will see a significant number of new gold mines being brought into production over the next two decades," he told delegates to the conference

The 'First Wave' consisted of the discovery of the Witwatersrand last century, the 'Second Wave' saw the development of the West-Wits, Klerksdorp amd Free State goldfields after the Second World War

	1989	1990	1991	1992	1993	1994	1995	2000
1 Existing Gold Producers	630	641	642	645	640	633	636	530
2 Projected New Gold Mines	0,2	0,3	0 5	4,5	12,7	25 4	44,3	250
3 Total	630	641	643	650	653	658	680	780

Projected South African gold production (tons)

An important determinant in expected future gold production, according to Mr Brown, are the proposals of the Marais Committee which, if implemented, will have a beneficial effect on new mining expansion and investment The proposals will materially alter the investment climate in gold production by creating a "more propitious taxation structure"

Although financing requirements for this expected 'Third Great Wave' are forecast to be substantial, due to the high capital nature of gold mines, Mr Brown does not expect this to be an impossible task.

Several sources of capital for new mining ventures exist, such as pension, insurance and provident Funds with positive cash flows

Market capitalisation of mining shares on the Johannesburg Stock Exchange amounts to about R150 billion at present and this could be tapped as a resource for new equity financing

The new 'mining exploration' sector on the JSE and the proposed 'venture capital market' could also help in the finance of new mining ventures

The Marais Committee proposals on mining taxation, if implemented, would boost capital expenditure on new mining ventures

Then there are the mining finance houses which have considerable cash resources at their disposal Changes to the present tax system would enable mining houses to more readily realise their existing share investments where the proceeds to be invested in new mining projects

"The 'gold boom' of the Eighties might have by-passed South Africa, but there is a strong possibility that it might merely have lagged a decade and that a 'Nineties expansion' lies ahead for the industry

"In fact,"said Mr Brown, "the delayed aggrandisement of the South African gold mines could prove a blessing in disguise as expanding South African production towards the end of the century might well dovetail in well with some reduction in production elsewhere in the world as short-life smaller producers are gradually closed-down

New South African production could be in the nature of replacement rather than supplementary supplies to the world's gold markets

"The prospects for growth of some 25 percent or more in the South African gold production over the next decade suggest the industry is indeed poised in the brink of its 'Third Great Wave' of expansion and this part of the world should enjoy a buoyant gold mining sector through to and beyond the end of the century," Mr Brown said

Minorco (83) should lift its offer for Consgold (214)

8Nov 24/3/87

LONDON — Minorco will have to put more money on the table if wants to succeed in its bid for Consolidated Gold Fields, share analysts said here yesterday

They said Minorco needed a knockout blow to stage the takeover

"The real nub is that Minorco have to make a higher offer," said Hugh Williams, an analyst with Kleinwort Benson

"Consgold would have difficulty defending a bid above £15,50 a share," added Jack Jones of UBS-Phillips and Drew

Minorco spokesman Keith Irons, however, said the company had no immediate plans to increase the offer

Consgold has an injunction from a US civil court barring Minorco from buying further Consgold shares But it would be under pressure to withdraw this action if Minorco got sufficient acceptances from Consgold shareholders, analysts said

Consgold is due to make a further submission on Friday to the New York court which issued the injunction

Time is pressing for Minorco as British takeover rules stipulate that the bid must be decided by April 26

Judge Michaeal Mukasey, the judge presiding in the case, is likely to be away for a fortnight from April 3, which would only allow a new hearing a week before the deadline

Some analysts said Minorco might have to raise its stake significantly above 50 percent to put pressure on Consgold to withdraw the US court action

"Minorco either have to come back with a higher bid or walk away," one analyst said, noting that if it failed, Minorco might find it hard to dispose of its Consgold holding

Kleinwort's Williams said any possible increase in Minorco's bid would probably come next week But other analysts said an increased offer might come sooner rather than later to put pressure on Consgold management — Sapa-Reuter

Time complicates ConsGold affair

B/Day 29/3/89 (214)

LONDON — Minorco SA's imperiled bid for ConsGold faces an array of obstacles, but none as formidable, or as fundamental, as time

Last week's big setback — a US Appeals Court ruling blocking the SA-controlled concern from proceeding with the $3,84bn hostile bid — sent ConsGold shares tumbling and left Minorco scrambling for some new plan for acquiring the British mining giant, the Wall Street Journal/Europe reported yesterday

In late trading on the LSE on Thursday, ConsGold shares plunged to £12,50, losing 183p

Minorco directors and advisers will be meeting this week They face a cramped schedule in which to manoeuvre their bid back into position The bid expires on April 26 Company advisers say there is little hope the UK takeover panel will extend the deadline As long as US legal actions cloud the proposed takeover, shareholders are likely to hang on to their holdings

Minorco's prospects for untangling the legal problems in the US in time for the deadline are also daunting

Last week's Appeals Court ruling upheld a lower court injunction against Minorco proceeding on anti-trust grounds But the Appeals Court ruling added to Minorco's troubles by reversing the lower-court decision to throw out allegations of securities law violations on the argument that ConsGold had relatively few US shareholders

The case now goes back to US district judge Michael B Mukasey, who handed down the anti-trust-related injunction last October

On Friday Mukasey accepted ConsGold's filing of additional allegations of securities law violations Minorco attorneys also sought guidance from Mukasey on whether an expedited hearing on the allegations could be scheduled

Expire

Again the prospects are not encouraging for Minorco A company spokesman says the judge expects to be travelling for two weeks from April 3

He says the judge is unlikely to schedule a hearing before then, leaving only a week-and-a-half after he returns to sort out a complex legal case before the bid is scheduled to expire — AP-DJ

Low gold price forces curtailment of Fregold capex

ANDREW BUDDEN

ANGLO has announced the curtailment of further capital expenditure in the Erfdeel area of its Free State Consolidated Gold (Fregold) Saaiplaas mine, east of Welkom

Anglo says the present weak rand gold price and escalating costs have rendered further development uneconomic at present

Work on the Saaiplaas No 5 (Duiker) shaft is to be discontinued once sinking to planned depth is complete in April or May this year, although existing surface infrastructure contracts will be completed

At the same time, capex necessary to exploit the Du Preez Leger and Jonkersrust farms south of President Brand mine has been suspended Fregold and Freddev have not acquired mining rights on these farms, the announcement said

Gold decline may be reversed

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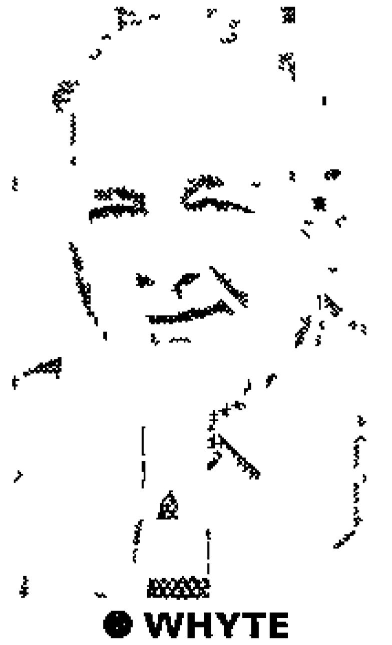
B/Day 30/3/89

THE greatest significance of the statements by Amgold chairman Julian Ogilvie Thompson and by Potchefstroom Gold Areas chairman Ken Whyte that economic values have been intersected in the Potchefstroom Gap boreholes is that this means the decline of SA's gold production should be lessened, or even reversed, in the longer term with the expected establishment of a new goldfield

Huge sums of money will be needed to finance the opening of gold mines at Potchefstroom


● WHYTE

The recent government action in freeing institutions from investing mainly in prescribed assets means that billions of rands will be available for investments aimed at establishing new mines in the Potchesroom area and other areas

Few people realise how seriously the decline in gold production has hit SA To illustrate this fall, the average grade of mines has declined from 13,28g/t in 1970 to 5,13g/t in 1988 — a fall of 62% resulting in a production decline of 40% since higher tonnages have been milled on many mines to counter the lower grade

The most important aspect of the announcements of the intersection of the Vaal Reef in the Potchefstroom boreholes is that the establishment of a new goldfield can now be predicted

Since the heaviest drilling by Anglo

ADAM PAYNE

American and its associated company, New Central Wits, has been in the northern Gerhardminnebron area, gold mining should get off to a quick start there, because the reef is at its shallowest

To the south of Gerhardminnebron are three areas with deeper reefs on the farms Stompoorfontein, Vyfhoek and Droogespruit

It is estimated by mining engineers that when a decision is taken after feasibility studies to open a large mine or Gerhardminnebron, it should take only about three to four years before the mine starts producing

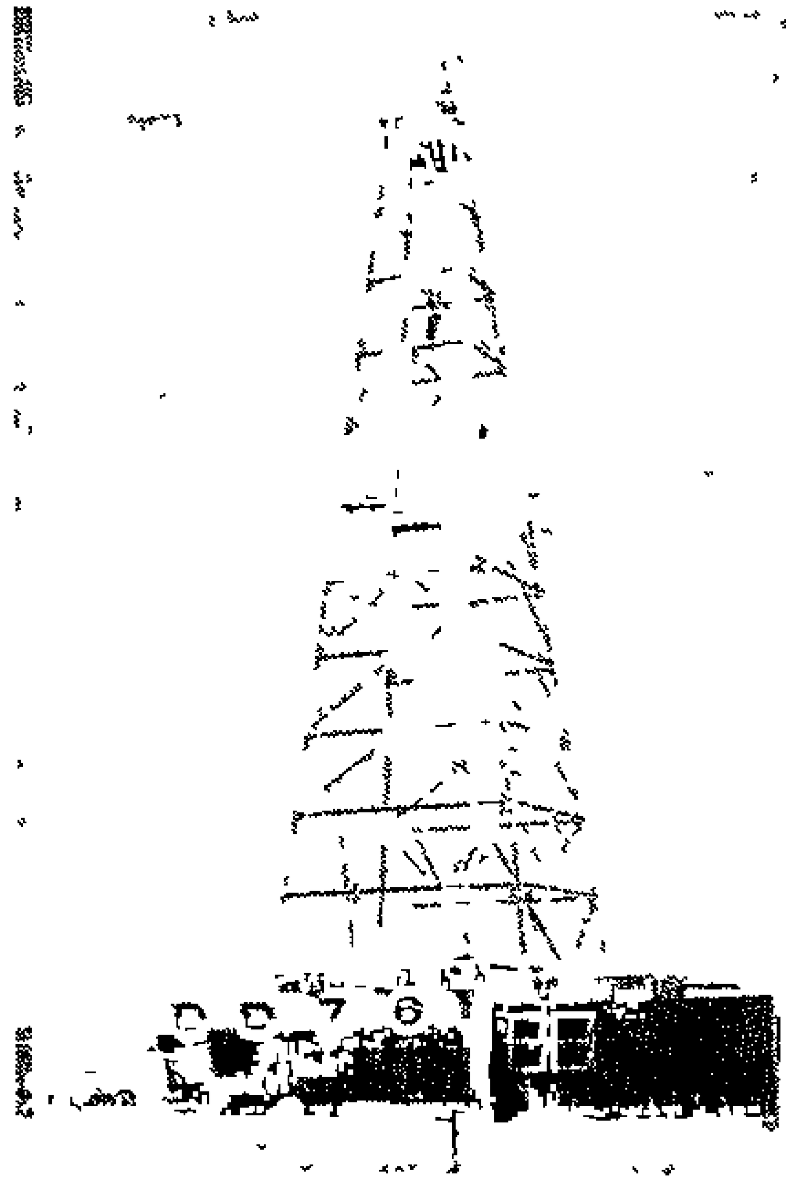
The most encouraging borehole value on the Vaal Reef at Gerhardminnebron is more than 1 000cm-g/t of gold Should the establishment of a Gerhardminnebron mine be decided, it is likely this mine will be launched as a super mine incorporating the mineral rights of the farm Stompoorfontein, to the south where encouraging results have been reported by Ogilvie Thompson

How many mines are likely to be established? Judging by the size of the lease areas of the latest West Wits mines, Elandsrand and Deelkraal, the Potchefstroom area could support four or five mines in the northern part of the gap It is almost impossible to say how many mines the southern parts would support, as little drilling has been carried out

Going south from Stompoorfontein to the cluster of drills at the northern end of the Vyfhoek Venture, one comes on borehole VHI which intersected the Vaal Reef at a depth of 3 836m (shallower than the deepest portion of Western Deep Levels lease area) yielding a value of 1 120cm/gt

Going further south, one passes Potchefstroom town in the centre of the Vyfhoek Venture and then, moving south-west, one arrives at the scene of the most recent strike on Droogespruit, where borehole No 1962, at a depth of 3 500m, yielded a high value of 96,86g/t over a reef width of 19,7cm, equal to 1 908cm g/t So far only one borehole has been drilled on Droogespruit

Infrastructure is available to establish a producing goldfield The area is well supplied with water by the Mooi River and the Boskop dam to the north


Gencor drilling rig at work on the farm Droogesprult

It is well served by Eskom power and a railway line serves the south-west area between Droogespruit farm and Potchefstroom town

The goldfield lies midway between Klerksdorp and Carletonville

The cost of the first large mine to be established, milling, say, 500 000 tons a month, would be about R2bn

Drilling

The goldfield, when launched, will be dominated by Anglo and GFSA in the north and Anglo and Gencor in the south-west

GFSA is drilling to the west of the Mooi River venture and to the north of Vyfhoek GFSA does not disclose its drilling results so mining men are ignorant of the depths and values so far reported by GFSA drills GFSA's chief geologist Richard Viljoen is reported to have believed over years that the Potchefstroom Gap would no longer be a mining gap

The first disclosure this week of recent work in the Potchefstroom Gap came in Amgold's chairman's statement by Ogilvie Thompson who wrote "Extensive drilling is being carried out in the 'Potchefstroom Gap' where the three prime target areas are the New Central Witwatersrand Areas joint venture, Stompoorfontein and Vyfhoek

"In the New Central Wits joint venture at Gerhardminnebrom, five of the 10 holes in Phase 1 have now been completed The results to date have enabled the broad structural elements to be delineated and have shown that some intersections of the Bird (Vaal) and Main conglomerate formations contain economic concentrations of gold To the south at Stompoorfontein, four boreholes are in progress following up on the discovery hole which intersected encouraging values on the Bird (Vaal) reef The Bird (Vaal) reef is also the target Vyfhoek where it was intersected in borehole VH1 giving a value of 1 120cm g/t at a depth of 3 386m below surface"

Whyte today follows that report with his statement that another year has passed with increasing activity in the Potchefstroom Gap area He writes "There are 20 rigs drilling in the area, 18 of which are situated to the north of Potchefstroom and two to the south-west PGA has an interest in nine of these boreholes, eight of which are being drilled by Anglo and one by Gencor Two-and-a-half years ago there were only eight rigs in the area, and PGA participated in only three rigs

"It is possible that certain of the minerals rights in the northern part of the Mooirivier venture, which are the subject of concentrated drills by Anglo, and in which PGA has a subscription right, may be included in any evaluation

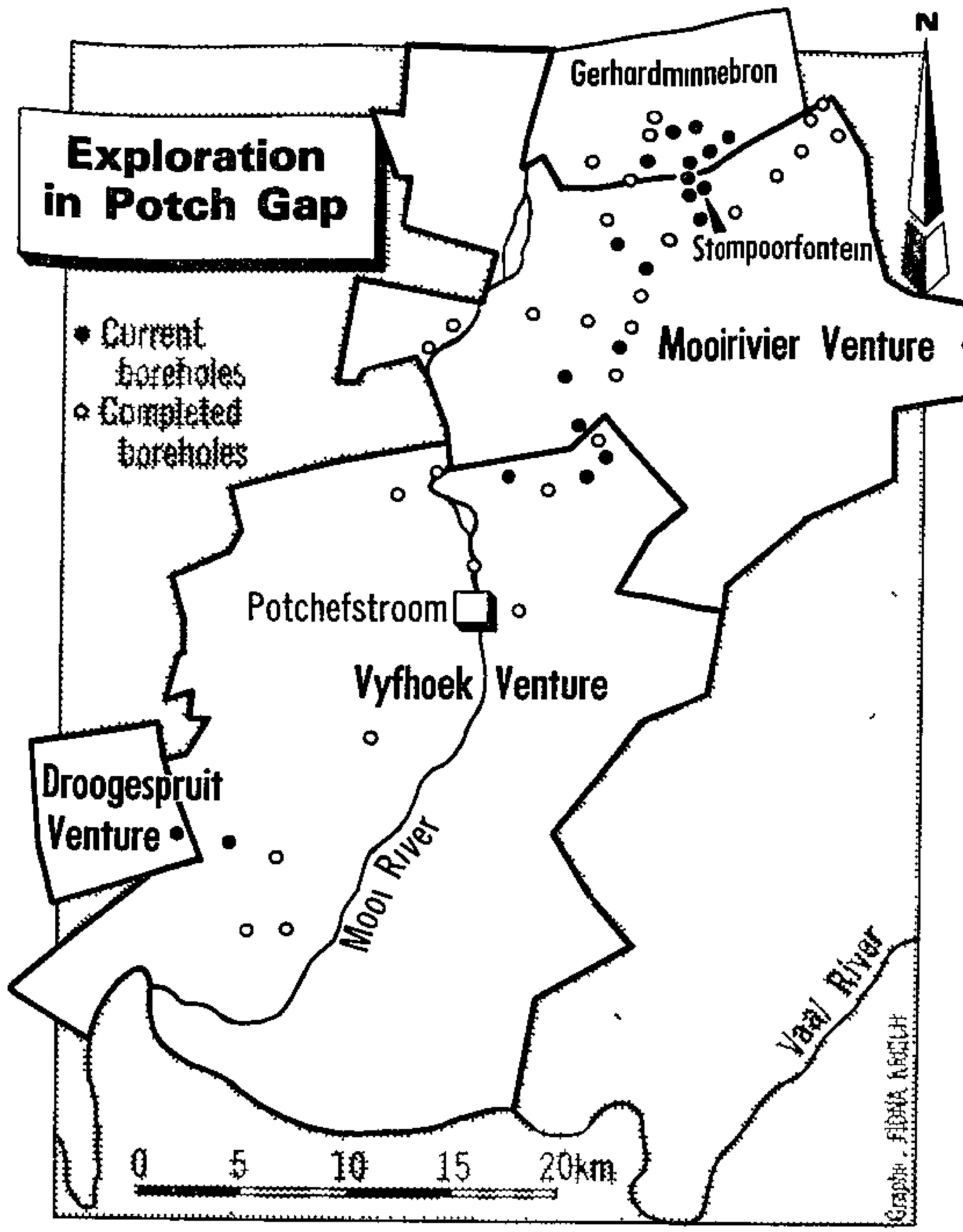
"Drilling in the northern part of the Vyfhoek venture in the vicinity of borehole VH1, which intersected the Bird (or Vaal) reef in 1987, has now entered Phase 1 This phase will involve the drilling of six to seven boreholes and should be completed in the early 1990s

Raised

"The intersection of Gold Estates reef and high grade Vaal reef by Gencor in borehole No 1962 on the farm Droogespruit 416 IP, in which PGA has a 40% interest in some 2 600 ha, is particularly encouraging

"This discovery, supported by Anglo's intersection of low grade Central Rand Group reefs (Upper Witwatersrand reefs) in borehole VPT1 situated 2,5km east of borehole 1962, is the first confirmation of Central Rand Group mineralisation in this westernmost portion of the Potchefstroom Gap

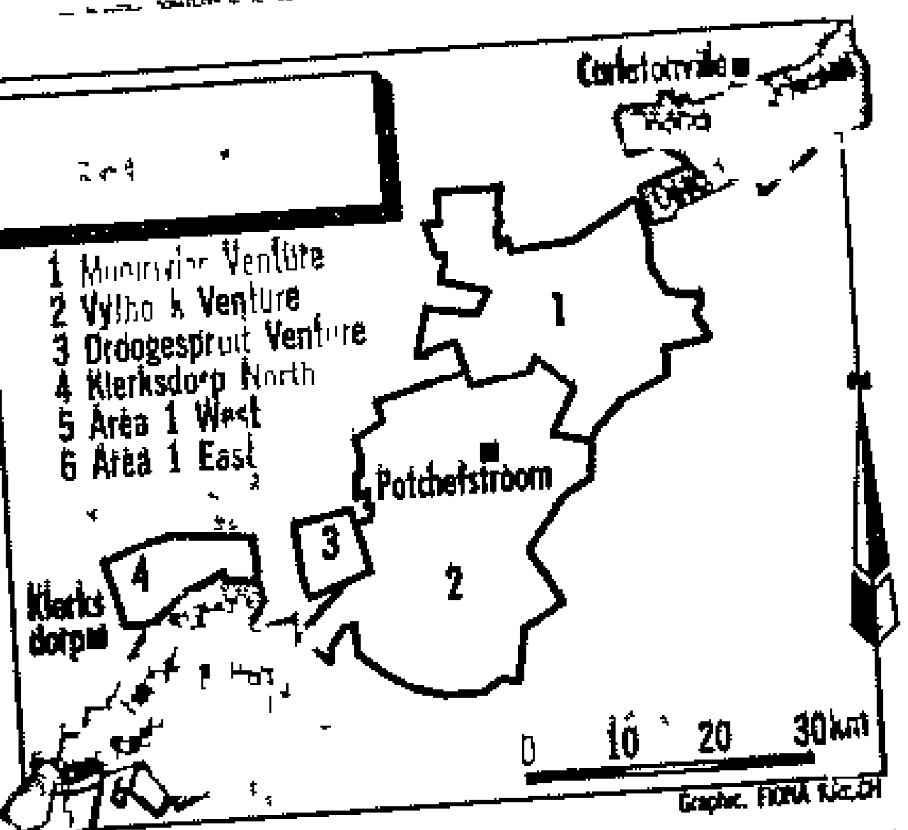
"These results have raised the possibility that the gold-bearing reefs which extend at depth for some 20km from Gerhardminnebron at the farm, Vyfhoek 428 IQ, north of Potchefstroom, might also be developed beneath portions of the 25km gap between Potchefstroom and the Klerksdorp goldfield"



Major goldfield on cards

(214)

B|Day 30|3|89



ADAM PAYNE

THE announcement today of economic drilling results from a borehole that intersected the gold-bearing Vaal Reef in the southern part of the "Potchefstroom Gap" appears to be further confirmation of the existence of a major new goldfield

The borehole, drilled by Gencor, is about 30km southwest of the extensive drilling programme under way by Anglo American.

Potchefstroom Gold Areas (PGA) chairman Ken Whyte said Gencor intersected the Vaal Reef at 3 500m, peaking at a value of 1 908cm-g/t

PGA has participation rights with Anglo in its drilling in the north and also with Gencor on the farm, Droogespruit, in the south-west of the gap

Earlier this week, Amgold chairman Julian Ogilvie Thompson — in his annual review — referred to the economic drilling results from three prime target areas in the gap. These are Stompoorfontein, Vyfhoek and the New Central Witwatersrand Areas joint venture at Gerhardminnebron

PGA executive director Chris von Christierson said yesterday drilling results achieved between the Klerksdorp and West Witwatersrand goldfields "could sew up the Potchefstroom Gap area as a new goldfield of tremendous economic importance — coming at a time when the Basal Reef is running out in the Free State goldfields".

Ogilvie Thompson's statement referred to intersections of the Bird Reef (also called the Vaal Reef)

● Details: Page 11

Borehole results show the reef in the Potchefstroom goldfield to be at depths similar to those profitably mined by Western Deep Levels.

Successful boreholes have been drilled by Anglo in the Mooirivier venture area in the northern part of the gap.

Most of the drilling there has been carried out on the farm, Stompoorfontein. Some 15km south of Stompoorfontein on the farm, Vyfhoek, the reef was also intersected, giving value of 1 120 cm g/t at a depth of 3 836m

The distance between the most northerly successful drill and the most southerly shows that the reef could stretch more than 43km

ConsGold warns shareholders

214 (22) B/Day 30/3/89

ROBERT GENTLE

LONDON — Consolidated Goldfields (ConsGold) yesterday sent yet another reminder to its shareholders warning them not to accept Minorco's £3,2bn takeover offer.

In a move which showed ConsGold still regarded the Minorco threat as real, despite the setbacks suffered in the New York courts, chairman Rudolph Agnew attacked Minorco on several fronts.

Rebutting an earlier argument by CE Sir Michael Edwardes that ConsGold had misled its shareholders by not addressing the tax consequences of an eventual break up of the company, Agnew suggested the point was irrelevant

"ConsGold has no such plans and consequently has not estimated either the realisable value of the group's assets or the tax liability on a full break-up"

He reiterated his belief in US stockbrokers Shearson Lehman's conclusions on the valuation of ConsGold's US gold interests Citing a letter from Shearson, he said the valuation "clearly indicates the greatest value to shareholders would come from ConsGold's continuing ownership of these interests"

Agnew also dismissed Minorco's challenge to produce a detailed valuation for the entire ConsGold group

He said the group was made up of many components which could not be encapsulated in a single figure

Meanwhile, ConsGold shares continued to firm amid cautious market expectation of a higher Minorco bid They rose 18p to £12,95.

Minorco offers $100-m guarantee

(01)(24) 8/4/30/3/89

Star Bureau

LONDON — Minorco has offered to post a $100 million bond with a US court as part of its attempts to have removed an injunction, which prevents it buying any more shares in Consolidated Gold Fields

In exchange, it would sell Consgold's substantial shareholdings in Newmont Mining, the US gold producer, and Renison Consolidated, the Australian gold and minerals group, within a year, or forfeit the entire amount Minorco offered an undertaking not to sell the stakes to any organisation connected with its parent company, Anglo American

It made its offer in a letter to Judge Michael Mukasey, who imposed the injunction on the grounds that a merger between Minorco and Consgold would give Anglo American control of 32,2 percent of the non-communist world's gold output

In recent US appeal court hearings, it was suggested that Anglo, via Minorco, would curtail the activities of both Newmont, 49 percent owned by Consgold, and the UK group's wholly owned US subsidiary, Gold Fields Mining Corporation, to benefit its South African gold business

Mr Roger Phillimore, Minorco's commercial director, Wednesday said the allegations "clearly demonstrate the desperate lengths to which the Consgold board is prepared to go to prevent their shareholders benefiting from our offer.

Gold's fall exposes economic weakness

Star 30/3/89

214

Diagonal Street

MAGNUS HEYSTEK

Nothing exposes the vulnerable state of South Africa's economy as much as a sharp overnight drop in the gold price. In two consecutive trading days this week gold shed about $14 an ounce due, primarily to the sharp rise in the US dollar as a result of a drop in the crude oil price.

Further drops in the gold price, which cannot be entirely ruled out in the face of further rises in US interest rates, would create a major problem for both the local gold mining industry and the country's monetary authorities

The rand, once a proud currency in international foreign exchange markets, will almost certainly bear the brunt of a sustained decline in the gold price.

The relentless rise in gold mining costs, in part fuelled by the country's high and rising domestic inflation rate, has pushed up the pay limits (the minimum value at which ore can be mined and treated without profit or loss) and a number of local gold mines are now regarded as marginal producers

Based on the quarterly reports to end-December 1988 some 7,7 percent of South Africa's gold production is currently being produced at a loss while up to 17,6 percent is being produced on a very marginal basis

Gold mines producing at a loss (based on end-December 1988 figures are East Rand Property Mines, South Roodepoort, South East Rand Gold Mining Co., Cengold, West Rand Cons Mines, Western Areas, Durban Deep, Rand Leases and Modderfontein, Venters and Bracken (if capital expenditure is included).

According to Mike Brown, economist at Davis, Borkum and Hare, the 'crunch' emerges when large producers such as Harmony, Doornfontein, Loraine etc. reach the non-profitable stage — which is very close, based on the current rand-revenue compared with the working costs.

The implications on the labour front, in particular, are very serious. Last week marginal producer Grootvlei announced the lay-off of more than 1 500 workers, mainly black, due to falling profitability at the mine

In the absence of any upsurge in the US dollar price of gold, the rand will have to take the strain This year the fall in the rand hasgone largely unnoticed due to the change in the way it is quoted, declining by more than 7 percent since the beginning of the year.

While this eventuality will, no doubt boost gold mining profits, it will add further to the inflationary spiral already entrenched in the economy.

That a further drop in the rand is already anticipated by local investors can be inferred from the behaviour of local gold shares vis a vis the financial rand.

The fall in the financial rand rate during the last three weeks, during which the JSE All Gold Index moved up sharply, indicates that the buying of gold shares was done by local investors, not overseas ones.

Other gold markets have not responded in a similar fashion, which indicates that a further, and perhaps sharp drop in the rand exchange rate is likely.

There are good reasons for believing that the commercial rand will fall from its present levels of around R2,57 to the US dollar (38,9 US cents). The SA economy is fundamentally not in great shape with the very fragile surplus on the current account on the balance of payments causing great concern in investment and government circles.

Already the is talk that additional restrictionary measures might be introduced to cool down the reluctant economy further

The Star Finance

PGA drilling results point to major new goldfields

Star 30/3/89 (214)

By Sven Lunsche

Drilling results by both Gencor and Anglo American, point to a major new goldfield in the area around the south-western Transvaal town of Potchefstroom

Extensive drilling over the last three years by Anglo American and extensive exploration work by Potchefstroom Gold Areas (PGA) have already uncovered substantial reserves in the so-called Potchefstroom Gap

But it is the latest succesful drilling result by Gencor, from a borehole 30 km southwest of the area explored by Anglo and PGA, that could see the development of the Potchefstroom Gap as a new goldfield of tremendeous economic importance

Announcing Gencor's borehole result, PGA chairman Ken Whyte said that the discovery was the first confirmation of mineralisation in the westernmost part of the Potchefstroom Gap

In PGA's annual report he said that the borehole intersected the gold-bearing Vaal reef at a depth of 3 500 metres

Encouraging

"The intersection of the Gold Estates reef and the high grade Vaal reef by Gencor is particularly encouraging," Mr Whyte commented

He added that the discovery had raised the possibility that reefs to the north of Potchefstroom could also be developed beneath portions of the 25 km gap between Potchefstroom and the Klerksdorp goldfield

Mr Whyte said that PGA had continued to increase its investment in exploration and at present had an interest in nine boreholes in the Potchefstroom Gap, compared to just three at the time of the company's listing two-and-a-half years ago

"Further intersections of Vaal, Livingstone and main reefs on the farm Gerhardminnebron (north of the Mooirıver venture) have enhanced the likelihood of Anglo American proceeding with Phase 2 of the Gerhardminnebron exploration once Phase 1 is completed in 1990

"Certain of the mineral rights in the northern part of the Mooiriver venture — in which Anglo is drilling and in which PGA has subscription right — may be included in any evaluation of the farm Gerhardminnebron," Mr Whyte said

Extensive operations

In Anglo American Gold's annual statement earlier this week, Amgold chairman Julian Ogilvie-Thompson also referred to the extensive drilling operations carried out in the Potchefstroom Gap

Mr Thompson said that drilling results from the three prime target areas — the New Central Witwatersrand joint venture at Gerhardminnebron, Stompoorfontein and Vyfhoek — had shown that some intersections of the Vaal and the main conglomerate formations contained economic concentrations of gold

Explaining the need for the extensive exploration programmes Mr Whyte said that the average graded of South African gold producers had declined in 1988 for the eighteenth consecutive year and that some low grade mines were even faced with closures

"This emphasises the need for more economic gold discoveries and a mining taxation policy that will encourage new production," Mr Whyte said

ConsGold shares up as new bid expected

BDay 31/3/89 (214)

ROBERT GENTLE

LONDON — Consolidated Gold Fields yesterday continued to gain ground in anticipation of a fresh Minorco offer and rose 30p to £13,25

It was the third successive increase since the bottom all but fell out of the share price last week following the New York appeal court decision against Minorco, and confirms City sentiment that the company is "back in play"

Analysts said they expected a higher Minorco offer, proabably between £15 and £16 a ConsGold share any day now They said the offer was likely to be substantially higher than the present ConsGold share price as time was running out and a knockout blow was needed fast

Minorco has till April 12 to present an increased offer After that date, ConsGold is allowed two weeks to consider such an offer before the bid lapses on April 26 A three week extension can be granted after the bid lapses, but only if Minorco has enough acceptances from ConsGold shareholders to give it at least 50,1% of the issued share capital

City sentiment is that if Minorco had come in straight away with a higher offer instead of the present "sighting shot", the response from ConsGold shareholders would have been more encouraging

Meanwhile, the verbal battle between the two companies continued, with ConsGold formally denying it had had to correct misinformation presented in its defence document, and saying it merely clarified certain aspects of its valuation approach.

MINING ARGUS 31/3/89

Minorco offers to post $100-m bond with US court

The Argus Foreign Service

LONDON. — Minorco has offered to post a $100-million bond with a US court as part of its attempts to have removed an injunction which prevents it buying any more shares in Consolidated Gold Fields.

In exchange, it would sell ConsGold's substantial shareholdings in Newmont Mining, the US gold producer, and Renison Consolidated, the Australian gold and minerals group, within a year, or forfeit the entire amount.

Minorco offered an undertaking not to sell the stakes to any organisation connected with Anglo American.

It made its offer in a letter to Judge Michael Mukasey, who imposed the injunction on the grounds that a merger between Minorco and ConsGold would give Anglo American control of 32,2 percent of the non-communist world's gold output.

In recent US appeal court hearings, it was suggested that Anglo, via Minorco, would curtail the activities of both Newmont, 49 percent owned by ConsGold, and the UK group's wholly owned US subsidiary, Gold Fields Mining Corporation, to benefit its South African gold business.

Mr Roger Phillimore, Minorco's commercial director, said the allegations "clearly demonstrate the desperate lengths to which the ConsGold board is prepared to go to prevent their shareholders benefiting from our offer".

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MINING – GOLD – 1989

APRIL – MAY

Durban Deep limits capex developments

3/4/89 (214)

By Sven Lunsche

Reflecting the woes of many South African gold mines, following on the decline in the gold price, Durban Deep Roodepoort will be focusing on re-establishing the profitability of its underground operation

Clive Knobbs, chairman of the Rand Mines subsidiary, says in his annual statement that the mine would seek to improve the grade of ore mined and exercise control over working costs and capital expenditure

"The company is facing a severe strain on its cash resources In the absence of any major increase in the gold price, the cost per kilogram of gold produced must be reduced fron its present level," he says

He says the longer-term future depended on generating additional payable ore reserves "The Kimberley Reef in the lease area has been identified and any affordable capital expenditure will be confined to the exploration and development of this area," Mr Knobbs tells shareholders

Turning to the industry as a whole he says a weakening of the rand against the US dollar was necessary to counter the rising costs of production and lower grades

"Without this relief the industry will be faced with the prospects of major cutbacks and even some closures of gold mines," Mr Knobbs concludes.

No extension likely on deadline for bid

(214)

Minorco planning a KO offer on Consgold

Star 3/4/89.

The Star Bureau

LONDON — Minorco yesterday refused to say whether it was planning to make a new improved bid for Britain's Consolidated Gold Fields

There has been speculation by British newspapers that Minorco's current £3,2 billion pounds offer could be raised to nearer £4 billion

Newspapers said Minorco was already planning what it hopes will be a "knock-out" final offer with the aim or persuading investors owning more than half Consgold's shares to accept its terms

Some analysts believe £16,00 a share will be necessary, up from the current bid price of £14,02

This would put Consgold and Shroder Wagg, its financial adviser, under great pressure to have the injunction lifted

At the same time, Rudolph Agnew, the Consgold chairman, is thought to be preparing a blockbuster final defence document to counter the bid

Agnew knows that the Consgold board may not be able to hide behind the barrier of an American injunction which currently prevents Minorco from buying any more Consgold shares

Minorco is, however, running out of time to press a deal because Britain's Takeover Panel has insisted that a deadline later this month must be met

Minorco had appealed for an extension to the April 26 final closing date for the cash-and-share offer, but a meeting of the Panel's executive is understood to have agreed unanimously on Friday that, under takeover rules, an extension cannot be granted without the agreement of both parties involved

Not surprisingly, Consgold did not agree to an extension Technically, Minorco can now appeal to the full panel, but it is not expected to do so

On Friday Minorco made further submissions to the New York District court in relation to antitrust and securities law allegations made by Consgold and Newmont Mining, in which Consgold holds a 49 percent interest

Minorco, which has already offered to post a $100 million bond with the US courts to guarantee its disposal of the Newmont stake as well as Consgold's interests in Gold Fields of South Africa, will present evidence on Tuesday

Consgold has until Wednesday to produce its final defence Agnew refused to comment on his new defence document, but it is known that his defence has concentrated on trying to persuade investors of the value of the assets within his group and their potential earning power

Warburg Securities estimates that ARC, Consgold's aggregates business, is worth £2 billion on its own Alan Richard, a mining analyst at Barclays de Zoete Wedd, calculates that assets per share for the group as a whole could be worth £20,28 a share

Analysts believe Agnew may have a scheme to realise this perceived value in hard cash for his shareholders, and thus keep them loyal in the face of a higher Minorco bid

The proposal will be designed to demonstrate the health of Consgold's prospects beyong the current year, ending in June.

Richard reckons Agnew will forecast a 25 percent lift in the dividend Thanks to a strong upswing in operating profits before disposals, he forecasts earnings per share of 90p

The Minorco board is expected to meet in Luxembourg on Friday to formulate its response to the Consgold defence It has until April 12 to respond with an increased offer

There's life in Genmin's hard-hit 'Old Lady' yet

(214) B/Day 4/4/89

REINIE BOOYSEN

WEST Rand Consolidated (WRC) — the most hard-hit of Gencor's marginal gold mines — may not close its underground operations as soon as feared

During the past year-and-a-half WRC has been under severe pressure from rising working costs, low grades and a decline in the gold price

The mine suffered a R2,4m loss in the December quarter, and management commissioned a feasibility study into the mine's future Closure of the underground operations was given serious consideration, but Genmin gold division MD Gary Maude said yesterday "I am confident that we can get WRC back onto its feet again"

Retrenchments

The mine's rescue package entailed a concerted cost-benefit drive which resulted in the closure of the most expensive areas and large-scale retrenchments, along with other cuts in overhead expenses

The scaling-down of underground operations will result in a decline in the monthly ore hoisting rate, from about 120 000 tons/month last year to between 30 000 and 40 000 tons/month

Maude said this had resulted in 2 752 retrenchments, and there could be another 182, so the remaining work force would be 2 052 in total At this level it was hoped underground operations could be profitably pursued

Maude said the mine made a small working profit during March, with the working costs below the average gold price of around R32 000/kg This was a substantial improvement on December's R37 094/kg, and Maude said WRC was aiming at working costs of around R28 000/kg

"One swallow doesn't make a summer, but I am confident that WRC will soon be up and running," said Maude

The inaugural edition of Genmin Indaba — a new in-house publication by Genmin, the Gencor subsidiary responsible for administration of its mines — painted a sad and bleak picture of WRC's future Maude pointed out, however, that the article, "Time runs out for 'Old Lady' ", was written at a time when there was a far greater fear underground operations at WRC would cease completely

WRC is also hoping for government assistance in its pumping costs, which are currently running at about R500 000 a month

Pumping

Maude said about a third of its underground water came into its mining area from adjacent properties This claim was being tested by a government mining inspector, through the use of dye

Maude said if WRC closed, and the water level in the mine was allowed to rise, water would spill over to Randfontein Estates' mining area, resulting in additional pumping costs there It would also violate the terms of WRC's tribute agreement with Gold Fields' Luipersdvlei Estates, in which WRC agreed not to cut back on pumping "We feel it's unfair we should carry the whole of this pumping burden," said Maude

He added that WRC's case would be put to government shortly

ConsGold's final defence

(214) B/Day 5/4/89

ROBERT GENTLE

LONDON — Consolidated Gold Fields (ConsGold) yesterday unveiled the final plank in its defence platform against Minorco, with a three-year profit forecast backed by a £1,3bn guarantee to shareholders

This audacious move, believed to be unprecedented in corporate defence strategy anywhere in the world, was immediately described by Minorco as irresponsible.

It takes the form of an immediate obligation by the ConsGold board to pay all ConsGold shareholders a special £6 dividend in 1992 if the company has not achieved cumulative earnings of £4 a share.

This target, which is to be based solely on trading activity and will not include profits from sales of operations, implies compound earnings growth of 20% per annum for the three years 1990 to 1992

Based on the roughly 226-million ordinary shares which will be in issue by that date, this ironclad guarantee will

To Page 2

ConsGold unveils final takeover defence

B/Day 5/4/89

From Page 1

cost just over £1,3bn

The money would be raised from a restructuring of the ConsGold group which could imply asset disposals, expansion schemes or public flotation of profitable subsidiaries like ARC

"We would take whatever steps were necessary to ensure that this dividend was paid," ConsGold chairman Rudolph Agnew said at the official launch of the scheme

Agnew deflected repeated attempts to explain just what this "restructuring" would mean, arguing that asset disposals were just one available option

He immediately laid himself open to charges of putting off until 1992 what Minorco wanted to do in 1989, which is to dispose of key assets like Newmont in the US, Gold Fields of SA (GFSA) and Renison in Australia

GFSA gold mines' taxed profit declines 16% in March quarter

(214) BDay 5/4/89

REINIE BOOYSEN

GOLD Fields of SA's gold mines suffered a 16% decline in aggregate profit during the March quarter, to R291m (R347m), after a decline in the gold price and lower grades at a number of group mines — including heavyweights like Kloof and East Driefontein.

In spite of a small rise in mill throughput, to 3,825-million tons (3,786-million tons), group gold production declined by 3,5% to 29 356kg (30 415kg). The group's average grade declined from 8,0g/t to 7,7g/t.

Gold revenue fell by 7% after a 3,6% decline in the average gold price received, from R32 425/kg to R31 251/kg.

The 7% rise in the working costs, from R15 439 to R16 493/kg of gold produced, explains the 16% decline in working profit, to R435m (R518m).

Higher sundry revenue (R54m against R32m) and slightly lower tax and state's share (R199m against R204m) leaves after-tax profit of R291m.

A striking feature of the quarterlies is the 39% decline in capex, from R228m to R139m. GFSA director Allan Wright says this is not a consequence of the lower gold price, but merely "a matter of timing". There was a decline in capex at every group mine.

At DRIES meaningful production is expected from No 7 Shaft by the start of the September quarter, says Wright. "A lot of development has been done."

The R27m decline in mining revenue, to R283m (R310m), was offset by a recovery under loss of profits insurance of R4m, R12m more sundry revenue and R15m less tax, largely as a result of the new mining tax formula announced in the Budget.

Profit after tax and state's share of profit amounted to R152m (R149m). Capex was R11m lower, at R50m.

GOLD FIELDS OF SA March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Drie Cons	—	—	—	—	—	—	**152 927**	**102 685**	**50**
December	—	—	—	—	—	—	149 133	88 266	43
West Drie	**705**	**10,2**	**7 191,0**	**140**	**13 729**	**31 230**	—	—	—
December	705	9,8	6 917,2	138	14 110	32 431	—	—	—
East Drie	**720**	**10,7**	**7 704,0**	**117**	**10 959**	**31 205**	—	—	—
December	720	11,3	8 130,1	115	10 214	32 593	—	—	—
Libanon	**435**	**4,1**	**1 783,5**	**119**	**28 936**	**31 296**	**6 079**	**(281)**	—
December	435	4,2	1 827,0	117	27 888	32 310	11 205	4 139	10
Kloof	**540**	**11,6**	**7 242,0**	**174**	**15 005**	**31 259**	**83 684**	**26 340**	**22**
December	540	13,4	7 242 0	163	12 174	32 246	129 275	27 333	23
Deelkraal	**405**	**6,5**	**2 632,5**	**103**	**15 875**	**31 344**	**40 791**	**25 892**	**26**
December	405	6 5	2 632,5	99	15 300	32 629	44 849	24 019	24
Vlakfontein	**210**	**1,3**	**266,9**	**41**	**32 615**	**31 056**	**(301)**	**(348)**	**(5)**
December	210	1,4	286,8	41	29 766	32 347	732	215	3
Venterspost	**420**	**3,7**	**1 559,8**	**112**	**30 200**	**31 331**	**2 747**	**(2 182)**	**(11)**
December	405	3,6	1 451,3	111	31 113	32 295	4 929	(25 271)	(125)
Doornfontein	**390**	**5,0**	**1 950,0**	**148**	**29 613**	**31 284**	**4 677**	**(1 297)**	**(3)**
December	366	5,3	1 927,6	153	28 963	32 304	7 257	1 093	3

Wright says VLAKFONTEIN'S Droogebult section "still hasn't reached its optimal tonnage level". He says the mine is aiming at 60 000t/quarter, in comparison with the current 39 411t.

He says this tonnage can be reached in three months time, as "a lot of development has been done off the shafts". The grade will hopefully improve, to above 2,5g/t. During the March quarter there was dilution as a result of raizing and driving, and grade declined from 2,7g/t to 2,4g/t.

LIBANON had a slight decline in grade, to 4,1g/t (4,2g/t), but the lower gold price, and slightly higher costs and tax led to profit of R6m (R11m).

Wright says there is "no real reason" for the substantial 13,4% drop in grade at KLOOF, from 13,4g/t to 11,6g/t. He says there "was just a general drop off in grade throughout the mine. I'm sure the grade will turn around in time." The rise in working costs — 6,7% — was the largest in the group, and profit declined 35% to R84m (R129m). Capex was R57m versus the previous quarter's R102m.

Wright says DEELKRAAL "continues to be a joy. But we must accept that the good grade at Deelkraal (6,5g/t for the second quarter in a row) cannot go on for too long. Sometime this rather nice streak must come to an end."

He says management will be happy with 6,0g/t, which he considers a more realistic long-term grade for the mine.

Wright says development at DOORNFONTEIN'S 3 Sub-Vertical Shaft will provide access down to 38-level in 15 month's time. Profit declined to R4,7m (R7,3m), after a decline in grade, to 5,0g/t (5,3g/t), a lower gold price and higher costs.

VENTERSPOST'S profit also fell. There was a marked reduction in capex, to R4m (R30m).

Analysts divided on prospects for Potch Gap goldfield

(214) BDay 5/4/84

ADAM PAYNE

THE mining world is alive with discussion as to whether borehole results in the Potchefstroom Gap area justify optimism about a new goldfield

The positive view is that even though the reef intersections are at great depth, the exporation must go ahead with optimism because

☐ Without exploration and the development of a new goldfield or goldfields the serious decline in SA's gold production will not be halted, and

☐ The continued decline in production will prove a stranglehold on SA's main economic lifeline

All markets fluctuate from highs to lows The mining houses that went strongly ahead with exploration in the past are now at the top of the league

The classic case of a house that did not explore to replace reserves is provided by Rand Mines In 1917 it was by far SA's greatest mining house with a quiver-full of mines

In that year, Anglo American Corporation (Anglo) was founded by Sir Ernest Oppenheimer, who gave first priority to exploration and replacement of reserves, and continued to do so with drilling and the opening of new mines or the buying of existing ones

Today, Anglo is the world's largest mining house while Rand Mines, having neglected exploration in the early years of this century, is at the bottom of the league of mining houses

"The time to get into a market is when it is down," says Dr Jens Jacobsen, a geologist and partner in the stockbroking firm Anderson, Wilson

Experience

"This rule applies particularly in mining When the gold price is down and costs are high and some people are afraid of the market, it is time to explore," he says

Another comment is that Anglo, with all its wealth of mining and marketing experience, would not go on spending millions of rand on drilling in the Potchefstroom Gap if it did not expect a profitable outcome

Business Day has gathered some views for and against the optimism concerning the Potchefstroom goldfield

Strongly for the field and continued exploration is consulting geologist John Handley, reporting to stockbrokers Kaplan Stewart Critical of the goldfield's potential is Simpson McKie geologist and analyst Rodney Yaldwyn

Handley, reviewing the drilling programme, says "There are already five completed boreholes which intersected the Central Rand group and every one of these returned at least one payable conglomerate Reefs drilled up to the present are considered to belong to Main Reef group, the Livingstone Reef and the Bird (Vaal Reef)"

Handley recalls Amgold's comment that "four boreholes are in progress following up on the discovery hole which intersected very encouraging values on the Bird (Vaal)" Handley says rumour has it that this hole had a value exceeding R10 000cm-g/t

A more critical view of the developments is taken by Yaldwyn "We are sceptical about the establishment of a new goldfield in the Potchestroom Gap for three reasons

☐ Firstly, the extreme depths which would result in excessive costs,

☐ Secondly, the geological results recorded so far reflect more a regional exploration drilling programme than an in-filling definitive programme, and

☐ Thirdly, there are major structural inconsistencies in the area

"It is far too early to comment on the likelihood of a new mine We feel the results are encouraging but are not convinced they are so encouraging as to postulate on more new mines"

Shortage

Yaldwyn adds "JCI has possibly the largest gold deposits in one area in the world at South Deep, south of Western Areas But it appears they cannot be exploited economically at this time because of the great depths"

Jacobsen concludes "The SA gold mining industry faces closure of mines with a gold price of R30/g in a short period there will be a shortage of gold production in the world which will automatically lead to a gold price rise"

Consgold comes up with unique defence

Star 5/4/89

214

Finance Staff and Sapa

In a proposal unique in British corporate history, described by the City as "a masterly stroke", Consolidated Gold Fields Tuesday unveiled its master plan for independence which it hopes will see off Minorco for good

Consgold guaranteed that cumulative earnings for the three years to end-1992 will total 400p a share — implying a 20 percent average annual compound growth — with the intention of continuing to pay a progressive dividend

All future executive management incentives will be tied to achieving this goal, which ensures that "we are out to make our assets and our management sweat", said Mr Rudolph Agnew, the Consgold chairman

If Consgold fails to deliver these promises, then shareholders — through the mechanism of a special preferred share to be issued on a one-for-one basis — will be entitlted to a gross divident of 600p a share

Mr Agnew added that the total dividend this year would be 25 percent higher than last year, while operating profit before sales of operations would increase by 27 percent to £335 million, translating to a rise in earnings per share of 42 percent to 90p

Minorco attacked the defence document as "irresponsible"

"It is nothing but more vague promises and will have no impact on our thinking," said Minorco's chief executive, Sir Michael Edwardes

Sir Michael Edwardes

In a statement, Sir Michael said "I was disappointed but not surprised to find that Consgold have come up with no relevant information Their proposals on dividends and on the phantom 1992 preferred share are irresponsible

"They simply do not have the cash earnings to pay an increased ordinary dividend this year without their extended balance sheet having to stand the strain

"There is nothing in this document to cause shareholders to re-rate the shares," Sir Michael said

Tony Lea, Minorco's financial director said Consgold's defence document contains little financial information of relevance to shareholders

"We know Consgold would not produce a net asset value for the group because the Board has said it is incapable of adding it up to a single figure," he said "But they have also failed to show how they can deliver real value to their shareholders — not in three years, but now"

Financial analysts also questioned Consgold's ability to make the payout if it does not achieve its earnings target, with most presuming the money would come from asset sales.

But Mr Agnew indicated that he believed he had pulled off a coup against the Minorco bid

He said. "No British company has ever committed itself so firmly to value for its shareholders Minorco knows the value of Consgold's unique gold and stone assets, which is why it wants the company

"However, I am determined that they should not steal value from our shareholders We expect to have a record year in 1989 but that is not enough Consgold has both the assets and the management to see off Minorco for good and our performance pledge is designed to ensure value today and value tomorrow for all our shareholders," Mr Agnew commented

The London Stock Exchange seemed to judge Consgold's target of average annual earnings growth of over 20 percent as achievable, although ambitious. The stock closed 25p stronger at £13,48

Analysts are now expecting a renewed bid by Minorco, in order to overcome the difficulties in time to achieve Consgold shareholder approval before the deadline later this month

The bid has been stalled by a United States court injunction barring Minorco from increasing its 29,5 percent stake in Consgold because of monopolies considerations in the gold market.

American lawyers working for Minorco are currently battling to have the injunction overturned.

And Minorco faces an April 26 deadline on the bid which Britain's Takeover Panel refused to extend on Monday

Lower gold price begins to bite

(214)

STAR 5/4/89

By Sven Lunsche

The decline in the gold price and higher working costs offset increased production and lower capital expenditure and substantially reduced the after-tax profits of Gold Fields of South Africa's precious metal mines during the first three months of 1989

After-tax profits fell by 16,3 percent to R290,60 million compared with the previous quarter, largely as a result of the following factors

- A drop in the average yield from 8 grams per ton to 7,7 g/t caused a 1 059 kg decline in total gold production to 29 356 kg
- The average gold price received during the quarter of R31 251 was substantially down on the previous quarter's figure of R32 425
- Working costs increased by R2,55 per ton milled to R126,58

A further fall in profits was, however, prevented by a dramatic cutback in capital expenditure from R227,58 million to R139,09 million Total tonnage milled increased marginally to 3,82 million tons

The new rates of mining tax announced in the Budget had a minimum impact on the gold mines and for the group as a whole tax payments only declined by R5 million to R198 million

Kloof was the major loser in the group, with profits declining by 25,3 percent to R83,68 million, as a result of a sharp drop in yields to 11,6 g/t (13,4 g/t)

The resulting lower gold production of 6 269 kg (7 242 kg) and higher costs of R174,19/ton (R163,26/ton) pulled profit per ton down to R189,31 (R270,08), in spite of a drop in capex to R57,34 million (R101,94 million),

While **Deelkraal** maintained yield at 6,5g/t, this is not expected to continue Tonnage was constant at 405 000 tons as was gold production at 2 633 kg However, higher costs of R103,19/ton (R99,45/ton) and lower gold price received, resulted in a lower profit per ton milled of R100,96 (R113,04)

Profit after tax was lower at R40,79 million (R44,89 million), while capex decreased to R14,89-million (R20,83-million)

Driefontein Cons' profits improved by R3,79 million to R153 million, after reduced tax payments of R163,74 million and a decline in capex from R60,86 million to R50,24 million

West Driefontein was largely responsible for the good performance, increasing its yield to 10,2 g/t (9,8 g/t) and controlling costs per ton at R140,03

The more marginal mines generally reported a substantial drop in profits

MINORCO 214 FMAIL

No extension

Minorco is expected to raise its bid for Consolidated Gold Fields (ConsGold) to over £16 per share as the marathon takeover battle enters its last round The Takeover Panel has rejected its appeal for an extension to the bid timetable, so this appears to be Minorco's only hope of success

The ticking of the bid clock will also elicit a final defence blast from ConsGold this week, which is its last opportunity to release financial information Analysts at Barclays de Zoete Wedd (BZW) believe ConsGold chairman Rudolph Agnew will forecast a 25% increase in the dividend BZW reckons the group's net asset value could be £20,28 per share — Minorco has bid £14,02 Agnew's announcement may include a scheme to realise some of this value in cash

Minorco has until April 12 to make its final offer The bid has been held up by the US courts, which ruled that ConsGold's 49% stake in Newmont Mining make it subject to US anti-trust regulations (*FM* March 31) Minorco is doing what it can to reverse the decision, but the judge concerned has gone on holiday

If the Takeover Panel refuses to allow Minorco the time needed to sort out its legal problems, as seems likely, its only alternative is to appeal to the pockets of institutional shareholders A knock-out cash offer could have them knocking on Agnew's door, putting pressure on him to accept

ConsGold's shares, which lost 180p at the news of the US setback, have been climbing back up in anticipation of a hefty raise They opened the week at 1 343p, compared with 1 250p a week before Agnew thinks it unlikely that Sir Michael Edwardes will walk away now "But Minorco has yet to put an offer on the table that begins to be realistic," he said last week "After six months they are still playing around with penny antes "

214 7/4/89.

The struggle appears to be becoming increasingly personal Agnew, who has a three-year employment contract at £350 000 a year, claims that Edwardes has sworn not to pay him a penny in compensation if Minorco wins He also says Edwardes hopes to eject him immediately from his company-owned home in Chelsea A Minorco spokesman retorted that Agnew's concerns appeared to address his personal position rather than the interests of his shareholders

Edward Russell-Walling

POTCH GAP (214)

More light

The renewed debate over prospects for new gold mines in the Potchefstroom Gap triggered by release of the 1988 annual report from Potchefstroom Gold Areas (PGA) has obscured two significant points in that report

The first is that PGA shareholders will be faced with a rights issue this year and the second is that the Old Mutual has taken a 20,1% stake in the company through buying the shares previously held by Australian company Peringa That kind of institutional support has to be good for the share's rating

The rights issue is to fund PGA's commitments to expenditure on exploration and purchase of mineral rights as well as its share of a joint venture with Vaal Reefs to treat the Dominion Reefs slime dam The dam contains about 2 Mt of material with average grades of 0,5 g/t gold and 136 g/t uranium

Cash flow from this project is forecast to be "substantial" and will be used to fund exploration commitments PGA director Chris von Christierson will not yet specify the amount to be raised through the rights issue

However, it appears the company could need up to R12m There is a ceiling of R20m, in 1983 money terms, on PGA's contribution to exploration expenditure exclusive of money needed to buy mineral rights This should be reached in mid-1991 After that all exploration expenditure will be funded by AAC

Key drilling result in the report is from borehole 1962 sunk by Gencor in the Droogespruit venture area, where good grades of up to 1 908 cm g/t were recorded though the reef width is narrow PGA chairman Ken

(214) FinWk 7/4/89

Whyte says the result raises the possibility that the gold-bearing reefs, which extend for 20 km from Gerhardminnebron to the farm Vyfhoek north of Potchefstroom, may occur under sections of the 25 km gap between Potchefstroom and the Klerksdorp gold field

A number of analysts remain cautious on developments because of the great depth of the reef intersections reported so far. A recent study of the borehole results by Mathison & Hollidge analysts Toby Antrobus and Steve Oke — who has since moved to JCI — concluded the geological structure is complicated with extensive faulting, meaning mining access could be difficult and expensive

The depths of the reefs varied from less than 2 500 m on Gerhardminnebron down to 3 500 m They comment that reported values do not generate confidence that mining can be initiated at such depths However, they point out a number of key borehole results from work done by Anglo and GFSA in the area have not been made public One of these is reputed to be what is referred to as a "lighthouse" with exceptionally good grades

"The hope must be that values in boreholes to the south of Gerhardminnebron are much higher than those currently published," the analysts comment *Brendan Ryan*

Much to be said in favour of Ergo

Star 7/4/89

214

Sharespot

LYNNE PEACH

Ergo employs some 2 800 people and, in its 10 years of production, has treated more than 200 million tons of material and produced nearly 70 000 kilograms of gold, 2 000-plus tons of uranium oxide and almost five million tons of sulphuric acid.

In its financial year to March 1988, Ergo's gold production exceeded 11 000 kilograms which, on a price of about R971 per ounce, accounted for nearly 88 percent of total group revenue

Size-wise, compared with other slimes and gold-dump reclamation operations, Ergo is probably in the top third

In addition, although the group is not one of the most profitable gold producers around, it is also not in the high-risk marginal mine category.

Ergo is involved in treating slimes dams and sand dumps on the Central, East and Far East Rand to recover gold and uranium and in the production of sulphuric acid.

The company's Daggafontein plant on the Far East Rand began production in April 1987 and treats slimes material bought from Dumpco (a subsidiary of East Dagga).

The division exceeded expectations with its production of 2 784 kilograms of gold in its first year of operation.

The plant, with a 12-ton-per-year treatment rate, managed to push through 12,3 million tons.

Consulting engineer, Mr Neville Keys, attributes this to a reliable plant and says that current production is still running ahead, with about 1,1 million tions of slimes being treated a month

The Ergo plant, located south of Brakpan, has the capacity to treat over 1,5 million tons of slimes per month

In financial 1988, the plant provided just over 60 percent of the group's total gold production.

A third plant, Simmergo, near Germiston, treats sand, slimes and ore at a rate of over 160 000 tons a month.

Production in the year to March 1988 was disappointing as structural failures in both of the grinding mills affected mill utilisation

Mr Keys says the problem has been rectified and that production levels are satisfactory.

In August 1988 Ergo announced the acquisition, from Cons Modder, of 35 million tons of material on slime dams and a sand dump, together with the relevant dump permits

Mr Keys says treatment of the material is to begin this month

It is expected that Ergo will show a reasonable improvement in its total gold production in the current financial year and probably in the next one too

However, like other gold producers, it is facing upward pressure on working costs, declining grades and a fickle gold price

The London gold price fixings have been declining over the past year, and for nearly three months now the gold price has stayed below $400.

Nonetheless, the decline in the rand against the dollar, which has accelerated over the last three months, has led to a lift in the all-important rand gold price.

Over the last 12 months, the rand gold price has ranged between R1 070 and R940 per ounce (it is currently R932).

The outlook for Ergo, and gold shares in general, is brighter this year

Not only do our gold shares appear to have at last bottomed out, but a firmer oil price suggests upward pressure on world inflation, a major plus-factor for the bullion market and, hence, for our gold shares.

Minorco set to raise offer for Consgold

(214)

The Star Bureau

LONDON — There was mounting speculation in London financial circles yesterday that Minorco was about to increase its £3,2 billion bid price for Consolidated Gold Fields

More than £50 million was added to the stock market value of Consgold on Thursday, pushing the share price to £14,06

Star 7/4/89

Minorco executives were due to meet today and a spokesman said a number of issues and options would be reviewed

Minorco has until April 26 to pursue its bid under rules set by the British Takeover Panel

Financial analysts said Minorco appeared to have no alternative but to raise its bid price after Consgold had unveiled an audacious counter-attack earlier this week

Minorco is also having to fight a US court injunction, under anti-trust laws, barring it from increasing its 29,5 percent stake in Consgold

Meanwhile, Consgold said in Geneva Thursday that its 400p three-year earnings target did not constitute a profits forecast and had been cleared with Britain's Takeover Panel before the scheme was announced

Minorco had questioned the earnings guarantee in which Consgold pledged to pay a special £6 dividend if earnings were less than 400p in the three years to 1992

The 400p figure represented an earnings target and was not a forecast, said Rudolph Agnew, the Consgold chairman, before addressing analysts in Geneva British companies could not make unsubstantiated earnings forecasts, he added

Mr Agnew said the company has not yet discussed the plan with its main institutional investors, but interpreted the recent low turnover of its shares as a vote of confidence "The reaction has been very positive among the broking community We believe it is a very exciting proposal"

Mr Agnew added that the 400p target, representing an average earnings growth of 20 percent, excluded asset sales from a large restructuring

Should the 400p target not be met it would be right to restructure the company "in order to crystallise value for shareholders," Consgold believes This could involve demergers and disposals

Little comfort in level of gold and forex reserves

Star 8/4/89

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SVEN LUNSCHE

SOUTH AFRICA's gold and foreign exchange reserves continued to perform at a disappointing rate in March this year

The total reserves rose only marginally by 0,5 percent to R5,117 billion compared with R5,092 billion in February, according to figures released by the Reserve Bank yesterday

Gold holdings, however, increased by 15 percent to R3,661 billion from R3,173 billion the month before, largely as a result of the R22,00 rise in the rand price of gold to R892,36 per ounce.

However, the figures show that other foreign assets declined by 25,26 percent to R1,328 billion in March from February's R1,777 billion

The ratio of gold reserves to liabilities to the public less foreign assets was 57 percent.

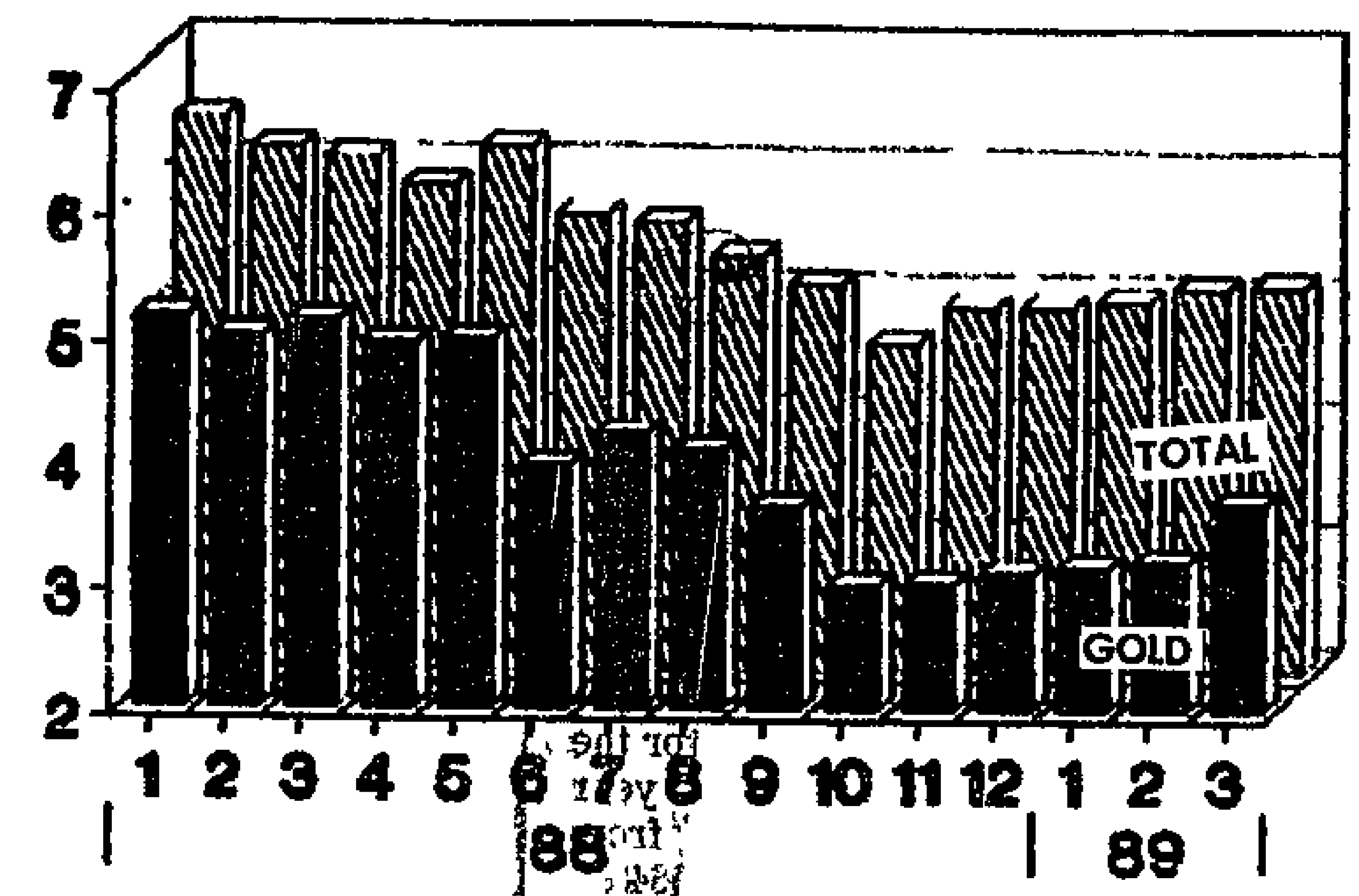
While March was the fifth month in succession during which the reserves showed an increase, the rise is seen as disappointing

In November last year they were valued at R4,93 billion Since then the reserves have improved only by about R20 million, which the financial authorities will not regard as sufficient to relax the stringent curbs on consumption expenditure

In January 1988 the reserves totalled R6,43 billion, but through the combination of a surge in imports and substantial debt repayments the reserves plunged to R4,62 billion in October

Debt repayments will remain the major problem facing the reserves, although import spending is forecastpected to ease over the next few months

Taken together with leads and lags on trade account, the total capital loss over the last four years amounts to around R25 billion according to the Reserve Bank and failing a resumption of foreign loans and credits, South Africa faces a repayment hump over the next three years when $5,3 billion falls due.



Gold and forex reserves (R-billions).

Minorco to make final bid in brutal battle

IAN HOBBS (2/4)

LONDON — CE Sir Michael Edwardes will today shred Minorco's paper tiger image with a powerful final bid for Consolidated Gold Fields of about £3,5bn, pitching shares from the present £14 to £15,50 each

The Sunday Telegraph of London said the last big battle to flatten ConsGold resistance was expected to take the form of a higher cash element, with the present terms of one Minorco share (£7,50) and £20,50 for every two ConsGold possibly raised to one Minorco share and between £23 and £23,50 cash

While some analysts say Edwardes needs to raise his final offer to a minimum £16 a share, he is reported to be confident he is about to regain the high ground

Meanwhile, in "hold separate" submissions in New York, Minorco says a full-scale anti-trust hearing is uneccesary as it would dispose of its ConsGold stakes in GFSA, Newmont in the USA, and Renison (Australia) well within the one-month time limit, with buyers already lined up

Compiled on a Punch Line Panda PC

Minorco puts final gloss on last bid for Consgold

STJ 10/4/89

(214)

Finance Staff and Foreign Staff

Minorco spent the weekend preparing what it hopes will be a knockout bid for Britain's Consolidated Gold Fields

Sir Michael Edwardes, Minorco's chief executive, held a board meeting at the company's Luxembourg headquarters on Friday to debate tactics before making his final offer, which can be made no later than Wednesday

Minorco is currently prevented from buying Consgold shares by a US injunction, but Sir Michael believes he can progress by putting moral pressure on Consgold's chairman, Rudolf Agnew, to lift the injunction

Minorco will aim, therefore, to ensure its bid gains acceptances from shareholders owning more than half the equity

But pitching the offer at the right level will be difficult after Mr Agnew's innovative final defence document early last week

Analysts believe Sir Michael will need to lift his offer by £2 to £16 a share to be certain of success

In a set of proposals that went far beyond a conventional defence, Mr Agnew set his management the target of making 400p in earnings per share over the next three years

If the target, equivalent to 20 percent compound growth, is not met, shareholders receive a £6-a-share cash dividend, to be financed through disposals

Mr Agnew's aim is to persuade shareholders Consgold's shares will not fall far below their present £13,95, even if the Minorco bid lapses The group's top management will be paid on bonuses related to growth in earnings per share A lot of belt-tightening is likely

Consgold has always been confident that it is sitting on quality mining assets and, as the debate over the bid has raged, analysts have lifted their estimates of group worth as high as £20,28 a share

Rembrandt has said it will exercise its right to take up Consgold's remaining 38 percent stake in Gold Fields of South Africa (GFSA), if Minorco succeeds in the bid

Minorco has said it will sell the holding in GFSA if the bid succeeds and last week confirmed that Anton Rupert's Rembrandt wanted the outstanding shares

But in an affidavit to a US court, which is hearing Minorco's appeal against the injunction that prohibits the group from buying further shares in Consgold, Minorco's finance director Tony Lea said Gencor had expressed an interest in GFSA

Mr Lea said Gencor wanted to take up the full 38 percent, adding that "Rembrandt might be outbid by other buyers"

But Rembrandt is not likely to let the chance to expand its current ten percent holding slip through its hands, since GFSA controls two of South Africa's most cost-effective gold mines, Kloof and Driefontein

In July 1987 Rembrandt acquired ten percent of GFSA for £16 a share The shares are currently quoted at £10, which would put a price tag of £300 million before allowing for any premiums

The decision over whether Consgold's stake in GFSA will be sold hinges very much on the outcome of the court hearing in the US

Minorco is pulling out all the stops to convince the court that a further stake in Consgold would not lead to a control by Anglo American of the world gold market

On Friday an influential New York trade union leader spoke up in support of Minorco

Mr Victor Gotbaum, former leader of New York City's Civil Service Union, in a deposition to the court, contrasted Harry Oppenheimer's Anglo American, Minorco's parent, with GFSA

Mr Gotbaum said he had known Mr Oppenheimer for six years and "as a union leader would not hesitate to deal with any company associated with him or Anglo American"

In contrast, said Mr Gotbaum, "GFSA's record on race relations and unionisation is so bad that any responsible American company should be ashamed to be associated with them "

Minorco in final bid for ConsGold

Citizen Times 10/4/89

2/4/

Own Correspondent

LONDON — Minorco CE Michael Edwardes will today shred Minorco's paper tiger image with a powerful final bid for Consolidated Gold Fields of about £3,5bn, pitching shares from the present £14 to some £15,50 each

The Sunday Telegraph of London said the last big battle to flatten ConsGold resistance was expected to take the form of a higher cash element with the present terms of one Minorco share (750p) and £20,50 for every two ConsGold possibly raised to one Minorco share and between £23 and £23,50 cash

While some analysts say Edwardes needs to raise his final offer — which can be made no later than Wednesday — to a minimum £16 a share, he is reported to be confident that he is about to regain the high ground in the biggest and most brutal takeover battle Britain has witnessed in many years

Acceptance

Edwardes's aim is to gain acceptance from shareholders holding more than 50% of the equity

This would put moral and legal pressure on ConsGold chairman Rudolph Agnew to lift the American injunction preventing Minorco from buying ConsGold shares

It is reported that Minorco's stockbrokers James Capel plan a blitz on institutions this week and that they will make presentations in London, Scotland and Europe to boost support for Minorco shares, currently standing on a 35% discount to assets

If the strategy wins acceptances exceeding 50% by April 25, then Minorco, currently holding a 29,6% stake, will be given a vital 21 days in which to overcome the legal obstacles raised by the court in New York.

Valuation

The Sunday Telegraph said that while Edwardes's final offer is expected to fall short of the £16 a share, valuation for ConsGold punted by respected analysts, he is determined not to be pressed into overpaying

One London report yesterday said the "parsimony" of Harry Oppenheimer was in fact holding him back from the temptation to be extravagant

Minorco will be driving home the attraction of hard cash now against the ConsGold special preferred share with a conditional £6 a share gross dividend payout

Edwardes castigated the ConsGold plan as largely a fiction that would cost them some £1,3bn if they failed to meet last week's controversial guarantee (earnings forecast) by Rudlph Agnew that cumulative earnings for the three years to the end of 1992 would total 400p a share, suggesting an annual 20% compound growth

Commentators point out that to meet a payout of some £1,3bn, ConsGold would have to pluge into a substantial asset disposal — which is Minorco's stated policy

Option

Meanwhile, in "hold separate" submissions in New York, Minorco says a full scale anti-trust hearing is unneccesary as it would dispose of its ConsGold stakes in GFSA, Newmont in the USA and Renison (Australia) well within the one-month time limit, with buyers already lined up

● Confirmation that the Rembrandt group is poised to take up its option to acquire the Consolidated Gold Fields 38% stake in GFSA will be a boost to Minorco

Rembrandt CE Johann Rupert's intention to take up the group's pre-emptive right to the GFSA stake if Minorco's takeover succeeds, was spelt out in sworn affidavits submitted to a court in New York last week by Minorco

Minorco's finance director, Tony Lea, confirmed that the affidavits stated that Rupert had informed him early this year "of Rembrandt's serious interest" in acquiring the ConsGold holding in GFSA and that instuctions had been given to Minorco's merchant bankers, Morgan Grenfell

Rights

Lea stated in the affidavit that Rupert had advised Minorco that "Rembrandt intends to exercise its pre-emptive rights should ConsGold dispose of its holdings in GFSA"

In July 1987, ConsGold sold Rebbrandt an effective 10% stake in GFSA for £131m

The exact option available to Rembrandt on ConsGold remaining 38% holding in GFSA are not known but Minorco's affidavit states that Rembrandt "might be outbid by others", which suggests the possibility of an auction

Tony Lea suggested further that Gencor chairman Derek Keys had expressed "serious interest" in the 38% and could be in the market

Observers of the great takeover battle suspect that Minorco, in the event of victory, hopes for a bidding contest between Rembrandt and Gencor for control of GFSA

ConsGold rejects Minorco's offer

B\Day 11/4/89

LONDON — Minorco's final, raised offer for ConsGold had been rejected, chairman and CE Rudolph Agnew said yesterday.

He said the offer was not in the interests of ConsGold or its shareholders "Minorco's third shot is still missing the target. We will continue to resist Minorco with the utmost vigour"

Minorco earlier raised its cash and shares bid for ConsGold to £15,50 a share, valuing ConsGold at £3,5bn. Minorco raised its earlier offer in February

A ConsGold spokesman said the fall in the company's share price showed the market place appeared to be saying the bid was not necessarily enough

Minorco raised its bid to £23,50 in cash and one new Minorco share for every two ConsGold shares Minorco made a new dividend forecast of US42c for the year ending June 30, a 40% increase over the previous year

ConsGold has criticised the shares part of the Minorco bid and questioned the marketability of the 79-million new Minorco shares which would be created if the bid was accepted.

Agnew said the Minorco paper element was of suspect value

Reaction from analysts, some of whom had expected an offer of up to £16 a share, was that the bid might not attract sufficient acceptances to sway ConsGold into withdrawing the US court case.

☐ ROBERT GENTLE reports that Minorco CE Sir Michael Edwardes said after the bid was made "The phoney war ended this morning at 7 30 am London time. The games are over

"It is our final word and represents a full premium for control. Nobody will pay more"

The latest Minorco initiative came barely 48 hours before tomorrow's deadline of April 12 beyond which the company is no longer allowed to present a higher offer. It was being interpreted as a deliberate move not to give ConsGold yet another propaganda victory

This followed the disclosure that the previous offer, which closed at the weekend, had received 0,47% of acceptances from ConsGold shareholders

Asked why Minorco had found it necessary to increase its offer when only last month it was suggesting there was no way this would happen, Edwardes said they had underestimated the underlying value of ARC, ConsGold's crushed stone business

He denied Minorco had been pushed into a corner by the defence strategy ConsGold unveiled last week which consisted of a three-year profit target backed by a £1,3bn guarantee

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Mixed fortunes for GFSA mines

ANDREW BUDDEN

MIXED fortunes were had by Gold Fields of SA's (GFSA) base metal operations in the March quarter 214

High base metal prices were generally sustained over the quarter, helping to strengthen profits of Zincor and marginal producer Rooiberg Tin B/Day 11/4/89

Copper, lead, silver and zinc producer BLACK MOUNTAIN was not as fortunate, and its taxed profit fell 5% from R17,0m to R16,1m on a 4% lower ore production However, the 305 000 ton ore produced was still greater than its 1988 quarterly average of 304 000 tons

Concentrate sales were 6% lower at R57,6m, and a higher tax bill at the new rate of mining tax hit profits further However, well-controlled costs kept reductions in profit to a minimum

O'OKIEP COPPER achieved a marginal increase in profit on strong average copper prices, in spite of a 32% hike in working costs to R36,7m

Ore production was slightly lower at 486 700 tons (previous quarter 502 400 tons), as were ore grades, but the company increased production and sales of blister copper

ZINCOR benefited from a strong average zinc price, raising taxed profit 44% from R5,1m in the previous quarter to R7,3m, in spite of lower zinc production

Inventories

Lower production than sales implies Zincor had to reduce metal inventories over the period by 2 348 tons to satisfy demand

GOLD FIELDS COAL'S taxed earnings fell 22% from the previous quarter's R6,3m to R4,9m on lower production and sales,

ROOIBERG TIN raised earnings 62% from R463 000 to R751 000 on a strong tin prices

Minorco's final bid no knock-out blow

By Ann Crotty

Initial response in both the Johannesburg and London markets indicates a firm thumbs-down to Minorco's final bid to secure control of Consgold

But the situation still seems wide open, with both the Minorco and Consgold teams supremely confident of success

Indications are that the outcome will not be known much before April 26

After yesterday's announcement by Minorco that it had lifted the offer to £15,50 (including cash of £11,75), which was immediately rejected by the Consgold board, Consgold's price fell in London to £13,40 and to R94 in Johannesburg, with investors apparently taking the lead from heavy selling in the London options market

It seems speculators were disappointed that the £15,50 was not a full cash offer as there is a perception that the institutions are not keen to have Minorco shares

In view of the fact that the Consgold share price is likely to fall back to around £10 if the Minorco bid fails, it seems strange that professional investors would be prepared to lose around £3 (this puts no valuation on Minorco shares) merely to hold onto a share that, although listed in London has, to date, put up an indifferent earnings performance

For its part, the Consgold team is confident that its defence, based on a projected strong earnings performance over the next three years, will be sufficient to underpin a strong share price

Equally confident

But the Minorco team seems equally confident, despite the drop in Consgold's share price

Although Minorco executive director Hank Slack felt that it was too early to determine what was behind yesterday's fall in the share, he said it probably reflected concern about the finding of the US courts The Minorco bid is conditional on the situation vis-a-vis the US courts being resolved

In an effort to overturn the injunction in the US courts, Minorco has offered a $100 million bond as a guarantee that it will sell Consgold's stake in Renison, Newmont and GFSA and subject itself to a "hold seperate order"

If the proposal is not acceptable and if the Consgold board cannot be persuaded to drop the case, then it goes to a full trial, which Minorco is confident of winning, but which could take months and would extend beyond the April 26 deadline

As Mr Slack says, if the Consgold team is so confident about the quality of its defence offer, it should be prepared to drop the US court action and allow the battle to be fought on financial grounds

In view of the widespread scepticism with which the Consgold defence strategy has been greeted, it is unlikely that chairman Rudolph Agnew would be prepared to drop the case in the absence of pressure from a sufficient number of shareholders

Such action seems to be the best hope Minorco has to win the battle and save considerable face

Analysts believe the Minorco team has been canvassing institutional shareholders in an attempt to persuade enough of them to convince Consgold management to drop the court action

But after Consgold shares were marked to $11,75 at the outset the price ran into some heavy and persistent selling

"The price is telling us Minorco won't win and institutions are selling in the market in case they don't," one dealer said

But Consgold could well face an uphill battle persuading the big institutions to remain loyal, especially if the equity market takes another nasty dive over the next week or so," he added

Overwhelming majority

The *Financial Times* reports that Jeff Ware, an analyst with County NatWest Securities, said last night he had taken a straw poll among 30 of Consgold's major institutional shareholders which showed that fewer than half would accept the latest offer

"My guess is, however, that that is just about enough to give Minorco victory But Minorco will not get the overwhelming majority it needs to put pressure on the Consgold board to withdraw the New York action," Mr Ware said

ConsGold falls on new-bid worries

ROBERT GENTLE

LONDON — ConsGold shares fell a further 22p yesterday to £13,15 amid increasing concern that the market has given Minorco's latest £3,5bn offer the thumbs-down

About 360 000 ConsGold shares were traded in a selling bout just before midday

Although it was well short of the 3,2-million shares which traded on Monday, as speculators baled out en masse after news of the bid, it underlines the City's caution

The consensus view is that as long as the New York court action continues to cloud the outcome, there will be few takers.

More fundamentally, however, Minorco's new £15,50 a share offer is not considered attractive enough, in spite of the 150p increase in the cash element

The other gripe being heard is Minorco's insistence on tying the cash element to a Minorco share In spite of repeated reassurances by the Minorco board, investors remain wary of the Luxembourg-quoted, dollar-denominated paper.

A County NatWest analyst said a straw poll conducted among 30 of ConsGold's major institutional shareholders showed fewer than half would accept the offer

These views were echoed by the UK Press, which was almost unanimous in regarding the new bid as too little, too late

The Times said Minorco may have delivered a punch to ConsGold's jaw, but it was no knockout· "By initially structuring its bid with a share element to it and sticking with it, Minorco has scored an own goal"

The paper added· "Whatever the temptation of £15,50, the case remains for sticking with the devil the market knows"

The Financial Times acknowledged the problems Minorco now faced, but cautioned that it was still too early to assume that ConsGold had won the day

A Minorco spokesman said it was far too early to write off the bid

Nationwide forex swindle crackdown

FOREIGN exchange swindles of close to R1bn are being investigated by the SAP

Top commercial detectives are involved in a massive crackdown involving more than 63 contraventions

Almost R1m was involved in most cases under investigation by police and the Reserve Bank foreign exchange control department

A spokesman for the Department of Finance denied the forex loss due to alleged frauds could be as high as R910m, as not all contraventions had led to a loss.

In most cases under investigation, false information was given to the authorities

A police spokesman said it appeared that most of the investigations were centred around Johannesburg, but investigations were also under way in Cape Town, Durban, Pretoria and Port Elizabeth

Many alleged culprits had been identified and were being charged

Close co-operation between police and the Reserve Bank had led to the recovery of R1m — Sapa

Further drop in ConsGold price

Minorco's new offer given 'thumbs-down'

CMt Tms, 2/4/89

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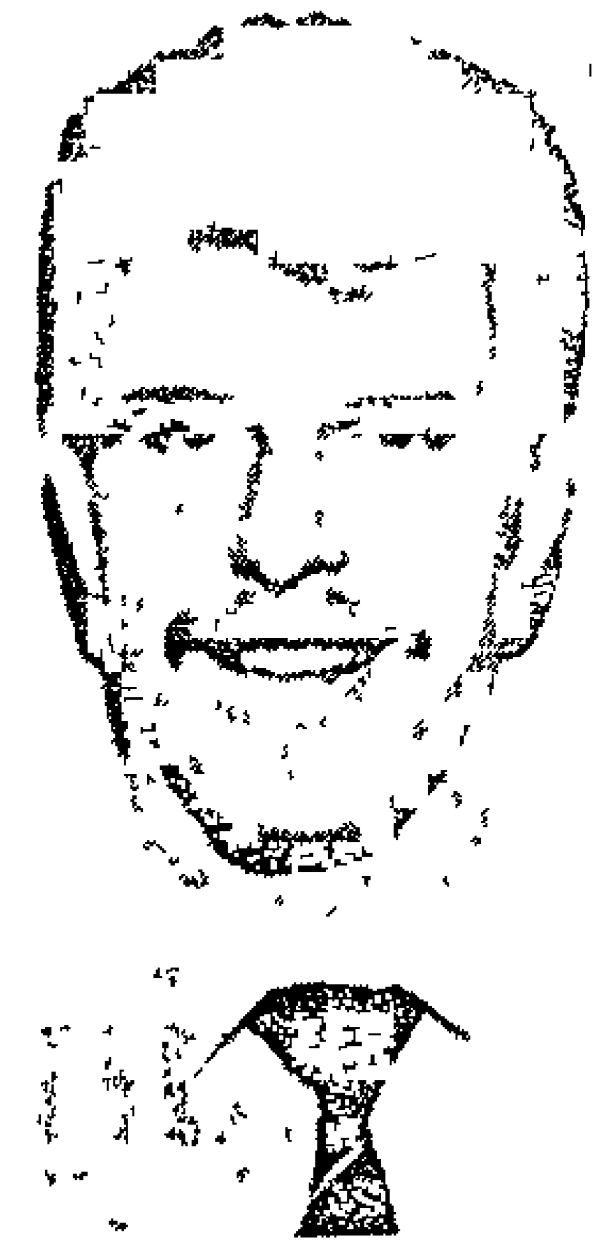

Chris Murch has been appointed to the board of Pick 'n Pay Retailers (Pty) Ltd

From ROBERT GENTLE

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"By initially structuring its bid with a share element to it and sticking with it, Minorco has scored an own goal"

The paper added "Whatever the temptation of £15,50, the case remains for sticking with the devil the London market knows"

The Independent spoke of a "half-hearted attack" by Minorco

"By failing to deliver a truly knock-out blow, it has presented its target with an escape route which should not be there and left the market with doubts about its ability and will to win"

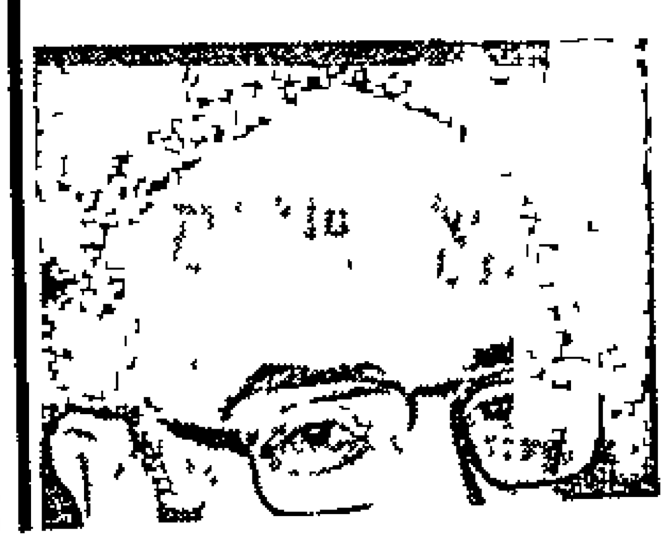
Problems

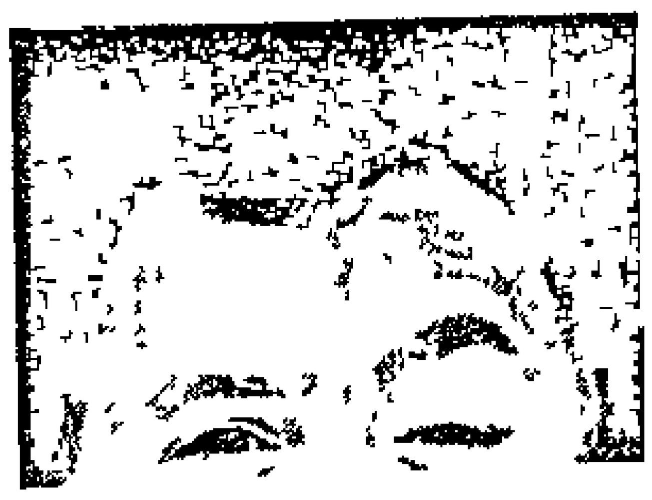
The Financial Times acknowledged the problems Minorco now faces, but cautioned that it was still to early to assume that ConsGold had won the day.

It said that even though the market had expected more than £15,50, it still represented a price of over 14 times ConsGold's earnings for the year to June 1990

Another analyst supported this view, and added that the new offer meant that ConsGold shareholders could buy into Minorco at a bargain basement price

A Minorco spokesman said it was far too early to write the bid off





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Minorco optimistic

Finance Staff

LONDON — Minorco claims to be making considerable progress towards having a New York court remove the injunction which prevents the completion of its bid for Consgold The bid's deadline is midnight next Wednesday

Minorco yesterday applied to the court to have the injunction put aside because it was "fraudulently obtained" by Consgold's US associate Newmont Mining

Judge Michael Mukasey Thursday ordered Newmont to reply by Monday Minorco must then put its final submission in by Tuesday He also dismissed an application made by Newmont on Wednesday alleging that Minorco was in contempt of his court

Apart from its court action Minorco is also attempting to encourage a bid for Newmont to get the injunction removed

Sir Michael Edwardes, Minorco's chief executive, said Thursday "We are seriously talking to companies about Newmont"

A bid for Newmont would cost about $2 billion in cash

Potch Gap gold prospects brighter

BDay 13/4/89 (214)

LIZ ROUSE

PROSPECTS of new gold mines being established in the Potchefstroom Gap have gained further credence with the announcement today that Anglo American will embark on a R50m drilling programme.

Anglo and its associates plan to proceed immediately with Phase II of the prospecting programme on the farm Gerhardminnebron in the Potchefstroom district

Phase II will involve the drilling of up to 16 more boreholes during the next three years at an estimated cost of R50m in 1989 money terms.

The decision to start ahead of schedule on Phase II follows the disclosure of gold values in the Phase I drilling programme on the Cobble Reefs of the Bird Conglomerate Formation and the North Leader and Carbon Leader Reefs of the Main conglomerate Formation

Amgold chairman Julian Ogilvie Thompson and Potchefstroom Gold Areas chairman Ken Whyte have referred previously to economic values disclosed in drilling in the Potch Gap area

Anglo and its associates have now decided to expedite the evaluation of the property. This decision emphasises the gold mining industry's determination to discover new economic gold areas to lessen the decline in SA's gold production

The news has been broken in New Central Witwatersrand's (NCW) interim report. This Anglo investment company has the right to participate in the Phase II programme.

The NCW report says this decision to go ahead with Phase II has been based on the drilling results to date of Phase I, which have provided sufficient information to permit the optimum siting of future boreholes, while the assay results have returned gold values which warrant follow-up drilling

Anglo and its associates will incur 100% of the Phase II prospecting costs until the completion of Phase I, which is expected towards the end of 1990

At that time, NCW will be required to decide on its future participation in Phase II

Because of the risks and the relatively large sums of money involved, NCW will defer deciding on its participation in, and funding of, Phase II of the prospecting programme until more detailed results are available from Phase I

NCW will retain its interest in the programme and will have up to three months after the receipt of the definitive Phase I report in which to decide on its future participation and funding

Should it then decide to participate fully, the company will fund 100% of the remaining Phase II prospecting expenditure until it has matched the amounts outlayed by the other participants

Drilling results published today show that values of more than 1 000 cm.g/t at between 2 300m and 3 100m have been disclosed in boreholes drilled on the Bird Conglomerate Formation and the Cobble Reef

● See Page 9

Consgold's US action challenged

2116

Finance Staff

A false rumour that a New York court had removed the injunction which stops Minorco buying any more shares in Consolidated Gold Fields, Wednesday sent Consgold's share price sharply upwards briefly Star 13/4/89.

It jumped from £13,30 to £13,70 before settling back to close at £13,53after Judge Michael Mukasey denied he had lifted the injunction The judge is currently attending a seminar and will not be back in court until next Monday

With Minorco's bid due to lapse on April 26 and the Consgold board still implacably opposed, the shares remain short of the bid value of around £15,50

In this situation, the institutions are inclining to the view that Minorco's offer represents a fair price, and should be accepted, and some urge possible legal pressure on the Consgold board to abandon its resistance

In a letter to Consgold shareholders, Minorco's chief executive Sir Michael Edwardes calls on board of directors of the UK mining firm to "correct the misinformation it is disseminating to the US court.

"Consgold has argued to its advantage in the US court that it controls Newmont.

"Now that it is finding the US proceedings highly embarrasing, it is seeking to distance itself from — and imply that in cannot control Newmont Either Consgold controls Newmont or it does not," Sir Michael writes

He also challenges the directors to accept Minorco' workable solution to the court and give a full explanation of their reasons for continuing the action.

Anglo pushes ahead with new gold mine prospect

(214)

Star 13/4/89.

By Derek Tommey

The possible establishment of a major gold mine in the Western Transvaal, some 10 kilometres to the west of the Doornfontein and Deelkraal mines, came a step closer today with the news that Anglo American is to intensify prospecting activities on the farm Gerhardminnebron

Anglo American announced that it is to proceed immediately with phase two of its prospecting programme on this farm in order to expedite the evaluation of the property

Initially, Anglo American intended waiting until the end of phase one next year before taking a decision on phase two Phase two will cost R50 million and involves the sinking of 16 boreholes in the next three years

The decision to go ahead with phase two has been based on the results from the drilling of 10 boreholes in phase 1

These boreholes have returned gold values which warrant follow up drilling and will also enable future boreholes to be optimally sited, says Anglo American

However, New Central Wits, which has a half share in the venture, says that because of the risks and the relatively large sums of money involved, it will be deferring its decision to participate in phase two until more detailed results are available from phase one

Expenditure

In the meantime, the entire expenditure will be borne by Anglo American and its associates

If New Central Wits then decides to participate, it will have to finance 100 percent of the remaining prospecting expenditure until its outlays have matched those of the other participants

Should New Central Wits decide against participating in phase two, Anglo American would be obliged to buy its 50 percent share of the mineral rights at their market price

However, New Central Wits would still retain the right to subscribe, on ground floor terms, for 25 percent of the initial equity in any new mine

New Central Wits has declared an unchanged interim dividend of 47c a share out of earnings of 63,6c (62,7c)

Investment income was R1 298 000 (R1 238 000) and earnings were R1 123 000 108(R1 000)

The market value of New Central Wits' listed investments at March 31 was R64,1 million (R43,2 million) and its net asset value, after providing for the dividend and based on listed investments at market value was 3 651c against 2 774c six months earlier and 2 468c a year ago

Minorco lures 87 ConsGold shareholders

B/Day 14/7/89 (2K6)

ROBERT GENTLE

LONDON — Consolidated Gold Fields disclosed yesterday that it had lodged 87 notices of withdrawal on behalf of shareholders who had already accepted Minorco's offer

The 49 022 shares involved represent 0,02% of ConsGold's issued share capital

Both Minorco and ConsGold are on the road lobbying major ConsGold stock holders around the country to drum up support for their respective positions They are locked in a £3,5billion takeover feud that has barely two weeks left to run

Minorco's team is being led by CE Sir Michael Edwardes and finance director Tony Lea The ConsGold effort is spearheaded by chairman and CE Rudolph Agnew and MD Antony Hichens

Their efforts are aimed at the top 100 institutions holding ConsGold stock The direction in which the holders jump will be instrumental in deciding the £15,50 a share offer

Their main concern is an apparent wariness to hold Minorco's dollar-denominated shares They would have preferred a straight cash offer over the present cash-share mix

VANADIUM

ure plans

(214)

moves the chance of a possibly disastrous battle should Hiveld also have had designs on diversifying into the stainless steel business

SA's only manufacturer of stainless steel at present is Middelburg Steel and Alloys (MSA) which is expanding production from 100 000 t/year to about 170 000 t/year Most of MSA's output is sold in finished form MD John Gomersall says he does not see the Hiveld/Samancor project posing a competitive threat to MSA's markets

Brendan Ryan

MINORCO (214) 14/4/89 FM

In the balance

Minorco's final offer for Consolidated Gold Fields (CGF) had an immediate, bizarre and unprecedented effect A torrent of selling hit the London market (Monday's volume of 4,1m shares compared with the previous week's daily average of 773 000) driving CGF down to £13,15, a discount of 15% to Minorco's revised bid (cash, up £1,50, of £11,75 plus half a share) worth £15,41 as the *FM* went to press this week

Sir Michael Edwardes, Minorco's CE, may have declared an end to the "phoney war" with CGF but it has been succeeded by an extremely funny war Huw Williams, mining analyst at Kleinwort Benson, summed up the market's confusion "It's a mess it's horrible"

The consensus outside Minorco was that the new bid fell short of a knock-out offer by a slim margin £16 would have done the trick But, as Edwardes admitted, the decision to offer an additional £1,50 had been a compromise by non-executive directors from 44 Main Street who preferred a lower figure Edwardes' rationale for upping the ante was the increased promise of profit growth in CGF's crushed stone and concrete business, ARC (Amey Roadstone)

While CGF can hardly be pleased to see its share price drop, chairman Rudolph Agnew was able to claim it showed a lot of shareholders were taking the market price because they did not believe Minorco will win the day But the balance is extremely close and after stripping out the cash element, the CGF price was putting a value of only £2,86 on the Minorco stock in the bid — 60% below the market price of £7,32 and a full 76% discount to its net worth — which was attracting buying interest

The reason, of course, is the unpredictability of proceedings in the US District Court presided over by Michael Mukasey, where CGF's 49%-owned associate Newmont Mining, has obtained an injunction against Minorco acquiring any more shares. Minorco has made an offer to the court to put up a $100m bond, and in effect the surety of $700m worth of US assets, as a guarantee that it will sell the Newmont stake and so remove the anti-trust basis (if it exists) of the case Mukasey resumes work next week; Minorco's final date for acceptances is April 26 and one of the conditions attached to the bid is the settlement of the US litigation

But Minorco can have more time than that If by April 26 it has acceptances to give it over 50% of CGF, it can, in terms of the London Take-Over rules, declare the offer "unconditional" but with a proviso about the US court case, which will give it another 21 days to clear up the matter And, of course, should it have 65% (which will show that at least half the non-Minorco shareholders have accepted), the pressure will be on CGF's board to withdraw from the litigation

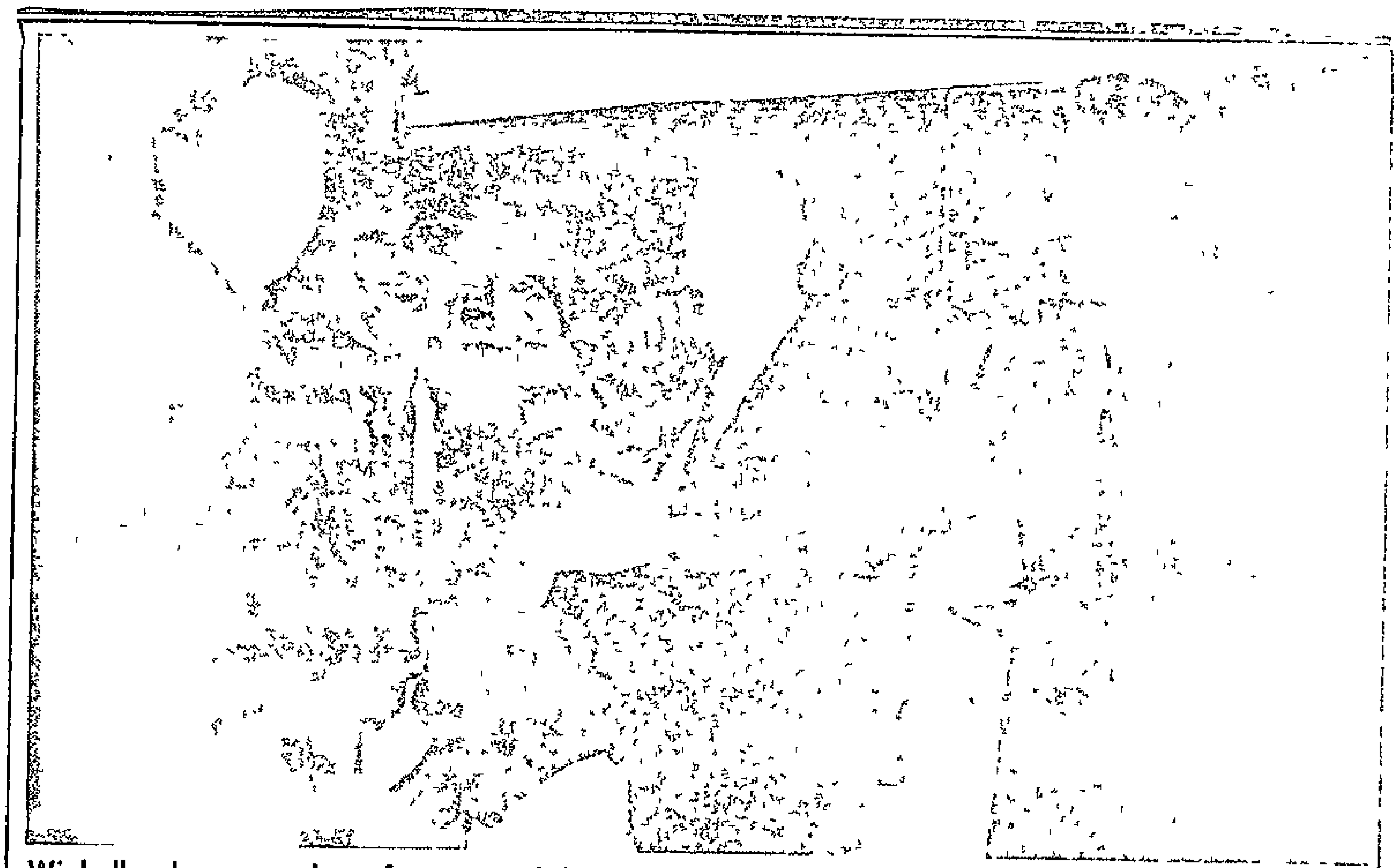
That poses two questions

- ☐ What is the likely response of CGF shareholders?, and
- ☐ Can CGF influence Newmont to drop the court action?

Institutional influence may have been diluted. Market reports said they were among the sellers this week as well as speculators diving out of the stock which was initially marked up to £14,75 before the flood But Jeff Ware, of County NatWest Securities, told the *FM* he had spoken to "more than 40" fund managers on Monday and that the

Minorco's Edwardes ... no more phoney war

P.T.O.



Winkelhaak miners, the safety stars of the South African gold mining industry, were congratulated by the president of the Chamber of Mines, Mr Colin Fenton (left), at a function on Friday night. With Mr Fenton (from left) is stope team leader Mr Twister Mosole of Lesotho, Winkelhaak's general manager, Mr Cyril Warburton; team leader Mr Elijah Dlamini from Swaziland, and fitter aide Mr Zacharias Wilakazi from Mozambique.

Mining getting safer, says chamber chief

ST 17/4/81 214

By Therese Anders,
Highveld Bureau

EVANDER — Although gold mining had become more difficult over the past 25 years because of deeper working levels, it had nevertheless become safer, said the president of the Chamber of Mines, Mr Colin Fenton

He said this had come about because of the vast amount of research which had resulted in safer practices and methods, the human endeavour to improve safety and the successful implementation of safety management systems

Mr Fenton was speaking at the ceremony to present Genmin's Winkelhaak gold mine with a "millionaire" shield for being only the third South African mine to notch up three million accident free underground shifts

The previous "triple millionaire" mines were West Rand Cons 25 years ago, and Randfontein Estates in 1980

ROCKBURST

In terms of time, Winkelhaak's operated for almost 15 months without a fatality underground

Sadly its run ended earlier this month when a miner died in a rockburst

Co-director of Genmin, Mr Steve Ellis, said Winkelhaak's remarkable record meant that during that 14½ months not one child of an employee was left without a father, no woman left without a husband and breadwinner and no parent without a son

He said this achievement showed that the goal of having a zero fatality figure was not just an unattainable dream any more

Consgold belittles Minorco share value

214

Star 17/4/89

Star Bureau

LONDON — A savage attack on the value of Minorco shares was made at the weekend by Consgold, which is fighting off a £3,48 billion bid from the SA-controlled group

Under the heading "Minorco is an unsafe investment", Consgold chairman Rudolf Agnew has written to shareholders saying they should be "thoroughly suspicious" of Minorco shares.

Consgold argues Minorco's cash-and-paper offer, which closes in 10 days, is not worth its apparent value, currently £15,41 a share, because selling pressure once the bid goes through will depress its value

"Minorco's cash offer is not what it seems," says Mr Agnew "There is only £11,75 in cash per share The rest consists of unappealing Luxembourg shares

"Very few people have been fooled by the current Minorco share price It is no guide to Minorco's future value"

In highlighting the issue of Minorco paper, Mr Agnew has struck a chord among his shareholders

A London *Sunday Times* poll of fund managers indicates that the paper element of the bid is a big stumbling block

There is also a feeling that the bid should have been pitched at £16 to be fully convincing

Even those fund managers tempted to accept the offer would have preferred Sir Michael Edwardes, Minorco's chief executive, to have produced a fully underwritten cash alternative

Rand Mines pushed R10,9m into the red

ANDREW BUDDEN

REDUCED overall gold production, higher unit working costs and a lower rand gold price has plagued Rand Mines gold operations, pushing the group R10,9m into the red for the the March quarter

Overall gold production for its four mines fell marginally from 13 273kg to 13 110kg, with only Harmony experiencing slightly improved production

Profits at all mines fell significantly, and only Harmony and Blyvooruitzicht managed to post net profits for the quarter Harmony's profit fell 51% to R10,8m (R22,1m) while that of Blyvooruitzicht slipped 36% to R7,8m (12,2m)

ERPM and Durban Deep fared even worse, with both posting larger net losses for the March quarter than the previous quarter

ERPM doubled its previous losses, slipping R27m further into the red from last quarter's R13,9m loss Durban Deep also fared badly, increasing the previous quarter's marginal R364 000 loss to a R2,5m one

Overall capital expenditure fell 41% from R26,6m to R15,8m as continuing losses forced the closure of ERPM's older sections This saw ERPM's capital expenditure tumble from R13m in the previous quarter to R2,7m

Harmony was the only one to declare a dividend of R16,1m, equivalent to 60c a share

The company increased gold production slightly from 7 127kg to 7 199kg on better grades but largely unchanged milled tonnages

However, unit working costs which were 4% higher at R31 564/kg (R30 256/kg) on the previous quarter pushed earnings down under pressure from the lower rand gold price

Blyvooruitzicht, which also managed to keep in the black in the March quarter, declared no dividend

Milled tonnages increased slightly to 571 000 tons (559 000 tons) but a fall in grades from 4,51g/ton to 4,33g/ton pushed gold production 2% down to 2 474kg (2 520kg)

This, combined with a 7% increase in unit costs from R26 983/kg to R28 741/kg halved working profit from the previous quarter's R14,5m to R7,5m A tax reversal of R338 000 relieved the reduced profits from further tax burden

Durban Roodepoort slipped quietly into a loss situation from last quarter's marginal profit as milled tonnages fell 9% from 500 000 tons to 456 000 tons and unit costs continued to rise

Slightly better milled grades in its underground operations at 3,17g/ton (3,05g/ton) were not enough to prevent a 3% fall in overall gold production to 1 512kg (1 562kg)

ERPM's sorry performance reflected a 17% fall in underground milled tonnages to 420 000 tons (505 000 tons) as older operations were curtailed This led to a 8% fall in gold production

RAND MINES March Quarter	Tons Milled '000s	Yield g/t	Gold produced kg	Costs per ton milled kg	Costs per ton Produced R	Price Received R/kg	Net profit R000s	Profit after Capex R000s	EPS after Capex cents
HARMONY	2 360	3,05	7 199	96,28	31 564	31 340	10 766	3 397	13
December	2 363	3,01	7 127	91,25	30 256	32 246	22 050	15 241	57
ERPM	420•	3,67•	1 539,3•	189,95•	51 828•	31 423	(26 958)	(29 706)	(179)
December	505•	3,56•	1 799,4•	163,43•	45 866•	36 536	(13 868)	(26 825)	(161)
DURBAN DEEP	456•	3,17	1 447,5•	116,06•	36 562	33 854	(2 519)	(3 711)	(160)
December	500•	3,05•	1 524,0°	101,98•	33 458•	33 014	(364)	3 882)	(167)
BLYVOORUITZICHT	571	4,33	2 473,8	124,52	28 741	31 321	7 841	3 420	14
	559	4,51	2 520,4	121,66	26,983	32 293	12 182	9 588	40

•excludes sand treatment

New technology extends Big Bell's life

(2HG BIB aug 18/4/89)

LONDON — Technology for extracting gold from ore developed over the past 15 years and a relatively high gold price have been responsible for bringing back to life the Big Bell mine in Western Australia, which has been closed for 35 years but had its formal reopening at the weekend

Between 1937 and 1954 Big Bell provided 22,8 tons fo gold but there remains 80 tons of geological reserves to be won by the use of modern methods

Over the next six to seven years an open pit will be developed which eventually will be 2,5km long and 600m wide, and become one of the biggest man-made holes in the world

Then an underground mine will be developed with a life of another six or seven years Big Bell has been redeveloped so far at a cost of A$133m and another A$70m will eventually be needed to go underground

The open pit stage will produce an annual 160 000 oz of gold and the deep mine about 120 000 oz — Financial Times

Minorco's complaint over ad upheld

BDay 18/4/89

ROBERT GENTLE

2.14

LONDON — The Institute of Chartered Accountants has ruled that a corporate advertisement taken out by Consolidated Gold Fields was in breach of investment business regulations

Although the investigation committee established a *prima facie* case, no disciplinary action will be taken against ConsGold or Ernst & Whinney, the auditors who approved the advertisement

Minorco complained the advertisement, entitled The Ultimate Bar Chart and published in November, was misleading to ConsGold shareholders

The complaints centred around the size of gold bars showing the growth of ConsGold's gold reserves Minorco felt the growth was at best six-fold, but the exaggerated size of the gold bars implied a 200-fold increase

AG looking into Lefko transfers

MD 17/6/91

214

REINIE BOOYSEN

PRELIMINARY investigations into the transferral of about R65m last year from Lefkochrysos to its previous holding company, Salene (controlled by previous chairman Loucas Pouroulis), have been completed, Witwatersrand Attorney General Klaus von Lieres SC said yesterday

According to Lefkochrysos's annual report — compiled by Rand Mines, the new controlling shareholder — the money "was advanced to the former holding company in contravention of Section 226 of the Companies Act whereby the transaction required the prior consent of all the members of the company or a special resolution, neither of which was obtained"

Von Lieres said the docket on the matter was before him for his consideration He said he still had to decide whether further investigations would be necessary

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SOUTHGO OBTAINS CONTROL OF WIT NIGEL

SOUTHGO has aquired a 56,7% interest in Wit Nigel

Under a agreement reached between Southgo, Nigel Gold Mining Holdings, Egoli and Wit Nigel, Wit Nigel has obtained 16,8-million Nigel shares from Southgo in exchange for 14-million Wit Nigel shares while Egoli has sold 2,649-million Wit Nigel shares to Southgo in exchange for 3,178-million Nigel shares

The scheme requires Wit Nigel to settle its creditors claims of R5,8m either by cash or the interest-free sale of Nigel shares by September 30 1990 or by the immediate transfer of Nigel shares valued at 50c each

The Bank of Lisbon, which is the principal creditor, is accepting 6-million Nigel shares in repayment of its R3m claim against Wit Nigel.

The bank has also agreed to grant a moratorium in respect of the full outstanding claim which will be repaid within three years of the effective date.

Interest will be charged at the prime overdraft rate

No interest will be charged until the expiry of a nine-month period after the effective date Southgo has agreed that within this period it will place the 6-million Nigel shares for a minimum of R3m

After the scheme has been implemented in full Southgo will hold 67,2% of Nigel shares.

Wit Nigel, which was previously ultimately controlled by Johannesburg Mining and Finance, will be completely restructured and and a new board has been appointed under chairmanship of Southgo chairman R A Lee

The group said it could not comment on the effect the deal would have on its earnings, save to state that it would be beneficial — Sapa.

3/10 ay 18/4/89

Speculation lifts SouthWits shares

B Day 18/4/89 214

REINIE BOOYSEN

THE Southern Witwatersrand Exploration (SouthWits) share price has risen sharply in the last two weeks on rumours the company has discovered a substantial nickel/-platinum deposit near Potgietersrus

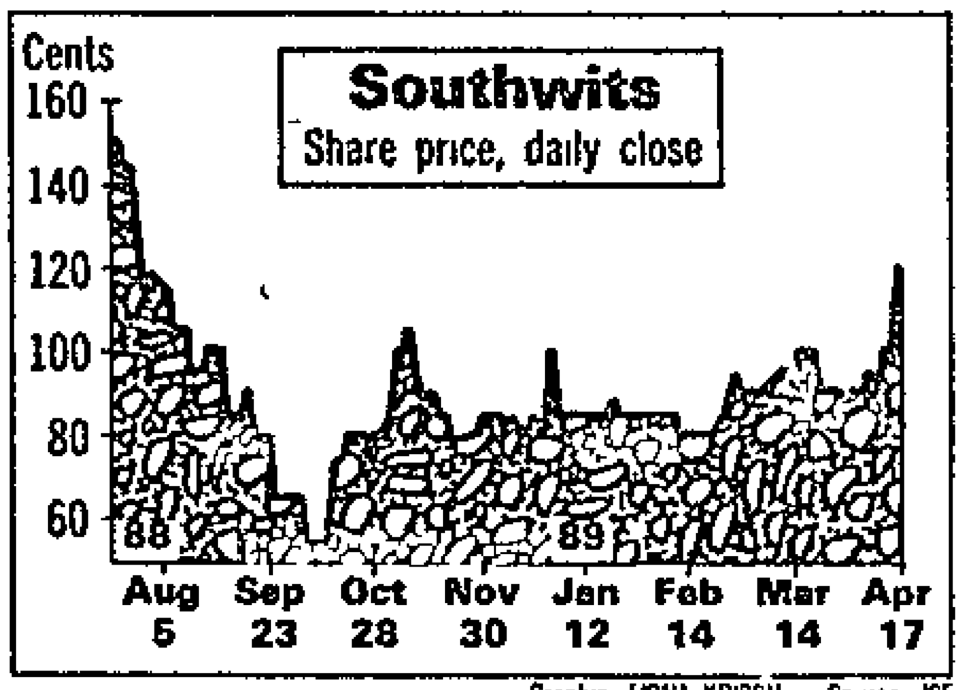
It is also said the company is investigating the possibility of listing a gold mine, after successful exploration of its Gravelotte gold deposit in the eastern Transvaal

The share climbed 34c (40%) from its March 30 price of 86c to 120c yesterday, in high-volume trade While the average monthly trade over the past 12 months has been about 220 000 shares, more than 1,5-million shares (worth more than R1,6m) changed hands in the past six days alone

The share price is now more than double the 12-month low of 55c on October 13 last year Analysts said yesterday there was still upward potential

The nickel deposit occurs in the so-called "Platreef", one of three platiniferous reefs in the Transvaal's Bushveld Complex — the geological treasure chest which contains the world's largest deposits of a number of strategic minerals, including platinum group metals, chrome and vanadium It also contains large deposits of nickel, gold, copper, cobalt and scarce rare-earth minerals

MD Nick Stavrakis yesterday declined to comment on these rumours, which also suggest that SouthWits's nickel deposit occurs at a relatively high grade of about 0,38% by volume Other valuable minerals



Graphic FIONA KRISCH Source JSE

which could be exploited alongside nickel as revenue "sweeteners" are the platinum group metals (PGMs), copper, cobalt and gold

The copper grade is said to be in the region of about 0,2% — compared with Palabora Mining's cut-off grade of between 0,12% and 0,15%

Stavrakis also declined to reveal the grade of the PGMs, but said that Lebowa Plats, which is prospecting alongside SouthWits, has revealed that its grades are running as high as 6g/t Analysts say PGMs in the Platreef usually occur in the following proportions 50% palladium, 40% platinum and 10% rhodium and others

Sources say another positive factor is the shape of the ore deposit a reef, which is understood to vary in thickness between 20m and more than 40m and which runs

To Page 2

Speculation lifts SouthWits shares

B Day 18/4/89 214

From Page

from the surface to an unknown depth at an incline of about 25° on the SouthWits property

The sheer bulk of the deposit (most gold reefs in SA are no more than 1,5m thick) will facilitate large-scale open-pit mining, at least for the first decade

The success of the three boreholes drilled so far has led to a decision to drill "several more", says Stavrakis

At Gravelotte, exploration has reached an advanced stage after extensive mapping, geophysical and geochemical surveys, trenching and drilling Talk is that gold grades are running as high as 10g/t

It is rumoured that SouthWits has also discovered a new ore body at Gravelotte, west of the long-defunct La France Gold Mine, using modern geophysical exploration methods

Stavrakis says details of SouthWits's exploration will be released with the annual report in three weeks' time

not benefit

214

Lo 18/4/89

Diagonal Street

MAGNUS HEYSTEK

Something up at SouthWits

Mining exploration company SouthWits (Southern Witwatersrand Exploration Company) has featured quite strongly in recent weeks on the JSE.

The share has risen from around 90c to last night's closing of 122c on massive volumes.

During the same period the options have moved up in tandem, rising from around 40c to 60c.

In October last year SouthWits was trading at lows of around 55c a share.

Last week 1,16 million shares changed hands, while more than 416 000 shares changed hands yesterday.

SouthWits, which was listed last June, is currently involved in seven exploration projects, of which at least three look promising.

They are the company's gold interests in the Gravelotte area, platinum interests near Potgietersrust and chrome interests near Brits.

In all three instances exploration and evaluation studies have been completed, with analysts expecting promising announcements quite soon.

Dr Nick Stavrakis, managing director of SouthWits, last night was reluctant to comment on the sudden upsurge in interest in his company.

But he did say that shareholders could expect something exciting in the annual report, due out in May.

Market talk is that a listing of a smallish, but highly profitable gold mine in the Gravelotte venture area is a distinct possibility, with shareholders being rewarded by means of capitalisation shares.

In its interim report last October, SouthWits said borehole drilling results in the area had been highly encouraging. Investigations were also started on a third and larger ore-body.

The sudden interest in SouthWits last week and yesterday could have something to do with this orebody, close to the original La France reserve.

The company's platinum interests consist, among others, of a prospecting contract on an area of some 960ha just north of Potgietersrust and a first right of refusal on additional ground, totalling 4936ha.

The area under option saddles the outcrop of the Platreef to the south and is contiguous with the ground held by Lebowa Platinum and Rustenburg Platinum.

Rustenburg Platinum held mineral rights to this ground for 15 years, but let its options lapse last year when SouthWits acquired them.

The feeling among geologists is that Rusplats gave up its options too soon and that the area might contain some of the richest palladium deposits known.

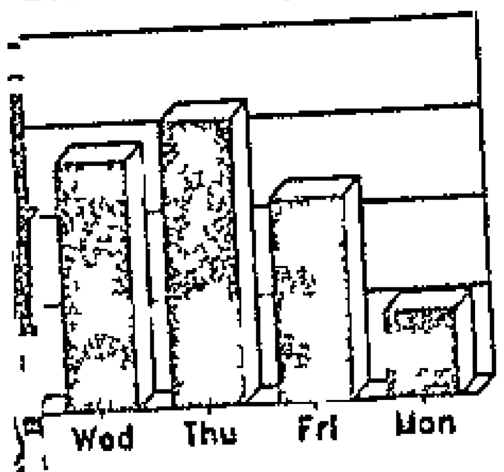
Last week the price of palladium surged on international markets and reached an all-time high of $177 an ounce. If the rumours are true, this could partly explain the sudden interest in Southwits.

Earlier this year SouthWits acknowledged that it intended bringing into production an opencast chromium mine on a property near Brits, south of Rand Mines' Lefko mine, and that it would yield 10 000 to 20 000 tons a month of relatively high grade ore.

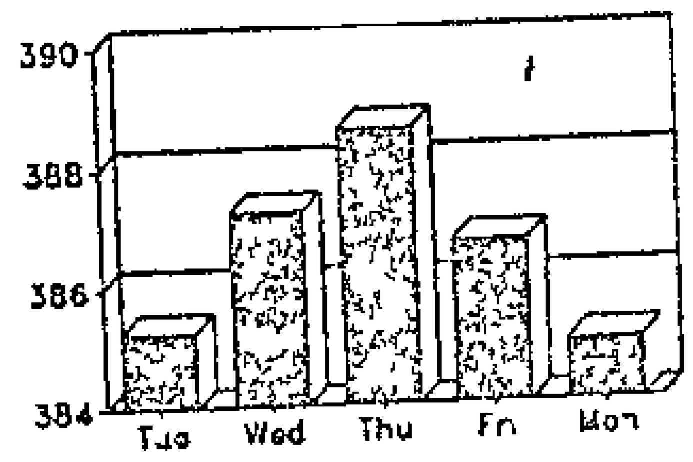
Initially, this opencast mine would be developed without partners, but SouthWits said at the time that it would consider offering outsiders a minority stake in return for a capital injection at a later stage

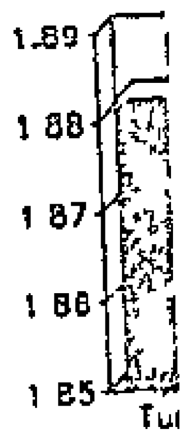
Mining exploration stock always offer the promise of untold riches and if only one of the projects in which SouthWits is involved comes to fruition, it would certainly justify the euphoria surrounding the share

Rand Gold price



Dollar Gold price





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Southgo does share swop with Wit Nigel

Star 18/4/89

By Derek Tommey

The chequered history of the Wit Nigel gold mines has taken another turn South East Rand Gold Holding (Southgo), which operates the Nigel mine, has bought a 56,7 percent stake in Wit Nigel by way of a share exchange

Southgo plans to rationalise Wit Nigel's operations with those of Nigel The mines are contiguous

The directors say that it is not possible to forecast the effect of the scheme on the earnings of Southgo, Nigel, Wit Nigel and Egoli, but that it should be beneficial

Last month it was announced that Wit Nigel was to be rationalised and ore trucked to Nigel where there is surplus treatment capacity

Today's announcement says the scheme will redress Wit Nigel's illiquidity and enable it to benefit from the recent tributing agreement with Nigel.

Wit Nigel has bought 16,8 million Nigel shares from Southgo in exchange for 14 million Wit Nigel shares Egoli has sold another 2,65 million Wit Nigel shares to Southgo for 3,18 million Nigel shares

Wit Nigel and its principal banker, the Bank of Lisbon, have agreed to the restructering as proposed by Southgo

Wit Nigel will have to settle its creditors' claims of R5,8 million either by cash from the sale of Nigel shares by September 30, 1990, or the immediate transfer of sufficient Nigel shares at 50c each.

The Bank of Lisbon is accepting 6 million Nigel shares in repayment of its R3 million claim It has agreed to a three year) moratorium on the balance of its claim which will carry interest at the prime overdraft rate

RM's gold mines reel from inflation and sagging prices

Star 18/4/89

214

By Derek Tommey

The parlous state of part of the gold mining industry as a result of inflation and a falling gold price is highlighted by the disappointing Rand Mines March gold quarterlies released yesterday

The profits/losses of all four mines in the group showed a serious deterioration from the December quarter figures

The Free State mine, Harmony, reported a net profit for the quarter of R10,8 million, which was only 48,8 percent of the R22,1 million it earned in the December quarter

After paying the capital expenditure bill, net earnings were 13c a share — or 22,8 percent of the December earnings of 57c

Blyvooruitzicht, which is on the West Wits line fared slightly better. Its net earnings dropped by only 35 percent from R12 2 million to R7,8 million

But earnings a share after capital expenditure slumped to 14c from 40c in December

So much for the good news The bad news is that Durban Deep, which made a profit of R364 000 in the December quarter, is back in the red, reporting a loss of R2,5 million for the March quarter

However, the loss after capital expenditure contracted slightly to 160c from 167c in December

Finally, ERPM, which is in the throes or reorganisation, almost doubled its loss to R27,0 million from R13,9 million in December

But the loss after capital expenditure widened to only 179c a share from 161c

Slightly more encouraging for investors in Rand Mines is the increase in Witbank Colliery's profit by R2,5 million to R30,3 million thanks to increased export sales and higher tonnages going to Eskom

Another mine issuing a quarterly report was Barbrook, which is developing a gold mine in the Barberton area

It reported that construction and development were going to plan The metallurgical plant will be commissioned in the September quarter and the mine should reach a production rate of 25 000 tons early next year

Capital expenditure was R18,3 million (R15,2 million) Total capital expenditure for the rest of the year is R31,4 million

Blyvooruitzicht increased its milling rate, but the grade milled and gold produced declined

An increase in working costs and lower gold revenue contributed to the lower profits

Durban Deep's milling rate dropped and, although grade rose slightly, production dropped from 1 524kg to 1 447,5kg However, the price received for gold showed a small increase

The tonnage of sands treated was more than doubled and made a significant contribution to earnings, even though the profit a ton from sands fell to R17,85 from R22,09 in December

Harmony's milling rate was virtually unchanged and grade milled rose slightly

But profits were hit by a jump in working costs from R91,25 to R96,28 a ton and a drop in the gold price received

Tons milled at ERPM dropped to 420 000 from 505 000 in the December quarter, reflecting the withdrawal of operations from the west section

Grade improved from 3,56g to 3,67g a ton Costs rose from R163,43 to R189,95 a ton, resulting in a loss of R74,81 (R33,59) a ton

Sand treated rose to 335 000 tons (260 000) and made a significant contribution to profits

ERPM's directors say production from the Far Eastern Section is building up and the tonnage milled for the quarter is in line with projections

At the end of March the mine had utilised loans of R318 million (December R289 million)

However, as a result of the restructuring of the loans, interest paid was R5,1 million (R5,2 million)

JCI gold mines' earnings plummet 42%

B/Day 19/4/89

(214)

ANDREW BUDDEN

JCI GOLD MINES March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein	**2 165**	**2,90**	**6 279**	**77**	**26 626**	**32 212**	**31 948**	**20 557**	**336**
December	2 108	3,30	6 956	80	24 300	32 047	55 098	(11 023)	(180,3)
Western Areas	**1 007**	**3,23**	**3 249**	**112**	**34 662**	**31 750**	**(1 429)**	**(12 051)**	**(29,9)**
December	980	3,18	3 119	113	35 414	32 044	(2 092)	(12 797)	(31,7)

TRACKLESS mining methods introduced on JCI's Randfontein Estates and Western Areas gold mines reduced unit working costs per ton of ore milled for the March quarter, but could not counter lower rand gold prices, which dragged earnings down by 42%

The average cost of gold produced rose 6% to R29 366/kg (previous quarter R27 741/kg), while the average price received per kilogram of gold and other precious metals fell almost 2% to R31 545/kg (R32 064/kg)

An 8% decline in average grades from 3,26g/t to 3,00g/t pushed overall gold production down 5% to 9 528kg (10 075kg), in spite of a 3% increase in tons milled from 3,1-million to 3,2-million

RANDFONTEIN's earnings fell 42% to R31,9m (R55,1m) on a 12% reduction in gold revenues to R196,8m (R223,2m)

Company officials yesterday said the major cause of concern at Randfontein was a 12% fall in grades from 3,3g/t to 2,9g/t, the only area to report higher grades was at Cooke No 3 Shaft

The lower grades pushed gold production down 10% to 6 279kg (6 956kg) on largely unaltered tonnages milled Grades at the 17-year-old Cooke No 1 Shaft were declining, but the No 2 and No 3 shafts performed well, and would have a longer life than the No 1 Shaft, they said

However, the longer-term future of the mine rested on the Doornkop No 2 Shaft

Work under way on the shaft, which would be completed in the next 12-18 months, would improve overall grades within two years, they said

More remarkable was the slight reduction to R167m (R169m) in overall working costs on unaltered tonnages

Officials attributed this to wider use of trackless mining systems

These had constituted a major capex burden at their introduction, but had proven worth the initial cost, they said

The success of the trackless system had allowed a reduction in estimated capital expenditure for the year from R150m to R120m

WESTERN AREAS ended the March quarter better than the previous quarter on higher milled tonnages, better grades and well-controlled working costs, but still posted a R1,4m loss (R2,1m loss)

Overall tons milled rose to 1 007 000 from 980 000, which combined with improved grades, pushed gold production up to 3 249kg (3 119kg)

Tons milled in surface operations more than doubled to 152 000t, while grades improved to 1,04g/t (0,67g/t)

The improvement was brought about by switching operations from lower grade northern dumps to the higher grade dumps fed by southern underground operations

This, and a similar improvement in underground grades from 3,38g/t to 3,61g/t pushed overall grades up to 3,23g/t (3,18g/t)

Officials again attributed much of the improvement to trackless mining methods, which allowed them to keep production going at the northern Ventersdorp Contact Reef, when conventional methods would have had to be curtailed

New tax formula cuts Anglovaal's profit decline

(214)

LIZ ROUSE

B/Day 19/4/89

WORKING profits at Anglovaal's four gold mines declined in the March quarter but the new tax formula limited the decline in total taxed profits to 1% at R81,8m (December quarter R82,6m)

Lower tonnages milled — leading to reduced gold production — higher costs and easier gold prices accounted for the working profit decline

These lower profits, combined with the new tax formula, brought about a net 10% reduction in the combined tax charge to R80,6m (R89,7m)

However, this reduction in the combined tax charge was due solely to lower tax at Anglovaal's major gold producer, Hartebeestfontein The tax position differed widely at the other mines, which paid higher taxes

Harties ended with a higher taxed profit of R65,7m (R61,3m), but Loraine's taxed profit fell to R4,5m (R7,5m), Eastern Transvaal Consolidated's net profit was down to R10,6m (R12,6m) while Village Main's net profit declined to R849 000 (R1,1m)

There were marginal rises in recovery grades of Harties' underground ore and Village's sands dumps, but Loraine's was slightly down and the others unchanged Combined with the generally lower throughput, these brought about lower gold production figures at all mines except Village, but the group's total was only 2% lower at 10 986kg (11 205kg)

Tonnage milled at Harties low-grade gold plant was slightly lower at 389 000t (391 000t) with grade unchanged at 1,60g/t while mill throughput in the main plant was reduced by 20 000t to 779 000t Grade was slightly higher at 9,4g/t (9,3g/t)

Capex

Costs were well contained at R160,91 (R154,20) a ton But higher costs plus other negative factors reduced working profit from mining and the low-grade gold plant to near R127m (R139,2m) The lower pre-tax profit and unchanged capex of R11,6m cut tax charges to R71,6m (R84,4m), leaving net profit up 7% to R65,7m (R61,3m)

Loraine's milled tonnage decreased to 407 000t (421 000t) but average grade was little changed at 5g/t and unit costs were well held at R151,70 (R151,61) a ton There was no mining tax charge but tax on non-mining income rose to nearly R3,3m (R1,9m), leaving a taxed profit of R4,5m (R7,5m) Capex declined to R1,3m (R4,6m) while outstanding commitments were R860 000 (R820 000)

Lower capex at ET Cons — down R3,6m to just over R5m — and lower prospecting costs, raised the tax liability to R5,7m (R3,4m), resulting in a reduced taxed profit of R10,6m (R12,6m)

ET Cons unit costs were fairly well held at R143,93m (R139,72) a ton and grade was unchanged at 9,8g/t

The previously reported operational problems experienced with the new roaster have now been resolved and the unit has been brought back into production

At Village both sands tonnage treated and yield were slightly better but costs, particularly for reagents, rose sharply Capex declined to R322 000 (R804 000), resulting in the tax charge rising to R76 000 (R57 000) and net profit declining to R849 000 (R1,1m)

Bid left hanging as ConsGold shares dip

IAN HOBBS

LONDON — Minorco's epic £3,5bn bid for Consolidated Gold Fields (ConsGold) was left in legal suspense last night and in danger of being scuppered by the US Federal District Court in New York.

ConsGold shares had dropped 58p to 1 290p at the close in London yesterday after Federal judge Michael Mukasey had refused Minorco's submissions in the court on Monday night to lift an injunction against the takeover

The judge last night again rejected Minorco's appeals for the injunction, which prevents it from owning more ConsGold shares, to be lifted or amended forthwith, and ConsGold shares could fall further today

B Day 19/4/89

In New York yesterday Minorco urgently renewed its submission but the judge left the ConsGold injunction in place and postponed the hearings to next Monday — two days before the April 26 expiry date for the bid

ConsGold was delighted with the outcome with spokesmen hoping it would influence its shareholders to reject the Minorco bid in what seems certain to be a fight to the last

If Minorco fails to gain the support of 50% or more of ConsGold shareholders by 1pm (London time) next Wednesday, the bid will be dead

If it does get the required percentage it has until an absolutely final deadline of May 17 — three weeks from next Wednesday — to have ConsGold's anti-trust injunction thrown out of court or amended. If it fails, the bid will then be dead.

Minorco says it is intensifying the fight and hopes the drop in ConsGold's share price will win shareholders in favour of the bid offer of £11,75 cash and half a Minorco share worth £3,50, so that it wins the three weeks' fighting time after April 26

New tax formula helps Anglovaal

Star 19/4/89 614

Finance Staff

The new tax formula for gold mines helped the Anglovaal gold mines to limit the decline in total taxed profits during the March quarter to one percent at R81,77 million

Lower tonnages milled — leading to reduced gold production — higher costs and easier gold prices caused working profits to decline at all four gold mines in the Anglovaal Group during the first three months of the year

However, these lower profits, combined with the new tax formula for gold mines, brought about a net 10 percent reduction in the combined tax charge to R80,63 million compared with the previous quarter

Milled tonnages were lower at all plants, with the exception of Village Main

There were marginal rises in recovery grades of Hartebeestfontein's underground ore and Village Main's sands dumps, but Loraine's was slightly down and the others unchanged

Combined with the generally lower mill throughputs, these brought about lower gold production figures at all mines except Village, but the group's total was only two percent down at 10 986 kg (11 205 kg)

The mines continued hedging operations in respect of portions of their gold outputs

The base metal mines showed mixed results

Ore milled by the copper/zinc producer, Prieska, declined to 310 000 tons (344 000 tons), which is in line with the earlier announcement that production would reduce as the mine nears the end of its working life

However, although underground operations are to finish at the end of June, the mine announced today that it is to treat its low-grade copper and zinc surface dump for as long as it remains profitable

For the quarter the mine reported an after-tax profit of R2,91 million compared with a loss of R201 000 in the previous quarter

Consolidated Murchison's volume sales of antimony were down, but this was offset to some degree by the weaker rand/dollar exchange rate Despite reduced sales costs, the net result was a lower after-tax profit of R2,06 million (R3,1 million)

Another setback for Minorco

Star 19/4/89.

2.14

By Sven Lünsche

Consolidated Gold Fields shares plunged 60p to £12,88 yesterday in London after a US court turned down a request by Minorco to modify a preliminary injunction blocking its hostile bid

Minorco said it "intends to pursue proceedings in the US to get the injunction prohibiting its acquisition of Consgold's shares lifted before its offer lapses on April 26 under UK regulations", but analysts doubt that it will succeed.

"It looks less likely that Minorco will overcome the legal hurdles in time to declare the bid unconditional," Charles Kernot, mining analyst at brokers Kitcat & Aitken told Reuters

In a statement Minorco said "We are obviously disappointed with the judge's conclusion that the hold separate order does not adequately protect against Consgold's claim that Anglo-American may acquire Consgold's shares in Newmont, GFSA and Rensison"

Anglo American and De Beers, Minorco's holding companies, yesterday offered to submit themselves to the jurisdiction of the US courts and allowed Minorco to put forward on their behalf a 10-year guarantee that they would not buy stakes in the three companies They also offered the court bonds of $100 million each

But the New York hearing on the latest proposal will not be held until next Monday afternoon, less than 48 hours before the takeover bid closes in London.

And Federal Judge Michael Mukasey indicated on Monday that he was critical of Anglo's intent. "The Anglo American group's record in circumventing legal restrictions and engaging in anti-competitive behaviour is not reassuring," he said

However, Minorco received some consolation from the fact that Consgold's motion to extend the injunction for allegations of securities fraud law violations was also denied

In response to Consgold's claim that Minorco's South African ties could create difficulties for Newmont, Judge Mukassey declared that "Consgold's South African connections are, if anything, more perceptibly tied to the injustices of apartheid"

But time is running out for Minorco's bid Unless Minorco has received sufficient acceptances by 1pm next Wednesday to lift its interest from the present near 30 percent stake to more than 50 percent, the bid is dead

If this threshold is passed, Minorco can declare the bid unconditional as to acceptances and hope that the legal situation is resolved in its favour before May 17 If the latter condition is not met, the bid fails, regardless of how many shareholders have accepted Minorco's offer

If an overwhelming proportion of shareholders accepts, there remains a slim possibility that Consgold board might bow to their wishes and withdraw its legal action

In a separate development, American Barrick Resources, the Canadian gold mining group, has revealed that it bought another 500 000 shares in Consgold immediately after Minorco announced its revised bid on April 10

The Star's London Bureau reports that the Canadian company also instructed its brokers, Warburg Securities, to accept the hostile bid from Minorco in respect of its total holding in Consgold, now 3,4 million shares or 1,59 percent of the issued capital

American Barrick admitted it was in technical breach of the UK Takeover Code because of an oversight by Warburg As a holder of more than one percent of the Consgold capital, American Barrick should immediately have informed the UK company about its recent share transactions

The Canadian company also acknowledged that it was interested in the 49 percent shareholding in Newmont Mining, now the biggest gold miner in the United States

Joel improves but disappointing drop in grades at Randfontein

(214)

Star 19/4/89.

By Derek Tommey

Randfontein shareholders will be disappointed at the March quarterly report of this giant gold mine But Joel shareholders, who were seriously shocked a year ago when the mine reported unexpected faulting, can take quiet satisfaction in the growing improvement in the mine's development results Joel expects to report its first profits before the end of the year.

Like a large number of other gold mines, Randfontein reports a sharp drop in profit in the March quarter — by 42 percent to R31,9 million from R55,1 million in December.

But net capital expenditure dropped to R14,8 million from R66,7 million in the Decmber quarter As a result the mine was able to show a net profit after capital expenditure and tax of R20,6 million for the quarter against a loss of R11,0 million in the December quarter

However, unlike many other mines, the main cause of Randfontein's lower profits was not inflation or the lower gold price but a drop in the milling grade from 3,30 grams a ton to 2,90 grams a ton This caused gold production to drop to 6 279 kilograms from 6 956 kilograms in the December quarter.

The drop in the grade is partly the result of a lower recovery from the Cooke No 1 Shaft area which has now been worked for 15 to 16 years

But the mine's chairman, Mr KW Maxwell, expects grade to recover to above 3 grams a ton as production from Doornkop No 1 shaft builds up

In these highly inflationary times Randfontein put up an extremely creditable performance by reducing its working costs from R80,18 a ton milled to R77,22 a ton milled.

The mine's general manager, Mr Willie van der Meulen, says that Randfontein's costs are the lowest in the industry

However, revenue from gold dropped from R32 047 to R31 212 a kilogram

At Joel the average value of ore sampled in the quarter improved substantially to 21,6 grams a ton over 44cm giving 950cm-g/t This compares with 19,6 grams over 30cm giving 588cm-g/t in the December quarter. Mine officials expect to maintain this improvement to continue

Work is on schedule on the metallurgical plant When this is completed the mine will be able to mill 80 000 tons a month.

The No 4 Shaft will be completely equipped by May and this will speed up underground operations.

During the three months ended March the mine milled 79 000 tons with an average yield of 3,2 grams. In the previous quarter it milled 46 000 tons with an average yield of 2,8 grams.

The chairman, Mr KW Maxwell, said the mine should report its first profit in the present calendar year

Western Areas increased its milling rate and its grade during the March quarter but this was not sufficient to enable it to show a profit

However, it reduced it net loss from R2 092 000 to R1 429 000, while net loss after capital expenditure and tax was almost unchanged at R12,1 million (R12,8 million)

Underground working costs increased from R120,21 to R128,88 a ton, mainly as result of increased conventional mining in the southern section of the mine

This was necessary to destress the reefs to open the mine up to mechanised mining

Mr Maxwell said this method of mining would be employed in South Deep, the rich but challenging gold prospecting area adjoining Western Areas

Goldam project boosts Southgo's Nigel

(214) B/Day 20/4/84

LIZ ROUSE

SOUTHGO'S Nigel Gold Mining Holdings improved net profits in the March quarter while Knights Gold Mining Company overcame start-up problems at the treatment plant

Nigel earned a total revenue of R6,63m (R6,1m in the December quarter) to show a taxed profit of R576 000 (R535 000)

The Goldam retreatment operations once again performed well with the tonnage treated rising by 5% to 514 928t Recovered grade rose slightly to 0,25g/t and 130kg of gold was produced, 12kg more than in the previous quarter Revenue was R7,82 a ton treated against a working cost of R5,67/t

The decision to reduce Nigel's underground tonnage and to increase grade is now bearing fruit Tonnage milled from underground decreased by 5% and averaged 10 000t a month, with grade increasing by 16% to 2,81g/t A total of 84kg (76kg) of gold was produced

Working costs rose by 8,2% to R104,72/t milled (R95,4/t), while revenue a ton milled was R86,90/t (R75,23/t), resulting in a loss of R17,8/t milled

Further rationalisation of resources in the current quarter should result in a reduction in the unit cost The operating results do not take into account any underground production from the company's Wit Nigel tribute which became effective towards the end of the quarter

Capex during the quarter was R1,3m compared with R1,5m in the previous quarter

Now that Southgo has taken control of Wit Nigel, it has been decided to conduct underground mining at Wit Nigel at a production level of 12 000t to 15 000t a month, which will rationalise the whole overhead cost and management structure of the Nigel operation

The Knights' plant treated 847 000t of slimes and, with the commissioning of the ball mill later in the quarter, some 28 000t of sands The recovered grade of slimes material at 0,15g/t reflects the upper area of the dump currently being treated, which is expected to improve when the lower areas are treated

The recovered grade of sands treated at 0,36g/t also reflects the initial start-up of the sands reclamation and metallurgical recoveries from the sand material The overall cost of R5,10/t is in line with Knights' budget

An operating loss of R342 000 was recorded as a result of the lower grade slimes treated and the initial consumables and commissioning costs of the sands milling section

Capex for the quarter declined sharply to R1,9m from R20m

At Klerksdorp Gold Holdings a total of 8 750t was milled and an operating loss of R125 000 was incurred Improved grade from underground ore is expected in the current quarter

At Benoni Gold Holdings underground reclamation produced 4 186t of ore at a recovered grade of 1,82g/t Operating profit was R3 611

BUSINESS DAY, Thursday, April 20 1989

Genmin gold mine income drops 20%

BDay 20/4/89 (214)

ANDREW BUDDEN

GENMIN, Gencor's recently restructured mining arm, has disclosed a 20% drop in the aggregate taxed income of its 12 gold mines for the March quarter

Marginals Bracken, Grootvlei, and West Rand Consolidated were especially squeezed by lower rand gold prices for the quarter

Recently appointed MD, Gary Maude, said yesterday all Genmin's gold mines faced the same problems — a static or falling rand gold price and the high inflation rate prevailing in SA

Pay-limits came under pressure from increasing costs, while the lower gold price delegated large areas of previously viable ore reserves to unmineable rock, he said

To survive, Genmin mines were undergoing a fundamental restructuring

Faced 12 months ago with the choice of maintaining high milled tonnages of all ore, or mining only higher grade ore, the group had taken the latter

As a consequence, tonnages had fallen and the staff complement had been reduced — by almost 5 000 this quarter alone A further 1 000 to 2 000 retrenchments were planned

Maude said the drastic cut-backs had already led to reduced unit costs/kg of gold produced on Beatrix, Kinross, Marievale and St Helena

Looking ahead, the group had planned for a worst-case scenario of an annual 5% fall in the nominal rand gold price

"We're putting all our mines into a leaner, more resilient phase ready for any future eventuality," he said

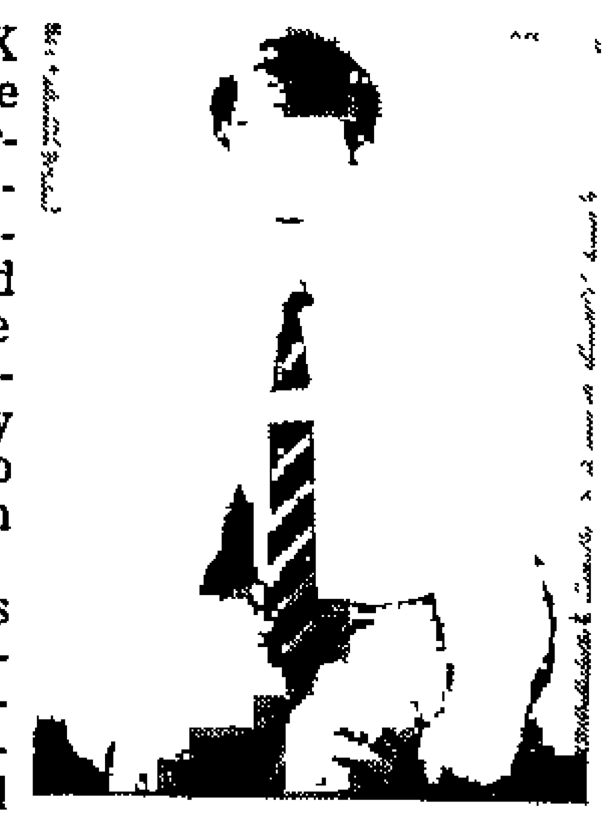
BUFFELSFONTEIN's attributable earnings fell 31% to R22,1m in the December quarter to R15,3m

The company is conducting a feasibility study, due for completion in June, into its tertiary shaft area

If successful, it will pave the way for a new mining project costing R700m

Maude says the project will probably be financed from a rights issue later in the year and not from existing reserves

Preliminary exploration of the area has shown material of good grades but at deep levels



● MAUDE

BEATRIX maintained the previous quarter's successful performance, and attributable earnings declined only slightly to R18,2m (R18,4m)

Negotiations with a "northern neighbour", probably Gold Fields's New Wits Exploration, over the sharing of costs in a northern shaft development are under way

STILFONTEIN's earnings fell 40% to R3,0m on substantially reduced grades

Seismic activity at Scott Shaft cost the mine ten days of underground production Underground ore had to be supplemented with surface dump material, pushing grades down to 2,9g/ton (3,6g/ton)

Current gold prices limit the mine's life to six or seven years, although Maude said large lower-grade ore reserves could be tapped should the gold price rise again

WEST RAND CONSOLIDATED dropped further into the red, posting a loss for the quarter of R4,4m (R2,4m)

Profitably

Officials say the retrenchment programme, costing R2,3m, has led to a small profit for March, after disastrous performances in January and February

They say the mine should operate profitably now

GROOTVLEI, with large reserves of lower-grade material but mostly mined-out of high-grade material, just managed to post a small profit of R167 000 for the quarter (R3,3m)

MARIEVALE continued to show improvements, doubling earnings to R1,1m (R615 000)

WINKELHAAK performed well, but still experienced a 12% decline in attributable earnings to R21,5m (R24,3m)

UNISEL raised earnings 13% to R12,9m (R11,4m) in spite of lost production from seismic activity and a fire which blocked the mine's only shaft

GENMIN March Quarter	Tons Milled '000s	Yield g/t	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after Capex R000s	EPS after Capex cents
BUFFELSFONTEIN	**562**	**6,3**	**3 521**	**170**	**27 099**	**31 188**	**15 321**	**12 495**	**114**
December	584	6,8	3 957	173	25 561	32 078	22 053	16 341	149
BEATRIX	**540**	**6,1**	**3 294**	**110**	**18 041**	**31 249**	**18 244**	**12 786**	—
December	540	6,0	3 240	110	18 347	32 232	18 403	12 540	—
STILFONTEIN	**379**	**2,9**	**1 111**	**85**	**28 878**	**31 135**	**3 007**	**2 841**	**22**
December	335	3,6	1 217	89	24 502	32 029	5 035	5 394	41
WEST RAND CONS	**317**	**1,8**	**585**	**74**	**40 036**	**31 142**	**(4 439)**	**(4 052)**	**(95)**
December	456	2,0	894	73	37 094	32 433	(2 446)	(2 030)	(48)
KINROSS	**527**	**5,7**	**3 000**	**104**	**18 261**	**31 279**	**19 799**	**13 061**	**73**
December	518	5,7	2 950	106	18 609	32 371	18 608	13 618	76
BRACKEN	**170**	**3,2**	**544**	**104**	**32 496**	**31 255**	**459**	**306**	**2**
December	199	3,0	587	93	31 540	32 229	1 424	1 224	9
LESLIE	**278**	**2,5**	**690**	**79**	**31 764**	**31 301**	**1 162**	**326**	**2**
December	341	2,4	823	70	29 202	31 963	2 457	2 027	13
ST HELENA	**540**	**5,0**	**2 700**	**135**	**27 088**	**31 246**	**8 456**	**7 128**	**74**
December	525	5,0	2 625	136	27 128	32 123	16 142	7 827	81
UNISEL	**254**	**5,8**	**1 470**	**112**	**19 317**	**31 205**	**12 904**	**5 050**	**18**
December	275	5,8	1 603	102	17 551	32 276	11 405	8 141	29
WINKELHAAK	**505**	**5,6**	**2 840**	**113**	**20 125**	**31 399**	**21 493**	**10 245**	**84**
December	505	5,6	2 840	113	20 032	32 245	24 398	9 684	80
GROOTVLEI	**281**	**2,9**	**821**	**93**	**31 758**	**30 999**	**167**	**134**	**1**
December	309	3,2	975	91	28 839	32 463	3 331	2 484	22
MARIEVALE	**98**	**2,3**	**224**	**62**	**27 179**	**31 204**	—	—	—
December	86	2,2	191	67	30 257	31 983	—	—	—

Nigel lifts profit despite lower gold price

Star 20/4/89

(214)

By Derek Tommey

Southgo's Nigel operation increased taxed profit to R576 000 in the March quarter from R535 000 in the December quarter, even though the price of gold received fell from R31 710/kg to R30 964/kg

The directors say the Goldam retreatment operations performed well Tonnage treated rose five percent to 514 918 tons, while recovery grade rose to 0,25 grams a ton

Gold production was 130kg, an increase of 12kg on the December quarter

Revenue was R7,82 a ton and costs R5,67 a ton

Results of underground operations showed an improvement, but this was still a loss area A lower milling rate and increased grade led to gold production rising from 76kg to 84kg

While revenue a ton rose from R75,23 to R86,90, costs rose 8,2 percent to R104,72 a ton

Unit costs are expected to drop this quarter

It is planned to produce 10 000 to 15 000 tons a month at the newly taken over Wit Nigel

Southgo's Knights operation, which is just starting up, had an operating loss of R342 000 owing to lower-grade slimes treated and the commissioning costs of the sands milling section

The Knights plant treated 847 000 tons of slime and later in the quarter the ball mill treated 28 000 tons of sands

The slimes material had a grade of 0,15 g/t, reflecting the upper area of the dump being treated

The grade of sands treated was 0,36 g/t, which also reflects the initial start-up of the sands-treatment operation

Klerksdorp Gold Holdings had an operating loss of R125 000 Improved grade is expected this quarter

Benoni Gold Holdings had a profit of R3 611 after producing 4 186 tons at 1,82 g/t

SHAREHOLDERS CONFUSED ABOUT BID FOR CONSGOLD

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Business Day Reporter

WITH the US legal systems having apparent difficulty in adjudicating on the proposed Minorco/ConsGold takeover it is not surprising that shareholders are confused, says the Financial Times columnist Lex. BDay 20/4/89

On Monday US federal judge Michael Mukasey took 45 pages to explain why the injunction barring Minorco from buying ConsGold shares could not be lifted.

The following day he decided to have a rethink and, says Lex, he could change his mind.

With the urgency of the bid timetable it is hoped Gold Fields and Newmont will not produce a batch of reasons why next Monday's court decision should not be the final word on a go-ahead for the bid.

Lex says that by using the US legal system ConsGold has helped raise Minorco's bid price.

"This sort of legal guerrilla warfare makes it look as if it is simply interested in frustrating the bid."

As Minorco cannot raise its price further shareholders should be allowed to decide now.

If 60% were to accept the Minorco offer, Gold Fields would be under considerable pressure to withdraw its legal action.

The problem is that because of the UK timetable the bid could easily fail

Gencor sheds 5 000 in a bid to halt closures

Star 20/4/87

24

By Derek Tommey

Gencor, which is retrenching 5 000 people, is determined to keep its gold mines operating profitably, despite expecting a five percent squeeze on margins this year

This was made clear at a press briefing yesterday by Gary Maude, MD of the group's gold division

Other points made by Mr Maude were

- Buffelsfontein was considering opening up its tertiary shaft area at an estimated cost ofR700 million
- Beatrix was planning to sink a new shaft to open up its northern areas Mining houses with mineral rights to the north of Beatrix have been asked whether they want to share in the shaft If so, the shaft might be sited further towards the boundary
- Stilfontein and Buffelsfontein would share the balance of the R36,1 million received by Chemwes as compensation for the early termination of a uranium contract Stilfontein which, at the present gold price, had a life of six years, was expected to put part of its share in a fund to help finance closure

The balance was likely to be paid to shareholders of both mines as special dividends

- West Rand Cons, which lost R4 million in the five months to February, should show a profit this year

Mr Maude said all mines were facing the same problem — a drop of about R1 000/kg in the price of gold in the past few months

The industry was faced with the choice of either mining profitably or not mining Gencor did not believe it was appropriate to borrow money to keep mines going

Mr Maude said all mines — high-grade and low-grade — were being hit by the lower gold price. The solution was to reduce working costs

This meant mines must stop working unpayable or marginal ore to keep shafts full

This had serious consequence the number of people on a mine had to be reduced in line with lower production

But it was better to retrench a third of the labour force than to shut down the whole mine, said Mr Maude.

About 5 000 people had been or were being retrenched Of these 1 000 were from Leslie and Bracken, 600 from Grootvlei, 3 000 from West Rand Cons and 400 from the rest of the group Additionally, another 1 500 had been placed at other mines and another 1 000 had left voluntarily

If Gencor's policy of expecting a five percent profit squeeze proved too optimistic, at least it was moving in the right direction

However, if the gold price improved, Gencor could raise production and take on workers.

"We're getting the fat out of the mines and putting them in a good position to face the future," said Mr Maude

Buffelsfontein had a taxed profit of R15,3 million (R22,0 million) for the March quarter

The reduced profit was the result of a lower milling rate, lower grade and lower gold price.

Mr Maude said the mine had a life of 10 to 15 years at today's gold price. The tertiary shaft area had good grades, but was deep If it was decided to go ahead with the tertiary shaft, shareholders would be asked to put up the R700 million and the new area would be operated as a separate mine

Beatrix was the star of the Gencor quarterlies, reporting a virtually unchanged profit of R18,2 million (18,4 million)

West Rand Consolidated, which had a loss of R2,4 million in the December quarter, and of R2 million in January and February, made a profit of R300 000 in March and should report a profit for the year

In the March quarter it milled 317 000 tons (456 000 tons) and the milling rate could fall further

Stilfontein had a taxed profit of R3,0 million (R5,0 million) Operations at Scott Shaft were halted for 10 days owing to seismic activity

Winkelhaak had profits of R21,5 million (R24,4 million), Leslie R1,1 million (R2,5 million), Bracken R459 000 (R1,4 million), Kinross R19,8 million (R18,6 million), Unisel R12,9 million (R11,4 million) and St Helena R8,5 million (R16,1 million)

Minorco's war far from over

w/c-Argus 29/4/87 (214)

From DEREK TOMMEY

JOHANNESBURG. — Minorco has won a major battle in its fight to gain control of Consolidated Gold Fields but it has not yet won the war

The acceptance of Minorco's offer by holders of about 25 percent of Cons Gold shares is a considerable victory given the acrimonious nature of Cons Gold's defence

And under normal circumstances the battle would have been over With its own 30 percent stake in Cons Gold and the 25 percent acceptances, it would have been accepted that Minorco had secured control of Cons Gold

There would have been a scurry by the non-accepting shareholders to get Minorco's cash for their shares before the bid finally closed (Minorco has extended the offer for another two weeks)

Quick profit

But with Cons Gold' shares trading at 1320p in London yesterday, a 15 percent discount to the Minorco offer price, and therefore still offering a quick profit to speculators, it is clear that this is not a normal takeover.

What is thwarting Minorco's bid for Cons Gold, and therefore the efforts of South Africa's major mining house, Anglo American, to build up its overseas investments is the opposition of two men — ironically one is a South African and the other has strong links with this country

One in 55 year-old Rudolph Agnew, chairman of Cons Gold His grandfather was chairman of Cons Gold from 1933 to 1939, his father working for Cons Gold in Australia where Mr Agnew was born, and Mr Agnew himself has worked for Cons Gold in South Africa and has also been a frequent visitor here

The other is 54-year-old Gordon Parker, head of Newmont

Mr Parker was born in Cape Town, went to Rondebosch Boys High School and the University of Cape Town According to his last entry in the South African *Who's Who* which was in 1985, he still has strong South African links He remains a member of a number of top Cape Town clubs

Major producer

In the early 1970s he was managing O'kiep Copper for Newmont But in 1975 he was tranferred to Newmont's head office in New York where his subsequent promotion has been rapid

Newmont today is a major American gold producer Although Cons Gold has an almost 50 percent share stake in Newmont, it controls only 40 percent of the votes

Mr Agnew and Mr Parker have thwarted Minorco's bid for Cons Gold by getting an American judge to impose an injunction on Minorco preventing it from increasing its shareholding in Cons Gold to above its present 30 percent

Both Cons Gold and Newmont asked for the injunction on the grounds that if Minorco's bid succeeded it would control both Cons Gold and Newmont This would result in an extremely large proportion of the world's gold output being controlled by Anglo American — which could violate US anti-trust laws

Until this injunction is lifted it is obvious that Minorco cannot accept any shares offered to it For although the ruling is an American one, it is believed it would be respected in British courts This, in part, explains the 15 percent discount on Cons Gold shares to the Minorco offer

A Minorco spokesman said that as it now looks like having control or support of at least 56 percent of Cons Gold shares, it would put pressure on Cons Gold's board, possibly by seeking to call an extraordinary annual meeting, to get it to ask the US court to lift the injunction

However, even if the Cons Gold board was persuaded to follow this policy, which is by no means a certainty, it would still leave Newmont, an American company, as a plaintiff And Newmont apparently intends to maintain it position no matter what Cons Gold does

Minorco says this is evidence that Cons Gold does not control Newmont and therefore Minorco's takeover would not give Anglo American control of Newmont and its gold It intends to argue along these lines in the American court

One more problem

Minorco also has one more problem. They must get the injunction lifted by May 17 when, in terms of the British takeover rules, the bid for Cons Gold will lapse for one year

But owing to the unusual nature of the takeover, analysts consider it would be unfair for the UK Takeover Panel not to extend the time limit and give Minorco another chance to have the injunction lifted.

Gold closes slightly higher

LONDON — Gold ended on a steady note with the market supported by higher oil prices and it closed at $383,80/$384,40

This was slightly above the opening of $383,20/$383,70 and Tuesday's close of $383,25/$383,75

O In New York, gold closed at $383

Closing gold prices

(In $ an ounce)

LONDON. 383,80/384,30

Fixing am: 382,90

Fixing pm. 383,90

ZURICH· 382,50/385,50

NY. 382,75/383,25

Randfontein profit drops sharply

CAPE TIMES 20/4/87 (214)

JOHANNESBURG — Randfontein Estates' slight increase in tonnage milled in ~~the~~ March quarter was unable to offset the drop in yield which affected gold production and consequently revenue

Profit, after a tax bill of R5m (R6,4m), was sharply down at R31,9m (R55m), in spite of a significant drop in capex to R11,3m (R66,1m)

Western Areas, in spite of improved tonnage milled, higher yield and resulting improved gold production, remained in a loss situation for the March quarter.

Revenue per ton increased marginally to R102,99 (R101,92), while working costs per ton were little changed at R111,83 (R112,71) Loss per ton decreased slightly to R8,84 (R10,79).

At Western Areas a loss for the quarter of R1,4m (R2m) was incurred.

HJ JOEL's production is building up satisfactorily and in the March quarter it nearly doubled to 255 kg (128 kg). — Sapa

Cape Times 20/4/89 (224)

Anglovaal gold mines' profits drop

JOHANNESBURG — Lower tonnages milled — leading to reduced gold production — higher costs and lower gold prices caused working profits to decline at all four gold mines in the Anglovaal Group in the March quarter

However, these lower profits, combined with new tax formula for gold mines, brought about a net 10% reduction in the combined tax charge at R80 627 000 (December quarter R89 713 000), thereby limiting the decline in total taxed profits to 1% to R81 773 000 (R82 636 000)

Prieska showed an operating profit of R7 187 000 (R411 000 loss) and an after-tax profit of R2 913 000 (R201 000 loss)

Consolidated Murchison's after-tax profit was reduced to R2 064 000 (R3 102 000)

Hartebeestfontein's working profit was reduced by almost R1m to R12 978 000

Loraine's pre-tax profit was R7 811 000 (R9 453 000)

After adding lower non-mining income and deducting prospecting expenditure, **ETC's** pre-tax profit was little changed at R16 328 000 (R16 071 000)

Village Main Reef's after-tax profits fell to R849 000 (R1 143 000) — Sapa

Anglo's Transvaal gold mines feel pinch as taxed income drops 27%

B/Day 21/4/89. (214)

ANDREW BUDDEN

ANGLO American's gold operations generally continued the downward trend experienced by SA gold producers over the March quarter as aggregate taxed income for its five Transvaal mines fell 27% on reduced production and lower rand gold prices

Vaal Reefs and Western Deep, whose overall gold production declined 7% to 28 874kg (previous quarter 31 183kg), were badly affected by the lower gold price

Their combined attributable earnings slumped 35% to R215m (R334m), cancelling out the effect of good earning improvements by other producers, Elandsrand, Sallies and Ergo

Lower uranium sales, which contribute about 7% to operating profit, and the 6% drop in overall gold production pushed total turnover down 10% to R1 039m

VAAL REEFS's taxed earnings fell 41% to R127m (R216m) after what Anglo described as an "abnormally good previous quarter"

Production for the quarter, down 9% at 19 296kg (21 162kg), came under pressure from severe faulting and poor ground conditions south of No 8 Shaft in its South Lease area

Increased seismicity in the North Lease area further reduced output, as did a fall in grades to 7,15g/ton (7,44g/ton)

Reduced uranium sales and a lower uranium price effectively halved uranium profit to R17,9m (R34,5m)

ANGLO GOLD MINES March Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	**6 294**	**4,20**	**26 409**	**105**	**24 913**	**31 293**	**217 688**	**104 669**	**90**
December	6 314	4,12	26 258	103	24 648	32 223	180 400	87 265	75
Vaal Reefs	**2 698**	**7,15**	**19 296**	**135**	**18 821**	**31 429**	**126 831**	**83 475**	**438**
December	2 845	7,44	21 162	115	15 494	32 132	216 304	129 498	680
Western Deep	**1 541**	**6,22**	**9 578**	**125**	**20 139**	**31 329**	**88 466**	**31 842**	**116**
December	1 629	6,15	10 021	113	18 148	32 026	117 400	35 251	129
Elandsrand	**449**	**6,67**	**2 994**	**127**	**19 007**	**31 373**	**36 649**	**14 338**	**15**
December	521	5,48	2 853	112	20 542	32 332	35 044	12 090	13
SA Lands	**661**	**0,58**	**381**	**12**	**20 772**	**31 330**	**1 190**	**1 171**	**13**
December	644	0,52	338	12	22 506	31 883	960	873	9
Ergo	**9 822**	**0,31**	**3 084**	**—**	**—**	**31 320**	**33 618**	**18 099**	**40**
December	9 221	0,33	3 059	8	23 253	31 925	24 240	17 947	39

WESTERN DEEP LEVELS's taxed profit declined 25% to R88,5m (R117,4m) on a 4% lower gold production and an 11% hike in unit working costs to R21 139/kg of gold produced (R18 148/kg)

Grades improved slightly from 6,15g/ton to 6,22g/ton, but were not sufficient to counter a 5% decline in tons milled to 1,54-million (1,63-million)

Temporary underground ore transport problems forced ELANDSRAND to switch stoping to its sub-vertical shaft, effectively sweetening grades 22% to 6,67g/ton (5,48g/ton)

The mine posted a 5% increase in taxed earnings to R36,6m (R35,0m) on proportionate improvements to gold production

Lower taxation as a result of increased capital expenditure and year-end tax adjustments helped ERGO increase taxed earnings 39% in spite of a 19% lower operating profit at R34,0m (R42,4m)

The Daggafontein division in particular, performed well and Simmergo managed to pull back from last quarter's R190 000 loss to post a small R302 000 profit

☐ Ergo yesterday declared a final dividend of 75c a share, which together with its interim of 60c, gave a total of 135c

☐ Freegold is to pay a final dividend of 160c a share

Freegold's profit rises by 20,7%

B Day 21/4/89 (214)

ADAM PAYNE

FREEGOLD's after-tax profit in the March quarter rose by 20,7% to R217,7m (R180,4m), reflecting a lower provision for tax at R2,1m (R45,8m).

Profit before taxation declined by 2,8% to R219,8m, mainly as a result of lower gold revenues which decreased from R848,1m to R837,0m

Available profit increased by 19,9% to R104,7m, in spite of a rise in capital expenditure from R99,7m to R126,3m

Freegold increased gold production from 26 258kg to 26 409kg

This was attributable to an increase in the average grade from 4,16g/t to 4,20g/t which more than offset the slight decrease in tons milled from 6,314-million tons to 6,294-million tons

Working costs rose from R647,2m to R657,9m and unit costs rose slightly from R102,50 to R104,53 per ton milled

Reduction

At Freegold's north region total costs rose by only 1,5% to R321,5m Unit costs in tons milled rose to R123,01 from R119,79 while grade was slightly lower at 4,48g/t (4,66g/t) Tons milled declined to 2,614-million tons (2,643-million).

These factors resulted in a small reduction in gold output to 11 707kg (12 315kg) Capital expenditure increased to R43,4m from R34,4m and profit declined from R83,6m to R50,9m

Total costs at Freegold's south region increased to R336,4m (R330,6m), while unit costs in tons milled were marginally higher at R91,41 (R90,06)

Gold production rose to 14 702kg (13 943kg), largely due to an increase in average grade from 3,80g/t to 4,00g/t, and to a lesser extent, an increase in tons milled to 3,680-million tons (3,671-million)

Capital expenditure increased from R65,2m to R82,7m, while profit increased to R128,2m (R117,3m).

Freegold's Metallurgical Scheme increased acid production to 103 895 tons (102 908 tons), while gold production decreased to 593kg (634kg)

Uranium oxide production declined by 9,2% to 116 020 tons

DUIKER EXPLORATION REPORTS SHARP INCOME DROP

LIZ ROUSE

PROFITS were down sharply at Lonrho's Duiker Exploration in the March quarter because of lower steam coal sales and a decline in gold production

Mining income fell to R4,5m from the previous quarter's R7,9m while net taxed profit plunged to R2,7m from R4,5m

Steam coal sales fell to 734 620t (962 297t) while gold sales were down at 37kg (51kg) Anthracite sales increased to 149 832t (133 209t)

However, Duiker's taxed profit amounted to R7,2m in the six months to March 1989 (R1m loss in 1988 half-year) and a 10c dividend was declared on March 16

There was no shaft sinking at the No 5 Shaft complex during the quarter but 1 946 m of station cutting was accomplished

Shareholders' attention is drawn to the March announcement by Freegold and Eastern Gold Holdings that capex in the Erfdeel area of Freegold's Free State Saaiplaas mine has been curtailed because of the present rand gold price

Work on the Saaiplaas No 5 shaft will be stopped once it has been sunk to its final depth, which is due to be reached in April/May 1989

Gencor earnings surge 55%

214

REINIE BOOYSEN

STRONG performances by Gencor subsidiaries Samancor and Sappi countered poor results from the house's gold investments and boosted its earnings for the six months to February by 55% to R456m (R294m)

Earnings per capital unit were also 55% higher at 465c (300c) The board declared an interim dividend of 120c — 20% higher than last year's 100c Dividend cover was more conservative, at 3,8 times (3,0 times)

The improvement was largely attributable to a surge in profit from Gencor's two happiest divisions

☐ Metals and minerals — including ferrometals producer Samancor and heavy sands processor Richards Bay Minerals — which lifted attributable earnings by 195% to R186m (R63m), and

☐ Paper/pulp producer Sappi, which lifted its contribution by 64% to R128m (R78m)

Executive chairman Derek Keys said Sappi moved quickly to bring its greatly enlarged responsibilities under control. "Export price movements are no longer only upward but are nevertheless firm enough to be attractive in prospect."

Less impressive, but nonetheless good improvements were recorded by Malbak and associates, which lifted earnings by 39% to R64m (R46m), Gencor's platinum producer Impala which lifted its contribution by 24% to R31m (R25m), and coal producer Trans-Natal, to R16m (R3m).

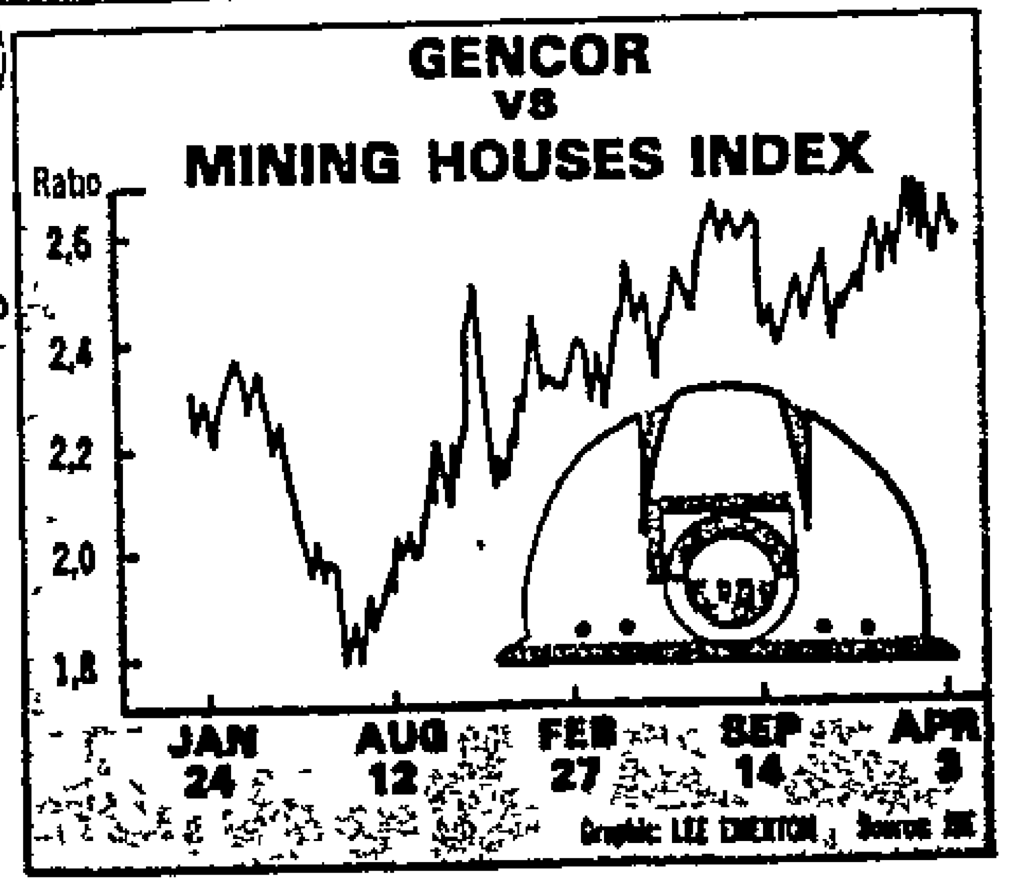
These performances overshadowed the cost of investing in mining exploration (R52m as opposed to R42m last year) and in Gencor's energy programme, which includes Mossgas, the Torbanite project and oil and gas exploration (R22m as opposed to R7m)

They also countered the following burdens a 14% decline in gold's contribution, to R78m (R91m), and a 7,5% decline in earnings from Genbel and investments to R74m (R80m)

Gencor's 55% rise in earnings outstrips that of all three mining houses reporting

● To Page 2

8/1/24 21/4/89



Sappi, Samancor boost Gencor earnings

● From Page 1

BDay 21/4/87 214

interim results to December

Johannesburg Consolidated Investments lifted attributable profit, before non-recurring item, by 20% to R121m (R100,5m) Gold Fields of SA lifted attributable profit by 14% to R150,8m (R131,9m) Anglovaal lifted attributable earnings by 12% to R78,6m (R70,2m)

Keys said "The group is enjoying its best year yet and in consequence all past benchmarks of financial excellence are in the process of being surpassed"

Mine's safety record

Sowetan 21/4/88

WINKELHAAK gold mine which is managed by Genmin, became one of the only three gold mines in South Africa to have attained triple millionaire status, making it one of the safest mines in the world. (214)

The president of the Chamber of Mines, Mr Colin Fenton (left) presented the safety shield to the manager of Winkelhaak, Mr Cyril Warburton at a special function held at Evander club last week.

Mr Fenton shakes hands with one of the teamleaders at the mine, Mr Zacharia Zikhali, while Mr Peter Mokheli and Mr Andries Motale look on

Higher working costs eat into Vaal Reefs profits

(214)

Star 21/4/04

Finance Staff

While Ergo, Elandsrand and Sallies increased production and profits over the quarter ended March 31, gold production for the other Transvaal mines administered by Anglo American Corporation declined

Area mined and tonnage milled for Vaal Reefs, Western Deep Levels and Elandsrand together were five and six percent lower respectively but overall grade remained almost unchanged

As a result total gold production for the three mines declined by six percent With a two percent decline in the rand gold price to R31 394/kg, and lower uranium sales and prices, total turnover declined 10 percent to R1,04 bmillion

Working costs increased to R613 million and total profit before tax dropped by 31 percent to R362,1 million Taxation fell by 30 percent to R110,2 million and after appropriating R122,2 million for capital expenditure, profits were 27 percent lower at R129,7 million

Overall results at **Vaal Reefs** were lower than for the abnormally good previous quarter Production was adversely affected by severe faulting and poor ground conditions

Grade, too, was slightly down at 7,15 g/t and as a result gold production was nine percent lower at 19 296 kg

After taking account of the lower capital expenditure of R43,3 million and the steep increases in working costs, profit available was R46 million down at R83,5 million

At **Western Deep Levels** milling was five percent lower at 1 541 000 tons while the average grade increased by one percent to 6,22 g/t Gold production of 9 578 kg was four percent lower than the previous quarter

Along with a slightly lower rand gold price gold revenue was down by seven percent to R300,7 million, while profits were 10 percent lower at R31,9 million

Temporary underground ore transport problems affected milling at **Elandsrand** and tonnage was 14 percent down on the previous quarter Grade increased by 22 percent to 6,67 g/t The higher gold production and lower costs resulted in an eight percent increase in operating profit Taxed profits increased by 19 percent to R14 3 million

Sallies had a satisfactory first quarter with gold production increasing by 13 percent to 381 kg Profits were 34 percent higher at R1,7 million

Operations at all three divisions of **Ergo** over the quarter were satisfactory with total gold, uranium and acid production all higher than the previous quarter

Turnover, however, was R9,4 million lower at R110,1 million largely as a result of a lower gold price and lower uranium and acid sales in the quarter Profit were, however, slightly higher at R18,1 million as a result of lower tax payments

AAC gold mining profits drop

Cape Times 21/4/89

JOHANNESBURG — Anglo American Corp of SA (AAC) said the combined net profits of its six gold mining companies declined 12,6% in the quarter ended March 31, to R504,4m from R574,3m in the previous quarter

The company said the decline reflected lower production at two of its Transvaal mines

"This, together with a 2% decline in the rand gold price to R31 394/kg, and lower uranium sales and prices caused total turnover to decline," AAC announced in a statement

AAC said however that production at Free State Consolidated Gold Mines increased marginally

Profit, after tax and capital expenditure, fell to R253,6m from R282,9m

The total volume of gold-bearing ore processed by the mines increased slightly to 21,5m tons from 21,2m tons, but total gold produced fell to 61 742 kg from 63 691 kg because of a decline in the average gold recovery grade

AAC's Transvaal mines are Vaal Reefs Exploration and Mining Company, Western Deep Levels, Elandsrand Gold Mining and SA Land and Exploration Co

The sixth mining concern included in the results is East Rand Gold and Uranium Co, a gold recovery firm — Reuter

Massive tax cuts boost Freegold

Star 21/4/89

Free State Consolidated Gold Mines (Freegold) increased gold production from 26 258kg to 26 409kg for the quarter ended March 31

This was attributable to an increase in the average grade from 4,16 g/t to 4 20 g/t which more than offset the slight decrease in tons milled to 6,29 million tons

Working costs rose from R647 2 million to R657,9 million and unit costs rose slightly from R102,50 to R104 53 per ton milled

Profit before taxation declined by 2,8 percent to R219,8 million, mainly as a result of lower gold revenues which decreased from R848,1 million to R837 million

Profit after taxation however, rose by 20,7 percent to R217,7 million (R180,4 million), reflecting a much lower provision for taxation at R2,1 million (R45,8 million)

Available profit increased by 19,9 percent to R104,7 million despite a rise in capital expenditure to R126 3 million

At Freegold's North Region total costs rose by 1,5 percent to R321,5 million but profits declined from R83,6 million to R50,[illegible] million

Total costs at Freegold's South Region increased to R[illegible] million and profits rose to R128,2 million (R117,3 million)

Freegold's Metallurgical Scheme (MS) decreased its gold production to 593kg (634kg) Uranium oxide production declined by 9 2 percent to 116 020 tons Costs rose marginally to R25,3 million (R24,9 million) but profits rose to R13 1 million [illegible]

Industrials hit new high

22/4/89

DEREK TOMMEY

GOLD SHARES were about the only non-performing sector of the Johannesburg Stock Exchange in a week which saw the industrial index continue to hit new highs and selected metal and mineral shares also experienced strong support.

Golds were under a cloud following the string of disappointing March quarterlies. These mostly reflected the main problem facing the gold mining industry — the R1000 a kg drop in the gold price in the past three months.

However, except in counters such as Randfontein, where a sharp drop in grade also affected its results, losses were small.

The steep jump in the crude oil price in the past few days to above $25 a barrel has revived fears (or hopes) among investors of an upsurge in inflation overseas — leading to an increase in the gold price.

The metal and minerals section was dominated by the strong rises in Samanco and Highveld Steel on reports that they were investigating a joint venture to produce between 250 000 and 500 000 tons of stainless steel billets a year.

They are expected to decide on the project later this year and there is speculation that some of the finance might come from at least one Taiwanese steelmaker. It would make Samanco and Highveld one of the world's largest stainless steel producers.

Elsewhere in the metal market platinum shares were firmer.

The industrial index continued to forge ahead helped by a steady increase in the share price of Sasol and Barlows.

Yesterday activity picked up in Frame and the share closed 50c higher at 1300c after R6,5 million worth of shares had changed hands — making it the day's heaviest traded share.

PERSONAL FINANCE

Registrar to probe Wit Nigel takeover

(214)

REINIE BOOYSEN

THE Registrar of Companies is to investigate circumstances surrounding the takeover of Wit Nigel by Joe Berardo's Johannesburg Mining and Finance group in August 1987

This follows a JSE decision to turn down a request by a group of minorities, representing 27,5% of Wit Nigel's share capital and led by former Wit Nigel chairman Peter George, that it should probe the takeover

● GEORGE

George was unseated from Wit Nigel's board after a bitter struggle with Berardo.

Berardo became chairman after buying shares from a group of shareholders led by Michael Tatz

After complaints by minority shareholders that the Tatz group was offered one Consolidated Modderfontein S for 3,177 Wit Nigel shares, the JSE ordered JMF to make a similar offer to minorities

The basis of the registrar's investigation is that there might have been a cash element in the transaction

The JSE found the George group's reasons — contending cash payments were part of the takeover scheme — were "very persuasive" but not conclusive. It declined to investigate

If JMF is forced to make a cash offer, on the terms the George group suggests were offered to members of the Tatz group, the total amount involved would come to R39m JMF recently sold Wit Nigel to Southgo to ease liquidity problems

(214)

ConsGold-Minorco countdown to showdown

Shareholders survive Pyrrhic encounter

BDay 24/4/89

● EDWARDES big money talks

LONDON — Like ragged generals in a blasted landscape of shell-holes, abandoned trenches and bodies as far as the eye can, Rudolph Agnew and Sir Michael Edwardes will emerge for the final Minorco-ConsGold encounter on Wednesday

It has proved to be Britain's biggest, longest, loudest, fiercest and costliest take-over battle

Minorco, pinned down for six months under Agnew's withering one-liners, is confident of winning 50% by Wednesday It started with 30%

Agnew, who has made Minorco fight for every inch, share and penny, is not giving up

He and his board have sought advice from leading counsel on how they can fight on even if Minorco wins 50%

For Minorco 50% plus 1% is enough It will call a meeting of ConsGold shareholders, over directors' heads if necessary, to end the New York actions

ConsGold's lawyers have, in New York Judge Michael Mukasey's words, "carpet-bombed the landscape with affidavits and other material from day one to this litigation"

Mukasey will rule tomorrow but the battle may go to appeal Anglo's move

Own Correspondent

in submitting to the court's jurisdiction on the antitrust issue is a major concession by Harry Oppenheimer

Agnew has put up a 24-carat performance, while Edwardes's Press relations have been increasingly frustrated

Minorco's Young Turks have, however, won favour by sticking to the financial arguments

The 208-day battle over four continents has cost more than £70m Bankers, brokers, lawyers and PR advisers number more than 300

□ The London Sunday Telegraph commented yesterday ConsGold shareholders were faced with either backing their board, and seeing an immediate fall in their investment, or taking the Minorco offer of a mixture of cash and paper

Now the cash speaks for itself in these nervous markets, the paper, in spite of the campaign waged by Agnew, looks rather attractive at this price

The newspaper added that when the group was eventually allowed to market its shares in the US, there could be great interest Shareholders who did not want to stay with the paper could sell and make a profit

Ranks of marginal producers grow

Gold mines facing major cutbacks

B/Day 24/4/89

(214)

SA GOLD mines are facing the toughest period in their history as reduced rand gold prices and spiralling labour costs foreshadow a period of large scale retrenchment for the industry

A lengthy list of marginal producers — those with profit margins so low they cannot finance capital expenditure for maintenance — is emerging

The ranks of these marginals have swelled from 12 at the start of the year, to about 17 now, with others looming

Stockbroking analyst Nick Goodwin, of the firm E W Balderson, last week said SA gold mines faced the lowest profit margins in the industry's history

He said based on the net taxed profit (before capital expenditure) received this year by SA's 52 operating gold mines, the average profit margin for the industry was about 28%.

Goodwin said "A rough guide for an acceptable industry average is 35% This is the minimum level at which profits can maintain acceptable capital expenditure within the industry.

"The industry has been through tough periods, but it's particularly bad now

Squeeze

"The only thing mines can do is drop tons milled But this means laying off staff and seriously affecting other tertiary industries connected with gold mining"

With the possible exception of Ergo's Simmer & Jack division, only Anglo American's mines appear to be immune to the gold price squeeze

Its mines made an averaged net profit of R288/ounce in gold sales this quarter Anglovaal's did better on average, netting R419/ounce, as did Gold Field's at

ANDREW BUDDEN

R459/ounce Genmin's mines netted R228/ounce while JCI and Rand Mines fared poorly, earning a profit of R87 and a loss of R49 on each ounce of gold sold, respectively

Gencor's mining division, Genmin, has been one of the first to take the retrenchment path and has already laid off 5 000 employees from its West Rand Consolidated and Grootvlei mines this year.

Another 1 000-2 000 face retrenchment by the end of June

Genmin MD Gary Maude said the lower gold price had rendered much of the lower grade ore reserves unprofitable to mine

He said maintaining production at previous levels implied mining of low grade material and, at current prices, a net loss for the mine "We have budgeted for a 5% fall in the nominal price of gold for the next two years"

To survive the lower gold prices, Genmin had to reduce production to the point where only higher-grade ore was mined "We will not mine unpay material If a mine runs a three-month consistent loss, we will close it"

Genmin's retrenchments would leave the group in a leaner, more resilient position to deal with more reductions in the gold price

Rand Mines' ERPM mine, another high-cost producer, has also been forced to lay off 470 workers this year, although natural attrition has pushed the figure much higher to 5 300

The group's gold mining operations made a net loss of R10,9m in the quarter ended March 31, with ERPM and Durban Deep the big loss makers

B/Day 24/7/89

Osprey Mine shows solid improvement

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REINIE BOOYSEN

GAZANKULU'S Osprey Gold Mine has managed the same hard-earned improvements as most other small independent mines in the March quarter.

Although gold production fell marginally to 50,82kg (51,69kg), a successful drive to reduce costs enabled the mine to lift profit to R341 507 (R261 254).

With a tax shield of about R18m, it will still be a long time before the mine starts paying the Receiver.

Chairman Phil Devarenne, Jnr, says this is the first quarter in which the mine has covered its capex requirements from working profit. After settling its capex bill of R251 072, it even has R90 435 left over to start repaying the mine's debts of R1,6m

Like so many other small gold mines in southern Africa, Osprey over-estimated its efficiencies in its prospectus before coming to the JSE in 1987. For the year to June 1988 it forecast gold production of 295kg on 77 200 tons of ore at 4,0g/t Actual gold production was 194,7kg on 100 170 tons ore at 1,94g/t.

Nevertheless, unlike many other small mines, it lived within its means and avoided incurring enormous borrowings to fund unjustified expansions and negative cash-flows

The mine struggled to increase the amount of ore from underground without jeopardising the grade and yield.

Lifted

When it dropped the underground tonnage to 15 533 tons in September last year, from 18 518 tons in June, underground yield improved markedly to 3,18g/t (2,00g/t in June).

Since then Osprey has lifted underground tonnage tentatively to 17 159 in the December quarter and 20 321 in the March quarter at the expense of yield, which declined to 2,89g/t (December) and 2,35g/t (March) — although this was an improvement on the grade/tonnage mix of the June quarter

The biggest problem appears to be the efficiency of Osprey's recovery plant and management appears to be devoting considerable energy towards fine-tuning the plant

Two areas of concern have been identified the coarse mill grind, and the low oxygen levels in the leaching section Devarenne hopes the first problem will be solved by adjustments in the cyclone classification section, which ensures that only properly-ground material is passed on from the ball-mill

On the second problem, management has opted for a peroxide-assisted leach system, which ensures adequate oxygen levels are maintained in the leaching tanks

This ensures available gold is dissolved and picked up by the activated carbon in the carbon tanks.

FREEGOLD 214

Squeezed

Latest victim of the profitability squeeze on the SA gold mining industry is the world's largest gold mine, Free State Consolidated (Freegold), which has cut its planned capital expenditure programme by nearly 50%

Freegold has also run into problems with its proposal to add the Du Preez Leger and Jonkersrus farms to its mining lease Despite the more lenient approach recommended by the Marais Committee on mining taxation, the authorities are insisting the new ground be "ringfenced" for tax purposes

Further negotiations are under way but capital expenditure to develop the area has been halted Freegold MD Lionel Hewitt says that at current gold prices the Du Preez Leger/Jonkersrus area is not viable as a "stand-alone" mine Ringfencing means capital expenditure to develop Du Preez Leger/Jonkersrus can be offset for tax purposes only against profits earned from gold mined in that specific area It may not be offset against profits earned from Freegold's existing operations

The decision to halt work on Du Preez Leger/Jonkersrus affects Free State Development (Freddev), Marievale, Middle Wits and JCI, which make up a consortium holding a 45% stake in the area The remaining 55% is held by Freegold

Had the mining lease been approved, Freddev intended listing a new company, Southbrand, which would hold the syndicate's 45% stake and would be liable to pay for 45% of the after-tax cost of developing the farms Freddev chairman Vaughan Bray confirms this development is on ice

"We've made two applications for a mining lease attaching the farms to Freegold Both times the answer was that a lease will be granted only if the farms are ringfenced We intend to keep plugging away because at the end of the day commonsense must prevail The only way that area will be mined is as part of Freegold If it is not mined then gold worth some R6bn at current prices will stay in the ground," he says

Hewitt says the negotiations till now have been on an "all or nothing " basis He indicates there may be scope for an agreement through which the bulk, but not 100%, of the capex could be offset against Freegold's profits He does not expect a swift end to the negotiations

Leaving the project on ice will have no effect on Freegold in the short and medium term but must penalise the mine in the long term If it does not go ahead Freegold will be unable to maintain its planned tonnage throughput At 4,16 g/t in the December quarter, Freegold's average grade of ore treated is low and the mine's viability rests on its huge throughput Freegold milled 30,6 Mt of ore in the 15 months to end-December to produce 128,7 t of gold The mine has changed its year-end from September to March

Only its huge size prevents Freegold from being classed as a marginal mine Its profitability has been seriously undermined through rising costs eating into stagnant gold revenues Capex for the 15 months to end-December ran at an annualised R542m Hewitt says capex for the financial year to end-March 1990 should ideally be around R600m but instead could be chopped by up to 50% if current gold prices around R32 000/kg persist

As part of the present cuts Freegold will stop work at the Saaiplaas No 5 shaft in its Erfdeel area once shaft sinking operations hit final depth in April-May The production build-up from the Saaiplaas No 4 shaft will continue as planned Affected by this decision is Lonrho's main SA mining arm, Duiker Exploration

Capital expenditure on Erfdeel is funded by Eastern Gold Holdings (Easthold) in which Duiker has a 36% stake and Freegold a 10% stake Duiker director Ian Hossy says he is "relieved" by the Freegold decision to restrict capital expenditure on the project so as to remain within the cover of the group's tax shield This limits Duiker's financial exposure while the company will still benefit from the build-up of production from the Saaiplaas No 4 shaft to full output over the next three to four years

Hewitt says Freegold's capex is being allocated to those projects which will bring the greatest financial return These are the Freddies 1 shaft, the President Brand 5 shaft, the Western Holdings 1B sub-vertical shaft, and the President Steyn 4 sub-vertical shaft Under the axe goes forecast capex on non-revenue generating projects such as upgrading accommodation and refurbishing gold plants

Drilling work in the area contiguous with Freegold's north-eastern boundary has also been slowed down It is to be mined initially from the developing Freddies No 1 shaft and Duiker has a 33% interest in the project Drilling work north of the Erfdeel section will continue because this is funded by Anglo American Corp and not Freegold

Brendan Ryan

Star 24/4/89

(214)

End in sight to bruising Minorco-Consgold battle

By Neil Behrmann

LONDON — The majority of London's financial press and city analysts are advising Consolidated Gold Fields' shareholders to reject Minorco's higher offer ahead of the deadline on Wednesday April 26

The market is also sceptical about Minorco's chances of winning the record pds £3,5 billion battle. The price of Consgold's shares were knocked down to £13,08 Friday, a 15 percent discount to Minorco's cash and paper offer currently worth £15,32

The fall in Consgold's share price last week would appear to suggest that the market expects Minorco's bid to fail.

The deadline for the bid is 1pm on Wednesday, and Department of Trade and Industry inspectors are expected to be present as final acceptances are counted by NatWest Bank

Yet despite the decline in the share price and the unfavourable press comment on Mincorco, the finish is likely to be close

Minorco which already owns around 30 percent of Consgold's shares needs just over 20 percent for control Considering that Consgold shares could tumble if the bid fails, several shareholders might decide to take the £11,50 in cash plus Minorco's paper and run

The bid, however, is complicated by a complex US legal battle which could prevent Minorco from buying any more Consgold shares

Much depends on a decision by Judge Michael Mukasey of the New York District Court He will receive final submissions from both parties at 2pm New York time today

He is expected to decide on lifting the injunction against Minorco from buying more Consgold shares The injunction was instituted pending investigations of anti-trust charges made by Consgold

Which ever way the judge rules either party will appeal, so a resolution ahead of Wednesday's deadline might be impossible

But Minorco hopes that a large majority of shareholders will accept the offer and pressurise the Consgold Board into scrapping legal action

The Minorco camp believes that if it wins more than 50 percent acceptance by Wednesday, it will call a meeting of Consgold shareholders to end the board's legal actions

So shareholders' votes do count

About 30 percent of Consgold's equity is held by UK institutions According to various unofficial but unscientific straw polls, more than 80 percent of these institutions will support Consgold

Instituions relying on short term gains, however may decide to desert the UK mining house

Illustrating the UK institutional mood, Legal & General, the huge insurance company which owns 1,1 percent of Consgold shares says that it will support the mining house's board

On the other hand American Barrick, the Canadian gold mining company which owns 1,8 percent of Consgold shares says it will back Minorco

GFSA with its 7,5 percent holding in Consgold is thus a key stakeholder.

According to Consgold, however, Mr Plumbridge and his board will not accept the offer unless it becomes unconditional

Some UK comentators have been brave to stick their necks out and predict the demise of Minorco's bid

Ivan Fallon, Deputy Editor of the London *Sunday Times* says that Sir Michael Edwardes, chief executive of Minorco "is periously close to snatching a historic defeat from the jaws of victory"

In the past seven months while the two opposing camps raged against each other, "Edwardes seemed to have called the shots — and called them wrongly time and again," says Mr Fallon

His first mistake was to aim his opening shot at too low a price, secondly to wait three weeks to get the formal document out, to insist that the bid was a trans-European affair when in reality Minorco is a South African controlled company

Finally, unable to underwrite a full cash offer it offered Minorco shares This mistake enabled Consgold to rubbish Minorco's paper and management

Edwardes also underestimated the legal obstacles which were fired by Consgold's board.

International gold glut beginning to diminish

Star 24/4/89

By Neil Behrmann

TOKYO — The glut of gold is diminishing, say Japanese dealers

Depressed prices are discouraging producers from selling and physical supplies of the metal have dwindled over the past month

Gold supplies surged last year because of rising output, bullion borrowings dumped on the spot market and large-scale forward sales

Precious metals executives of Sumitomo, however, say the trend is changing

Australian producers, the most active in the forward markets, are estimated to have sold about one year's production, either through gold loans or forward transactions

Mining companies

Some mining companies around the world have sold up to three years' production forward

Since supplies are falling and demand is buoyant in Japan and the rest of the Far East, the gold price is beginning to bottom out, say Japanese dealers

Statistics back this analysis

Last year total supplies including Western production, communist bloc sales and scrap totalled 2 100 tons according to Eastern and Western estimates

Industrial and jewellery fabrication demand was 1 600 tons Coin sales were 100 tons and central bank purchases, mainly [illegible]

This left only 125 tons for investment and hoarding, so the market was virtually in balance

But long-term forward sales and gold borrowings by producers effectively raised supplies by an estimated 400 tons

So investors had to absorb a much higher surplus last year With world interest rates high and the dollar firmer, it is hardly surprising that gold has been weak

In recent weeks, however, producers have borrowed less gold and have refrained from selling on the market at low prices

The result is that supplies are lower

Although Western and Japanese investors are tending to ignore gold, jewellery demand at 1 350 tons last year is the highest figure for 30 years, said Tim Green a consultant to Consgold at a recent conference

Last year, Far Eastern demand at 1 300 tons accounted for over 60 percent of 1988 world supplies

Hong Kong's net imports soared 192 percent to 460 tons, Japan imported about 300 tons, Taiwan 220 tons Singapore 190 and India 157 tons

In general, Far Eastern demand remains strong this year

The economies of Japan, Hong Kong, Taiwan and Thailand are still booming and official restrictions on gold have been lifted in India

Even though Taiwan's central bank [illegible]

are running at an annual rate of 200 tons

Japan is still buying at an annual rate of 300 tons and jewellery purchases from the rest of South East Asia continue at a rapid pace

From time to time, Hong Kong's internal price is at a premium to international prices Considering that Hong Kong is now a major force in the world jewellery industry, this is hardly surprising

Hoarders are active in the Far and Middle East, now that oil prices are rising and inflation is accelerating

Sumitomo and other Japanese gold firms are reluctant to make short-term forecasts

Regardless of Far Eastern demand, gold could still come under pressure, they warn

If the dollar suddenly breaks into higher ground and world interest rates rise further, it is possible the price could tumble to $350

On the other hand, if the dollar slides or adverse economic events precipitate investment demand gold will rise sharply

But in the long run, say Japanese dealers, gold is forming a base for an upsurge to much higher levels over the next three years

The Japanese believe gold is cheap at its current price

An ounce of gold costing 52 000 yen, including three percent sales tax, is below the cost

generally begins at 2 000 yen a gram or higher Even so the fully taxed platinum price is currently 2 300 a gram and purchases of the white metal remain at a high level

Japanese jewellery consumption is expected to increase Yet jewellery demand is not only governed by price

Growing numbers of Japanese women are becoming business executives Their disposable incomes are rising

Since the average Japanese men and women dress smartly and are fashion concious, gold necklaces, bracelets, chains, rings and tie pins have become fashionable

Mature market

Japanese gold imports, however could plateau at 300 tons in the next few years because the market is mature

But physical purchases are only one factor in their market

Japanese investors and speculators are sophisticated and play the currency and stock markets

Like American and European investors, they buy and sell gold via futures and options

If the gold market takes off, Japanese speculators are likely to play a major role in pushing prices upwards

Japanese gold imports are worth 500 billion yen, a fraction of the 250 trillion yen capitalisation of the Tokyo Stock Ex-

Two men thwarting Anglo American

Star 28/4/89 .

By Derek Tommey (214)

Minorco has won a major battle in its fight to gain control of Consolidated Gold Fields but it has not yet won the war

The acceptance of Minorco's offer by holders of about 25 percent of Consgold shares is a considerable victory given the acrimonious nature of Consgold's defence

And under normal circumstances the battle would have been over With its own 30 percent stake in Consgold and the 25 percent acceptances, it would have been accepted that Minorco had secured control of Consgold

There would have been a scurry by the non-accepting shareholders to get Minorco's cash for their shares before the bid finally closed (Minorco has extended the offer for another two weeks)

But with Consgold' shares trading at 1320p in London yesterday, a 15 percent discount to the Minorco offer price, and therefore still offering a quick profit to speculators, it is clear that this is not a normal take-over

What is thwarting Minorco's bid for Consgold, and therefore the efforts of South Africa's major mining house, Anglo American, to build up its overseas investments is the opposition of two men — ironically one is a South African and the other has strong links with this country

One in 55 year-old Rudolph Agnew, chairman of Consgold His grandfather was chairman of Consgold from 1933 to 1939, his father worked for Consgold in Australia where Mr Agnew was born, and Mr Agnew himself has worked for Consgold in South Africa and has also been a frequent visitor here

The other is 54-year-old Gordon Parker, head of Newmont Mr Parker was born in Cape Town, went to Rondebosch Boys High School and the University of Cape Town According to his last entry in the South African Who's Who which was in 1985, he still has strong South African links He remains a member of a number of top Cape Town clubs

In the early 1970's he was managing O'Okiep Copper for Newmont But in 1975 he was tranferred to Newmont's head office in New York where his subsequent promotion has been rapid

Newmont today is a major American gold producer Although Consgold has an almost 50 percent share stake in Newmont, it controls only 40 percent of the votes

Mr Agnew and Mr Parker have thwarted Minorco's bid for Consgold by getting an American judge to impose an injunction on Minorco preventing it from increasing its shareholding in Consgold to above its present 30 percent.

Until this injunction is lifted it is obvious that Minorco cannot accept any shares offered to it, which in part, explains the 15 percent discount on Consgold shares to the Minorco offer

Consgold's share price rose by 37p to £13,20 in heavy trading in London yesterday

Minorco was mulling over the unique legal and technical problems its bid has created It is believed to have started to sound out the Takeover Panel about getting an extension to the 21 days by which it must clear away the remaining obstacles or allow the offer to lapse

There were some indications that the panel would be willing to comply with a request for more time, but only if Minorco provided a convincing reason and was able to offer a new fixed timetable

A Minorco spokesman said that as it now looks like having control or support of at least 56 percent of Consgold shares, it would put pressure on Consgold's board, possibly by seeking to call an extraordinary annual meeting, to get it to ask the US court to lift the injunction

However, even if the Consgold board was persuaded to follow this policy, which is by no means a certainty given Mr Agnew's defiant stance, it would still leave Newmont, an American company, as a plaintiff

The *Financial Times* reports that Newmont apparently intends to maintain its position no matter what Consgold does

Newmont gave a warning last night that a vote to drop the injunction certainly could not have the effect of depriving Newmont's public shareholders of the important protections afforded by the injunction

It added that any intitiatives by Minorco that are contrary to the terms of and effect of the injunction will be promptly brought to the attention of the court for appropriate action

Newmont expects the injunction to remain until a full hearing, estimated to take at least a year, starts in September

Minorco says this is evidence that Consgold does not control Newmont and therefore Minorco's take-over would not give Anglo American control of Newmont and its gold It intends to argue along these lines in the American court.

Minorco will sell if ConsGold bid fails

B(Day 25/4/89 (214)

LONDON — Minorco chief Sir Michael Edwardes said yesterday his group would sell its 29,9% stake in Consolidated Goldfields (ConsGold) if it failed to win control with its hostile £3,5bn bid

"We do not believe there is another bidder out there, and we would use the stake to fund the rest of our strategy," Edwardes said in a television interview

He was in confident mood before the biggest takeover bid ever seen in Britain closes at lunchtime tomorrow

"We very much expect to get more than 50%," he said

UK institutions hold 40% of ConsGold shares and their support is vital if Minorco is to secure victory

"We have been very encouraged by the reception the institutions have given us," said Edwardes

City of London financial analysts believe it will be one of the closest calls ever

Meanwhile, Minorco lawyers in the US yesterday continued a long-running battle to overturn a court injunction barring the company from increasing its stake in ConsGold ConsGold obtained the injunction under anti-trust laws

Minorco is hoping if it can win more than

● AGNEW

● EDWARDES

50% of ConsGold, the ConsGold board will be forced to drop the court action

But ConsGold chairman Rudolph Agnew signalled yesterday that he would continue to fight in the courts even if Minorco succeeded in winning majority control

In an interview with the London Guardian, he said "If we feel that we still have a case to argue, we will appeal Even if by Wednesday's closing date the other side

● To Page 2

Minorco to sell stake if hostile bid fails

(214) B(Day 25/4/89

● From Page 1

have got 60%, I would feel under no pressure to capitulate They start with 30% under the belt, so they would have won over less than half the remainder"

Agnew received a boost at the weekend when UK insurer Legal and General, with a just more than 1% stake in ConsGold, said it would reject the Minorco bid

Edwardes has insisted the Minorco offer of £3,5bn is final He said it was worth £15,31 a share, some 230p more than the present market price

"In deciding to accept our offer, shareholders should consider where the Gold Fields share price could settle if our offer was made to lapse," he added

Edwardes said ConsGold had failed to show how it could deliver value to its shareholders today, never mind in three years time

"On today's share prices our offer is 17 times ConsGold's prospective earnings for the year — a full premium for control

"Even on the basis of optimistic forecasts of ConsGold's share price in three years time, in terms of today it comes nowhere near the value of our offer

"ConsGold will also continue to have a high level of debt and there is no forecast of the dividends that will be paid over these next three years" — Sapa

US court block could frustrate Minorco's bid

Star 25/4/89 (217)

A US federal judge in New York yesterday decided to uphold an injunction barring Minorco from increasing its current 30 percent shareholding in Consolidated Gold Fields

The injunction could frustrate Minorco's bid as it could deter shareholders from accepting its revised £3,5 billion bid for Consgold

The deadline for the offer is at 1pm London time tomorrow, and despite the court's decision financial analysts believe it will be one of the closest calls ever

Minorco still hopes that if it can win over more than 50 percent of Consgold's shareholders, the Consgold board will be forced to drop the court action

But Consgold chairman Rudolph Agnew said yesterday he would continue to fight in the courts, even if Minorco succeeded in winning majority control

In an interview with the London *Guardian*, he said "If we feel that we still have a case to argue, we will appeal

"Even if by Wednesday's closing date the other side have got 60 percent, I would feel under no pressure to capitulate"

In his decision to uphold the injuntion, Judge Michael Mukassey said that despite certain proposals by Minorco, a successful bid could still see Anglo American and De Beers purchase shares in GFSA, Renison and Newmont Gold

Anglo American and De Beers have proposed that they will sell these assets if the bid succeeds, offering the court jurisdiction over the holdings and a bond of $100 million each

Meanwhile, Minorco chief Sir Michael Edwardes indicated his group would sell its 29,9 percent stake in Consgold if it fails to win control with its hostile £3,5 billion bid

"We do not believe there is another bidder out there, and we would use the stake to fund the rest of our strategy," Sir Michael said in a TV interview yesterday

He was in confident mood before the biggest takeover bid ever seen in Britain closes at lunchtime tomorrow

"We very much expect to get more than 50 percent," he said

UK institutions hold 40 percent of Consgold shares and their support is vital if Minorco is to secure victory

"We have been very encouraged by the reception the institutions have given us," said Sir Michael

Consgold, however, received a boost at the weekend when British insurance giant, Legal and General, with a stake of just over one percent in Consgold, said it would reject the Minorco bid

Sir Michael insisted that the Minorco offer of £3,5 billion was final He said it was worth £15,31 a share, some 230p more than the present market price of Consgold shares

"In deciding to accept our offer, shareholders should consider where the share price could settle if our offer was made to lapse," he said

Sir Michael said Consgold had failed to show how it could deliver value to its shareholders today, never mind in three years' time "On today's share prices our offer is 17 times Consgold's prospective earnings for the year — a full premium for control

"Even on the basis of optimistic forecasts of the Consgold share price in three years' time, in terms of today it comes nowhere near the value of our offer" — Sapa-Reuter, AP-Dow Jones

TAKEOVERS

ARGUS 25/4/89 (214)

Judge blocks Minorco's R15bn bid for Cons Gold

Business Editor

AN AMERICAN judge has refused to allow the South African-controlled Minorco to go ahead with its R15-billion takeover bid for Consolidated Gold Fields.

The decision last night put Minorco's battle on a legal knife-edge.

A Minorco spokesman said in Johannesburg today the company planned to file an emergency appeal against the ruling The takeover offer expires in London on Wednesday and, under British law, if Minorco cannot proceed by then it will have to wait a year before making another bid

The spokesman said Minorco is also hoping it can win over more than 50 percent of Cons Gold shareholders so that the Cons Gold board will be forced to drop the court action

Cons Gold has a controlling interest in Newmont Mining, a United States corporation, and at issue in New York was whether the takeover would break American anti-trust laws

Luxembourg-based Minorco is controlled by Anglo-American Corporation and De Beers.

In New York, Mr Jeremy Epstein, a lawyer representing Minorco, said he had not yet seen the decision "We are certainly considering an appeal," he said

The court said that if Minorco bought Cons Gold, it would dominate the strategically important world gold market, Sapa-Reuter reports

Minorco and its South African parent companies proposed posting a $300-million bond to satisfy anti-trust concerns.

They also said they would sell American assets if they violated US anti-trust law during a 10-year period.

But Judge Michael Mukasey ruled that Minorco's new proposal was inadequate

He said that the proposal did not ensure "full enforceability" because members of the Anglo and De Beers group would still be free to buy any Cons Gold assets that Minorco would put up for sale in order to comply with anti-trust laws

US court order frustrates Minorco

A US federal judge in New York yesterday decided to uphold an injunction barring Minorco from increasing its current 30 percent shareholding in Consolidated Gold Fields

The injunction could frustrate Minorco's bid as it could deter shareholders from accepting its revised £3,5 billion (about R15 billion) bid for Consgold

The deadline for the offer is 1 pm tomorrow in London, and financial analysts believe it will be a closest call

● See Page 12

Foreign ownership of mining shares declines

STAR 26/4/89

214

By Sven Lunsche

Foreign investors are continuing to divest their holdings in South Africa's mining shares in the wake of the weaker gold price and continuing political pressure

A report by stockbrokers Davis Borkum Hare shows that total foreign ownership of mining shares has fallen from 23 percent at the end of December 1987 to 21 percent at the end of last year

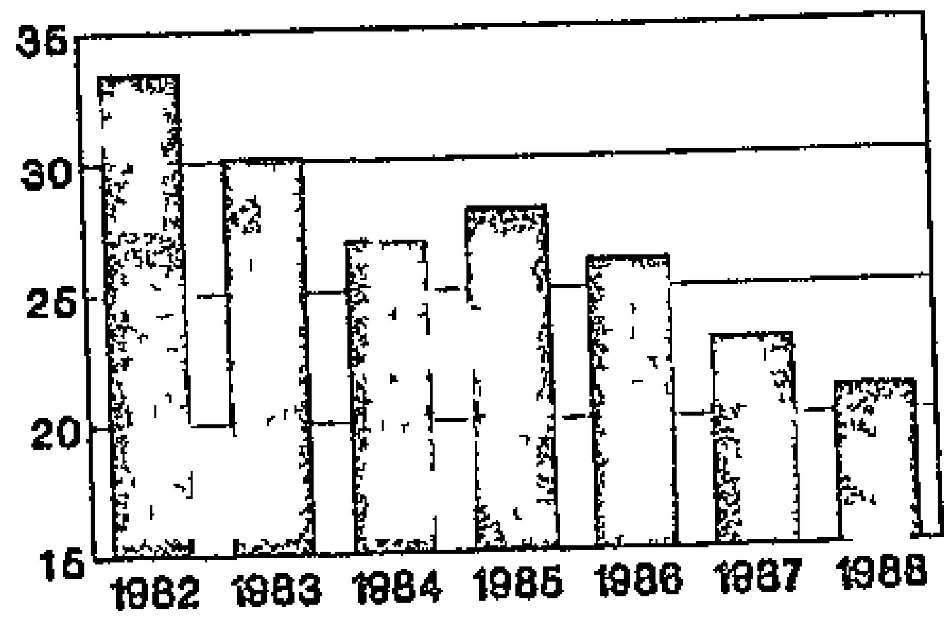
The total number of mining shares held in non-resident accounts fell by 37 million, or 5,75 percent, during the course of 1988

The foreign percentage of mining shares was mostly diluted as a result of the new issue of 40 million gold mining shares and 73 million platinum shares on the JSE during 1988 and the relatively small take-up of this additional share capital by foreigners

"The major declines in percentage foreign ownership have, concomitant with the increase in issued share capital, occured in gold and platinum counters

"Foreign holdings of gold shares fell from 25,2 percent to 23,6 percent of issued share capital, a percentage drop of 6,4 percent, while the number of gold mining shares in non-resident hands fell by 5,5 percent to 23,5 million, illustrating the dilution effect of new shares issued

"Similarly, the number of South African platinum shares owned by foreign investors actually increased marginaly during 1988, but as a percentage of total issued capital fell from 9,1 percent to 7,6 percent over the course of the year,"the stockbrokers write



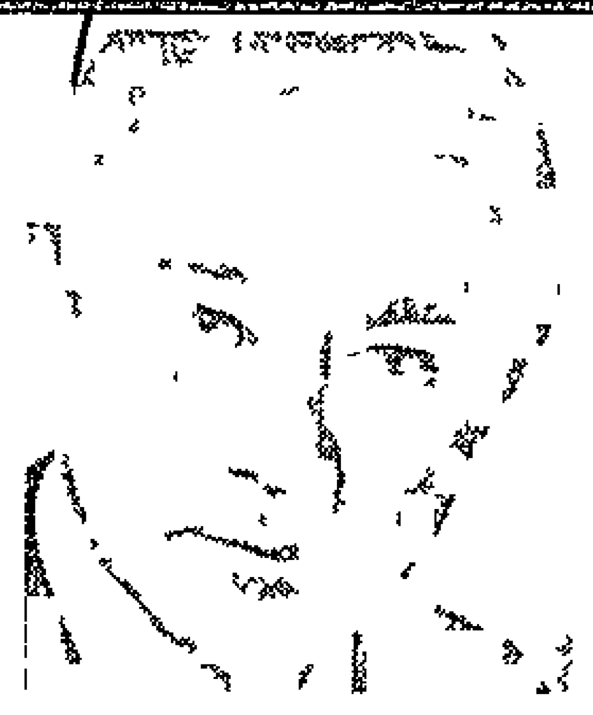
Foreign ownership of SA mining shares (percentage of shares in issue)

US ownership in mining stocks showed the largest decline during 1988 falling from 11,5 to 10,4 percent but the report points out that US citizens are ostensibly still the dominant non-resident shareholders in the mining industry, despite sanctions and disinvestment pressures placed on them by Congress and other parties

UK ownership fell from 7,7 to seven percent, but against the trend, other European holdings improved slightly from two to 2,2 percent

Other factors influencing the decline in holdings included

- The disappointing performance of South African gold shares
- The revival of the gold mining industry in North America and Australia,
- The deterioration in the value of the rand has imparted a currency risk to South African equity investments



Sir Michael Edwardes

Minorco bid for Consgold heads for photo-finish

By Neil Behrmann and Financial Times

LONDON — In what is likely to be one of the closest calls in the City of London's financial history, Consolidated Gold Fields shareholders are asked today to accept or reject Minorco's £3,5 billion (about R15,4 billion) bid for the UK mining group

The hostile offer, Britain's biggest-ever take-over bid, closes for acceptances at 1 pm London time and both parties have made desperate last minute attempts to win over shareholders

Consgold said yesterday its soundings suggested that the bid would bring in acceptances taking Minorco to between 45 percent and 55 percent

The considerable uncertainty still surrounding the eventual outcome was reflected in the Consgold share price, which yesterday fell another 38p to £12,45, well below the £15,30 approximate value of the offer terms

Much of the uncertainty springs from the refusal of a New York court late on Monday to remove the injunction which prevents Minorco buying more Consgold shares

"We are thinking about an appeal but we will deal with that in a day or two," said Sir Michael Edwardes, chief executive of Minorco, Anglo American's international investment arm "Clearly there is no point in appealing if we do not get at least 50 percent"

In a desperate final hour statement, Minorco told Consgold shareholders to ignore the court ruling If the company gains more than 50 percent of the shares, it would call an extraordinary general meeting to demand that the Consgold board abandon the action in the US

It was clear yesterday that Minorco had failed to win the support of most of Consgold's large, long-term UK institutional shareholders By now they are thoroughly confused by the crossfire, and shareholders always prefer to do nothing when they are uncertain

"I think that Minorco has lost Sir Michael Edwardes has made too many mistakes," said David Ridley a partner at Williams de Broe

Brokers believe that one of his crucial mistakes was to make a threat that Minorco would sell its 30 percent holding in Consgold if the bid failed

More gold mines swell the 'marginals' list

(214)

Star 24/4/89

By Derek Tommey

Rising mining costs and a lower gold price squeezed the gold mining industry sharply last quarter with the result that another four mines became marginal, an analysis of the lastest quarterlies shows

A marginal mine is generally regarded as one which shows a profit of less than 10 percent from gold production At the end of December of the country's 34 major gold mines 23 were showing a profit of 10 percent or more By the end of March the number mines of mines in this category had dropped to 19

However, it is not the additional number of marginal mines which is the main concern of the industry, but the fact that almost all the mines — whether they are rich or poor — have been hit by the squeeze

As the accompanying table shows, the profit margins of most mines have deteriorated sharply in the past three months Operators of semi-marginal mines — those with a profit margin say of between 10 percent and 20 percent — will have to pay more attention to cost cutting now than they have

Moreover it not just the drop in profits which is worrying the industry but the serious effect which the squeeze is having on the lives of a great many gold mines

Higher operating costs and a lower gold price means that much ore bcomes unpayable to work The result is that there is less ore to work and the life of the mine is shortened

Freegold

This is brought home strongly by the latest Freegold report which shows that its ore reserves, valued at a gold price of R29 000 a kilo, fell more than 15 percent in the 18 months ended December from 50,6 million tons to 43,1 million tons Freegold now needs a gold price of between R32 000 and R35 000 a kilogram to have the same level of ore reserves as it had in June, 1987

Obviously, the gold mining industry does not have much to look forward to unless the gold price improves While this could happen in the medium term, no mine can afford to operate in the expectation that it will rise tomorrow

Gencor's new gold mining division, Genmin, just to be on the safe side, is basing its decisions on the possibility that there could be another 5 percent deterioration in operating costs both this year and next year

The industry is facing some difficult problems and will have a tough job cutting costs in the present inflation environment

Because of this some of the industry is looking to decline in the rand to help it out of its present problems

A lower rand means an increase in the rand price of gold But it would also lead to further increased inflation And one gets the impression from ministerial utterances that fighting inflation is being given priority over helping the gold mining industry

There is evidence that the Government is following a tough anti-inflation policy but because it is uncertain about the succesful outcome of its actions it is not saying that much about it at present

The prevailing high interest rates and the tough budget, which contained the equivalent of an 8 percent increase in real income tax rates and also sets out to freeze R1 billion, together with other imposts such as the high petrol levy must hit consumer demand and lessen inflationary pressures

It will not happen immediately, but the effects of government policy should be increasingly felt as the year wears on

Cabinet ministers have gone on record that they expect a lower inflation rate at the year-end, but have not given any figures

Mine	Quarterly profit margins March 1989 percent	Dec 1988 percent
East Dries	185	(219)
West Dries	127	(130)
ET Cons	122	(137)
Kloof	108	(164)
Deelkraal	97	(113)
Harties	96	(108)
Beatrix	73	(76)
Kinross	71	(74)
Vaal Reefs	67	(107)
Elandrand	65	(57)
Unisel	62	(84)
Western Deep	56	(76)
Winkelhaak	56	(61)
Freegold	26	(31)
Village Main	22	(30)
Randfontein	17	(32)
Buffels	15	(26)
Marivale	15	(6)
St Helena	15	(18)
Blyvoor	9	(20)
Loraine	8	(10)
Libanon	8	(16)
Stilfontein	8	(-13)
Doorns	6	(12)
Venterpost	4	(4)
Leslie	—1	(9)
Harmony	(-1)	(7)
Grootvlei	-2	(12)
Bracken	-4	(2)
Durban Deep	-5	(-)
Vlakfontein	-5	(9)
Western Areas	-8	(-10)
West Rand Cons	-22	(-13)
ERPM	-27	(-10)

Severin's profits fall

Finance Staff

An increase in the grade of ore milled at the Severin group mine Rand Leases, went some way to offset a drop in tonnage milled in the March quarter and it was able to report a profit of R601 000 (R620 000)

(214)

Gold production rose owing to a higher proportion of ore being drawn from underground But inclement weather affected open-cast operations and led to a drop in the tonnage treated

The mine is planning to increase the amount of ore drawn from underground which should lead to an increase in the recovery grade and total gold production

Star 26/4/89

The other group mine, Eersteling, reports that the Franka shaft was sunk to a final depth of 276 metres and should be commissioned during at the end of May

This should lead to an increase in underground development, a reduction in capital expenditure and to working profits

The mine milled 21 000 tons (31 000 tons) in the March quarter, but the grade increased from 1,77g/t to 3,69g/t, resulting in gold produced rising from 55,01 kilgrams to 77,50 kilograms No financial results were released

Improved grades and gold production

ANDREW BUDDEN

A CONTINUED drift away from low-grade surface operations to higher-grade underground mining led to improved grades and gold production on SEVERIN'S Rand Leases and Eersteling mines in the quarter ended March 1989

The shift saw the mines through the difficult March quarter when depressed rand-gold prices threatened some of the larger, more estabished mines

RAND LEASES' pre-tax profit slipped 3% to R601 000 (previous quarter R620 000) in spite of a 4% improvement in gold production

Overall working costs were well maintained, even dropping 1,5% on each kilogram of gold produced, but rising 2% overall on the higher gold production

214

b Day 25/4/89

Financial director Louis Carroll said yesterday the lower unit working costs and improved production came about from the commissioning of the KR2 and 11 shafts

He said "Operating on its own, No 6 shaft offered no flexibility, we were forced to mine only the area around that shaft Now with KR2 commissioned and 11 shaft coming on line, we have greater flexibility to mine the higher grade areas of our choice"

EERSTELING, which is still classified as a developing mine, has not published financial results

Surface operations were curtailed, leading to a 32% drop in milled tonnages, but doubly improved grades Gold production improved 41% to 78kg (55kg)

Franka shaft, to be commissioned in May, is the mine's main hope Completed it will enhance flexibility by accessing 15 and 20 levels where proven ore reserves will extend the mine's life at least a year

Turnaround in property sector boosts RMP profits

M Day 26/4/89.

Business Day reporter

A TURNAROUND of almost R7m in Rand Mines Properties' (RMP) property division and a steady contribution from gold recovery operations boosted the company's bottom-line profits by 42% — from R8,7m to R12,4m — in the six months to March.

Earnings a share were 100c, against 70c in the first half last year, and the interim dividend was raised by 10c to 30c

Record

However, directors warn that second-half results will be significantly lower than the first half, taking into account current gold price trends and the outlook for property sales in the light of higher interest rates

They forecast after-tax profits for the full 1989 year at about R21m, compared with the record R27,8m earned in 1988

Directors say dividend cover can be reduced in view of the good liquidity position and low capital expenditure requirements The total dividend for 1989 is, therefore, not expected to be less than the 120c paid in 1988

Chairman Dammy Watt says the company is well placed to take advantage of investment opportunities

RMP's turnover for the half-year to March rose by 37%, from just under R60m to R82,2m

The property division turned in an operating profit of R4,9m, compared with a loss of just under R2m in the first half last year, while the operating profit from gold recovery was more or less unchanged at R13,2m

Total operating profit was, therefore, 61% up, at R18,1m Net interest totalled R1,1m (R191 000), which took pre-tax profit to R19,2m, against R11,4m — an increase of 68%

Tax took R6,6m (R2,7m), while minority interests accounted for R108 000

RMP's sand treatment operations held more or less steady for the half year, with operating profit from the Crown Mines and City Deep plants R1,2m lower at R12m However, a R1,2m contribution from the new Pilgrim's Rest plant — which is half-owned by RMP — compensated for this

Achieved

On the property side, RMP showed gross revenue from township land sales of R14,7m for the six months, against R1,5m in the first half last year

The contribution from this division during the second half of the current year is expected to be less than that achieved during the comparable period of 1988

Photo finish in the race for ConsGold

214 B/Day 26/4/89

IAN HOBBS

LONDON — The outcome of Minorco's £3,5bn bid for Consolidated Gold Fields (ConsGold) could depend on a few wavering institutional shareholders being won over before the deadline at 2pm SA time today.

Minorco CE Sir Michael Edwardes said last night it could be so close that he would work until "one minute to the deadline" before the end of the longest, most bitter and expensive takeover battle in British commercial history.

Edwardes, who was working through the night, said he would be "absolutely astonished" if Minorco failed to win the required minimum 50% acceptances from ConsGold shareholders.

He said it made simple common sense for ConsGold shareholders to reject their board and accept Minorco's offer, which guaranteed their values.

He said the price of staying with the ConsGold board would be little short of disaster. ConsGold shares had slumped 38p to £12,45 yesterday and the plummet would be much greater if ConsGold won the battle.

Edwardes said costing shareholders so dearly was "a lot of responsibility for any board to shoulder" and he was appalled that ConsGold had not offered its shareholders a fair opportunity.

He said if Minorco succeeded — which would be against the speculation of some City analysts last night — he would appeal to the Takeover Panel and requisition an emergency general meeting.

This would give ConsGold shareholders the opportunity to oblige the board to lift the US Federal Court injunction banning Minorco from buying more shares.

● To Page 2

Photo finish in the race for ConsGold

B Day 26/4/89 214

● From Page 1

He felt that, in spite of ConsGold's "deliberately frustrating" and "devious" seven-month defence, common sense should win over the surprisingly large number of institutional and individual shareholders who were still undecided.

Edwardes said the ConsGold defence had been "bizarre in the extreme" and there was concern that it would seriously influence future takeovers for the worse.

He said ConsGold's proposition that a Minorco bid would place Harry Oppenheimer in a position to dictate world gold prices was outrageous and had been contradicted even by Newmont Mining executive vice-president Richard Leather.

It was pointed out the SA Reserve Bank, responsible for about 30% of world gold sales, could not influence the price.

The ConsGold charges had been made in spite of Minorco's repeated undertaking, to the extent of obliging themselves to the US courts, that ConsGold's Newmont, Renison and GFSA interests would not be sold to Anglo American or De Beers.

ort

Minorco bid outcome in the balance

Cpe Times 26/4/89

214

By IAN HOBBS

LONDON — The outcome of Minorco's £3,5bn bid for Consolidated Gold Fields (ConsGold, could depend a few wavering institutional shareholders being won over before the deadline at 2pm South African time today

Minorco CE Sir Michael Edwardes last night said it could be so close that he would work until "one minute to the deadline" before the end of the longest, most bitter and expensive take-over battle in British commercial history

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Sir Michael said it made simple commonsense for ConsGold shareholders to reject their board and accept Minorco's offer, which guaranteed their values

He said the price of staying with the ConsGold board would be little short of disaster

He said the 38p slump to 12145p in Consgold shares yesterday had wiped more than R300 of the value of Gold Fields of South Africa(GFSA) holdings alone — and the plummet would be much greater if ConsGold won the battle

Sir Michael said it was costing shareholders so dearly it would be "a lot of responsibility for any board to shoulder" and he was appalled that ConsGold had not offered its shareholders a fair opportunity

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He said the ConsGold defence had been "bizarre in the extreme" and there was concern that it would seriously influence future takeovers to the worse

He said Consgold proposition that a Minorco bid would place Harry Oppenheimer in a position to dictate world gold prices was the most outrageous of all and had even been contradicted by Newmont Mining Corp executive vice-president Richard Leather

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Lenco income up 74%

JOHANNESBURG — Investment holding group, Lenco Holdings posted a 74% increase in attributable income which rose to R14,2m during the year to February 1989, it was announced yesterday

While all group divisions achieved healthy growth ana improved market share, the 73% increase in turnover from R120m to R207,5m was due primarily, says CE Doug de Jager, to the consolidation of the results of Amshoe, in which Lenco has a 51% share

With earnings per share now calculated on the total 39,9m shares in issue, against last year's calculation on an average of 38,4m, earnings rise by 68% to 35,6c per share

The board has declared a dividend of 7c per share for the year, compared to the 5c paid last year

"Cover has been set at a conservative five times," says De Jager

RMP profits in 42% jump

Cape Times 26/4/87

224

Own Correspondent

JOHANNESBURG — A turn-around of almost R7m in Rand Mines Properties' (RMP) property division and a steady contribution from gold recovery operations boosted the company's bottom-line profits by 42% — from R8,7m to R12,4m — in the six months to March

Earnings a share were 100c, against 70c in the first half last year, and the interim dividend was raised by 10c However, directors warn that second-half results will be significantly lower than the first half, taking into account current gold price trends and the outlook for property sales in the light of higher interest rates

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Total operating profit was, therefore, 61% up, at R18,1m Net interest totalled R1,1m (R191 000), which took pre-tax profit to R19,2m, against R11,4m — an increase of 68%

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On the property side, RMP showed gross revenue from township land sales of R14,7m for the six months, against R1,5m in the first half last year

Minorco gets nod from shareholders

Take-over battle shifts to US court

(214)

Star 27/4/87

By Sven Lünsche and Neil Behrmann
London

The battle between Anglo-American subsidiary Minorco and its take-over target, UK mining group Consolidated Gold Fields, now shifts to the US courts after Minorco yesterday won shareholders' approval for its £3,5 billion (about R15,4 billion) offer.

The last hurdle before Minorco can claim complete victory is a New York court injunction which prevents Minorco from increasing its current 30 percent holding in Consgold

"The fight is not over Both Consgold and our US associate Newmont Mining will continue to pursue Minorco in the New York courts," a defiant Consgold chairman, Mr Rudolf Agnew, said yesterday

After winning about 55 percent of shareholders' acceptances, Minorco declared the bid unconditional, so it will only succeed if the court lifts the injunction

Minorco has already lost two appeals against the injunction but with the support of the majority of shareholders, it will be in a much stronger position to force Consgold into dropping the court case

Minorco vice-president Mr Keith Irons said there were "several options open" to tackle the problem A decision would be made today

Minorco has indicated it will call an extraordinary general meeting to demand that the Consgold board abandon the US action

If that fails, Minorco is likely to appeal against the court's injunction

Minorco has until May 17 to clear the court injunction before it can finally take control of the company, unless it could persuade the UK Take-over Panel to extend that time.

An extension would normally be unlikely, but the court case does render the bid exceptional, particularly since both the UK Monopolies and Mergers Commission and the European Community have accepted that a Minorco takeover will not create a monopoly in the international gold and platinum market

The court injunction is in place because of the allegation by Consgold and Newmont Mining that a successful bid would lead to a monopoly in those strategic markets

Remained loyal

The ruling could take place in New York because both Minorco and Consgold have assets in the US

Consgold's Mr Agnew said that long-term investors, "including our many small shareholders, have remained loyal

"It would be a sad day if the fate of Consgold were to be determined by short-term speculators," he said

He said that having considered the interests of all their respective shareholders, neither Consgold nor Newmont has any intention of abandoning the US court action

But Minorco chief executive Sir Michael Edwardes claimed the majority of shares were now pledged to accept the offer

More than a third of the independent shareholders had chosen Minorco That was quite sufficient, Sir Michael said

It was a day of drama in London as analysts and shareholders awaited the outcome of the biggest bid in UK corporate history

Just after 6 pm London time yesterday, Minorco announced it either owned or had received acceptances for 54,8 percent of Consgold shares and was declaring the bid unconditional

The take-over battle has dragged on for almost seven months and Consgold's defence has largely hinged on the South African parentage of Minorco, and the disadvantages this would have on its future financial operations

As a result of the political heat raised in various parts of the world because of the South African connection, Minorco has committed itself to selling off various subsidiaries if the bid succeeds

In Australia, Minorco will offer for sale Consgold's stake in Renison, while its interest in Newmont Gold will also be offered to interested parties

And there are already plans afoot for Minorco to sell off Consgold's South African assets, essentially its 38 percent stake in Gold Fields of South Africa (GFSA)

See Page 14

Compiled on a Punch Line Panda PC

Star 27/10/89 (214)

Minorco close to victory

LONDON — Minorco yesterday moved closer to winning control of Consolidated Gold Fields after receiving more support than expected for its £3,5 billion bid for the UK diversified mining group

Counting was still going on when Minorco ended a day of drama by announcing it owned or had acceptances in respect of 54,8 percent of the Consgold's shares

The City's immediate judgment was that this was enough to put irresistible pressure on the Consgold directors to drop the US court case which prevents Minorco buying any more shares and taking up the acceptances

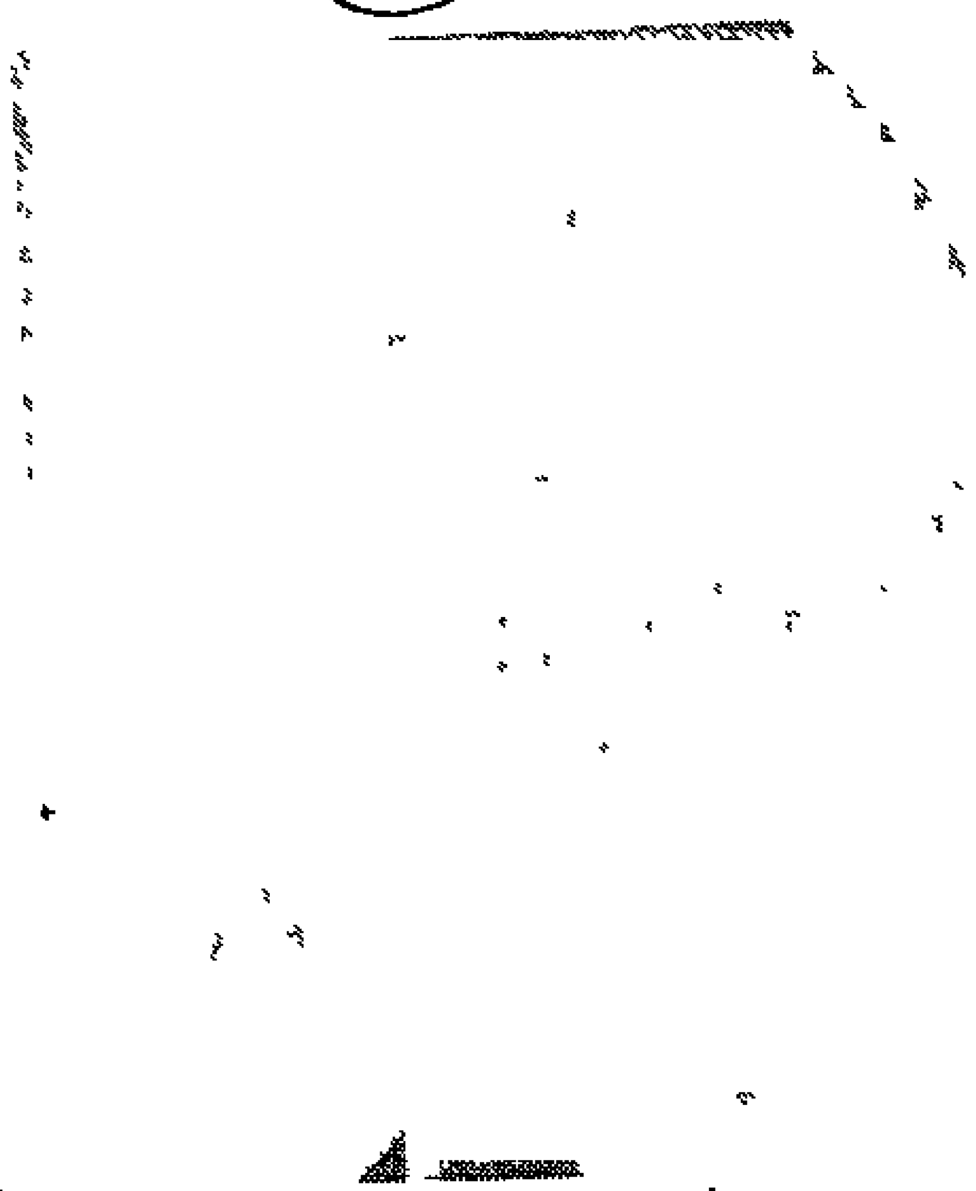
However, Rudolph Agnew, chairman of Consgold, said his board last night had unanimously decided not to abandon the US civil case

He said the board had taken counsel's opinion "Their opinion was that, if the complaints we have been making against Minorco in the New York court were reasonable, and of course we think they are, we as a board are duty bound to pursue them to protect the company from damage"

The injunction is in place because Consgold and its US associateNewmont Gold allege that a succesful bid would bring about a monopoly in the gold and platinum markets

Consgold believes it unlikely that any concerted City campaign will emerge to press the board to change its mind about the court battle Soundings by Cazenove, its broker, suggested that 26 of the 30 major Consgold shareholders supported the company yesterday including the two largest, Prudential Group and M & G

Unless it can win an extension from the Takeover Panel, Minorco has 21 days to clear the US legal obstacles otherwise the bid would lapse, acceptances would be returned and Minorco would not be able to return with another offer for at least a year

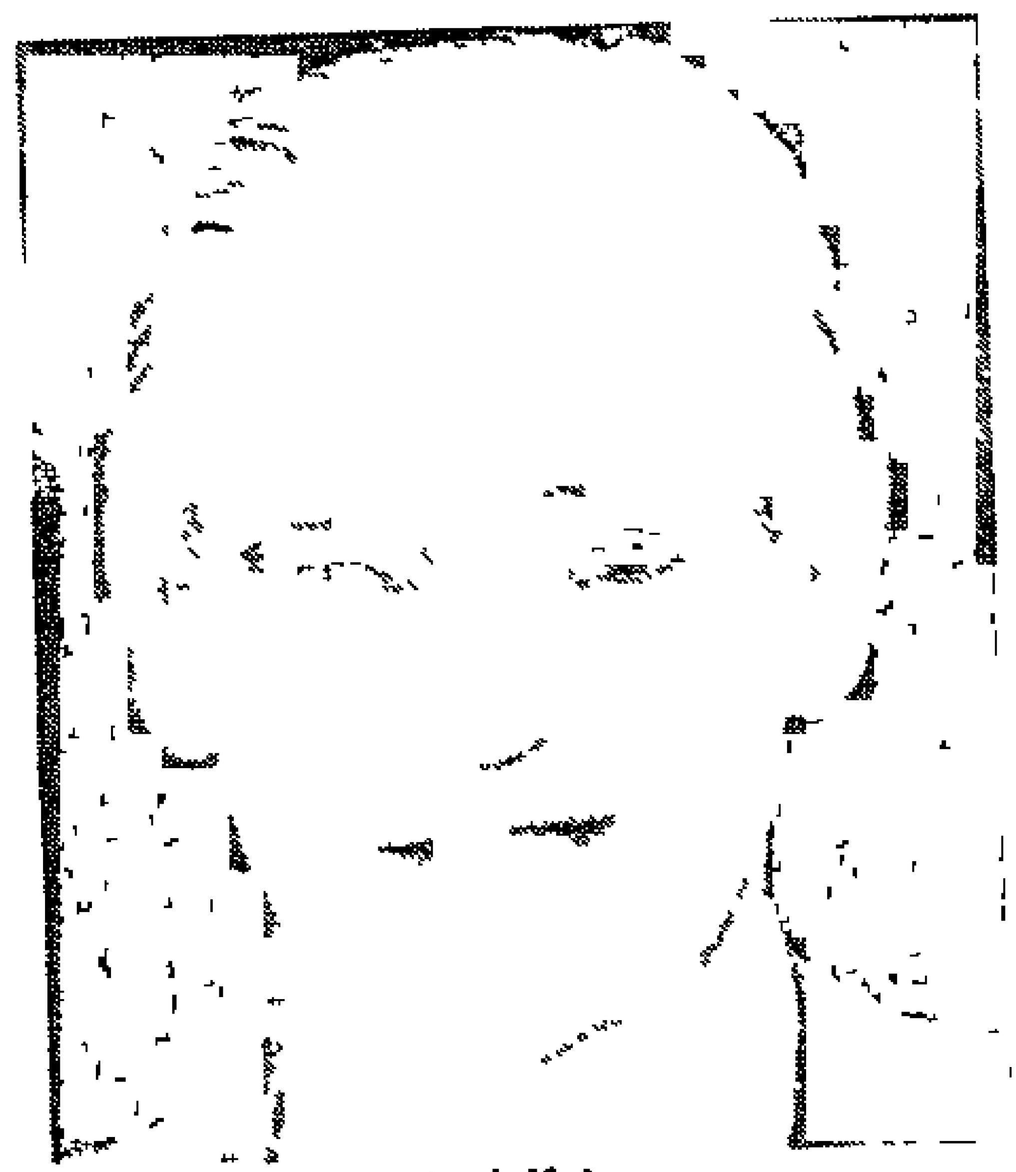


Sir Michael Edwardes

Minorco is almost certain to ask the Panel for an extension so that it can request an extraordinary general meeting of Consgold to put a special resolution about the US court action

The number of acceptances declared yesterday was at least 24,9 percent,but Minorco is still awaiting acceptance by Gold Fields of South Africa and Driefontein which togethor own 7,5 percent of the shares in Consgold

Sir Michael Edwardes, Minorco's chief executive, yesterday appealed to GFSA "to join the South African stable and accept the offer", but GFSA has stated that it will not move until the bid is unconditional, that is the US court injunction has been lifted



Mr Rudolf Agnew

The high acceptance to some extent defused a row involving Royal Insurance which attempted at the last moment to withdraw acceptances representing 0,6 percent of the Consgold shares

Alerted by yesterday's report in the *Financial Times* that Royal intended to accept, some of its directors hastily called for the decision to be reconsidered However, its withdrawal arrived too late and Royal's shares remained among the acceptances

Gerry Grimshaw of Henry Schroder Wagg, Consgold's adviser, said "It was disgraceful of Royal to go on the record that it was accepting and then to change its mind

Schroders and Cazenove respectively scooped up 1,12 million and 280 000 Consgold shares at £12,40 each early yesterday, a 0,7 percent stake which otherwise might have gone to Minorco

Minorco itself bought 800 000 shares or 0,4 percent yesterday, which Mr Grimshaw alleges was made without consultation with Consgold

Sir Michael described yesterday's result as a vote of confidence from our fellow shareholders which is greatly appreciated

Mr Agnew presented the statistics in a different light, pointing out that, once the 30 percent held by Minorco was discounted, holders of 64 percent of the outstanding Consgold shares rejected the bid a)nd stayed loyal to the group

'It would be a sad day for Britain and the City of London if the fate of a company such as Consgold were to be determined by short-term speculators, he said

Minorco disputed his arithmetic and claimed that holders of about half the free-floating Consgold shares had accepted

The forceful stance being taken by the target company was illustrated by the fact that Schroders last night formally asked the Takeover Panel to investigate whether American Barrick Resources a Canadian gold mining group which owns 1,6 percent of Consgold has any undisclosed arrangements with Minorco

The Panel was also asked to look at recent price movements in Minorco's shares which in Luxembourg overnight rose by 36p to £7,46, Lifting the value of the offer from £15,15 to £15,50 a Consgold share — **Financial Times**

UK gold jewellery business is buoyant

B Day 27/4/89 214

LONDON — Britain's gold jewellery business is buoyant, according to figures from Assay Offices showing the number of gold articles submitted for hallmarking in the first quarter of 1989 rose 39,4% compared with the same period last year

The weight of gold articles submitted rose more than 37% to 16,88-million grams

Chairman Gerald Ratner of Ratners Group, Britain's biggest jewellery retailer, suggested at the weekend that statistics were not just providing the usual barometer of the trade's expectations of consumer demand in coming months, but also reflected re-stocking after a particularly good Christmas

"We had a phenomenal Christmas — 50% up on the previous year — and were desperately short of stock We put in big orders in January to replenish it," he said

The figures show a growing influence in Britain of Asian buying and Indian gold exports The number of 22-carat gold articles, favoured by the Asian community because of their purity, rose 38,4% in the quarter to 212 578

Own Correspondent

The vast majority of articles — 4,35-million out of 4,79-million hallmarked — were of nine carat standard (nine parts out of 24 pure gold) and showed a 40% rise The number of 14 carat items showed the lowest growth rate — 18,3% to 14 489 — and 18 carat items were up 29% to 214 395

In contrast to gold, the number of silver items hallmarked fell 9,2% to 788 483 The weight of silver increased 13,1% to 14 207kg

The Assay Offices said this reflected the trend up-market in silver articles submitted for hallmarking

Platinum was static with a 0,4% decrease on last year — only 2 009 articles of platinum were marked in the quarter

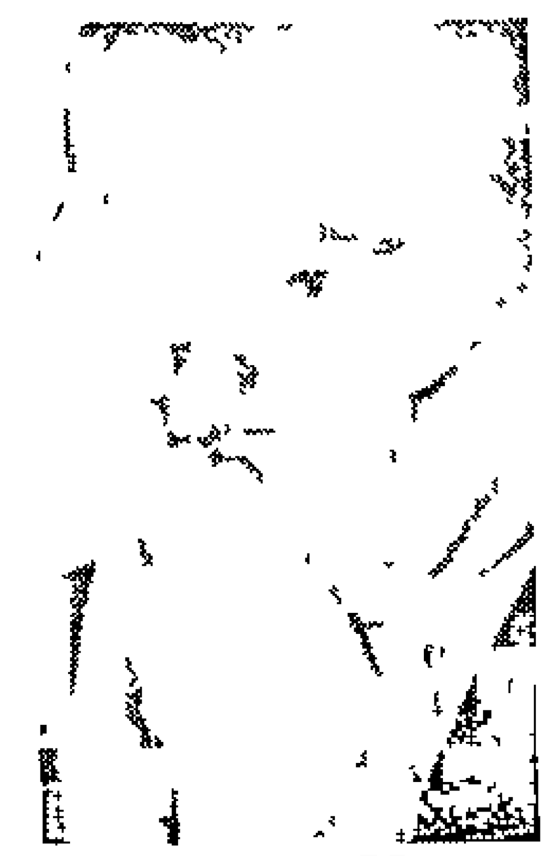
The Assay Offices said "The overall trend is most encouraging, and there is no indication of any slackening in demand" Ratner concurred "Government's statistics show the jewellery sector is doing better than any other so far this year We remain fairly optimistic"

ConsGold's Agnew vows to fight on

214

Sweeping win for Minorco

BDay 27/4/89



EDWARDES

IAN HOBBS

MINORCO yesterday emerged victorious in its seven-month £3,5bn ConsGold takeover bid after winning at least 55% of shareholders' votes

A jubilant Sir Michael Edwardes last night said he was planning to quickly transform Minorco into an operating company

ConsGold chairman Rudolph Agnew, down but claiming he was not out, indicated he would continue the fight in every way he could against the Minorco "bully boys"

Edwardes said "We are pleased at the market's judgment and will now carefully consider what action to take

"This vote of confidence from our fellow shareholders is appreciated and we encourage those shareholders who have yet to accept our offer to do so"

City experts said in normal circumstances the defeated board would concede and walk out of Consgold's headquarters But the immediate indications were that Agnew would not concede until and unless the injunction imposed by a federal court in New York, banning Minorco from buying more ConsGold shares, was lifted

In the atmosphere of a bitter feud which marked the battle from beginning to end, it was anticipated Agnew would force Edwardes to summon an EGM to have the shareholders sack the board

If these were the circumstances, Edwardes said he would appeal to the Take-Over Panel to extend the three-week limit he had been given — starting from yesterday — to defeat the New York injunction

MINORCO is offering a mixture of cash and shares that values each ConsGold share at £15,39 based upon Minorco's closing price of 727p, down 19p The ConsGold share price closed at £12,83 each, up 38p

Experts said Edwardes would almost certainly be granted a time extension — probably of four weeks — to arrange for an EGM

Minorco said "The ConsGold board may well insist on being frustrating as it has all along But it has lost We would hope it would leave without more complications but we do expect certain people to be as difficult as possible"

Agnew said Minorco was unable to declare its offer unconditional and one of the most hostile fights in British take-over history would continue in the American courts

He said that, disregarding Minorco, holders of 64% of the outstanding ConsGold shares had rejected the bid and stayed loyal "Minorco is not able to declare its offer fully unconditional because it is forbidden to do so by the US court

"Minorco chose to make its offer for ConsGold conditional on the outcome of US legal action and cannot take control of ConsGold while the US court action continues

"Having considered the interests of all their respective shareholders, neither ConsGold nor Newmont has any intention of abandoning the US court action"

More than half of ConsGold's assets were in the US while Newmont (owned

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Way open to sell SA interests of R3,5bn

B/Day 27/4/87

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REENIE BOOYSEN

MINORCO'S successful bid for Consgold opens the way for the sale of ConsGold's SA holdings worth more than R3,5bn

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ConsGold's three primary passive investments are Newmont in the US, Renison in Australia and all ConsGold's SA investments, including 38% in Gold Fields of SA (GFSA), and lesser stakes in GFSA mines including Driefontein Consolidated and Kloof

The management of GFSA was last night asserting its renowned independent spirit, with a statement that it would only consider the merits of the Minorco offer for ConsGold — in which GFSA and Driefontein have a 7,5% stake — once the "legal constraints and all other material conditions" were resolved

GFSA executive director Bernard van Rooyen said the financial merits of the Minorco offer were unclear Although the cash consideration was fixed, Van Rooyen said there was doubt about the value of Minorco shares

He said it was possible the Minorco share price would decline on conclusion of the takeover battle, as Minorco would be carrying about £2bn debt to finance the takeover

He said it was not clear how soon Minorco would reduce its debt in the event of a takeover, by selling ConsGold assets "How long will it take for Minorco to sell its assets and what about the tax considerations?" asked Van Rooyen

Van Rooyen also said it was not a foregone conclusion the legal obstacles faced by Minorco in the US would be overcome

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Way is now open to sell SA interests

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The Rembrandt group — which already has about 10% in GFSA — has the right of first refusal in the event that ConsGold decides to sell its 38% stake in GFSA

Minorco directors have held preliminary discussions with Rembrandt on the sale of ConsGold's GFSA stake and it is understood Gencor has also expressed an interest

□ LESLEY LAMBERT reports that mining analysts estimate it will cost up to R2,7bn for a local company to acquire the 38% stake in GFSA

Originally, ConsGold had a 48% stake in GSFA Rembrandt took up a 10% stake in a fairly complex deal almost a year ago, leaving ConsGold with 38%

One of the conditions of the deal was that Rembrandt had the right to increase its stake up to 40%

An analyst said "This is a substantial consideration in the SA context The whole thing hinges around whether Rembrandt can afford to take up the remaining 38%, or whether it will form a consortium with Sanlam or Gencor to do so"

Apart from the fact that investors were shying away from gold shares in the short term, analysts said that if Minorco were to clear the legal barriers, it should not have a problem baling out of GFSA

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ConsGold's SA holdings up for sale?

CAPE TIMES 22/4/89

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From REINIE BOOYSEN

JOHANNESBURG — Minorco's success in gaining the support of ConsGold shareholders opens the way for the sale of ConsGold's SA holdings worth more than R2,5bn

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MINING

M&Gu's 27/4/89 (214)

Gold mines squeezed

From DEREK TOMMEY

JOHANNESBURG — Rising mining costs and a lower gold price squeezed the gold mining industry sharply last quarter with the result that another four mines became marginal, an analysis of the lastest quarterlies shows

A marginal mine is generally regarded as one which shows a profit of less than 10 percent from gold production At the end of December of the country's 34 major gold mines 23 were showing a profit of 10 percent or more By the end of March the number mines of mines in this category had dropped to 19

However, it is not the additional number of marginal mines which is the main concern of the industry, but the fact that almost all the mines — whether they are rich or poor — have been hit by the squeeze

The profit margins of most mines have deteriorated sharply in the past three months Operators of semi-marginal mines — those with a profit margin say of between 10 percent and 20 percent — will have to pay more attention to cost cutting now than they have

Moreover it not just the drop in profits which is worrying the industry but the serious effect which the squeeze is having on the lives of a great many gold mines

Higher operating costs and a lower gold price means that much ore bcomes unpayable to work The result is that there is less ore to work and the life of the mine is shortened

This is brought home strongly by the latest Freegold report which shows that its ore reserves, valued at a gold price of R29 000 a kilo, fell more than 15 percent in the 18 months ended December from 50,6 million tons to 43,1 million tons Fregold now needs a gold price of between R32 000 and R35 000 a kilogram to have the same level of ore reserves as it had in June, 1987

Obviously, the gold mining industry does not have much to look forward to unless the gold price improves While this could happen in the medium term, no mine can afford to operate in the expectation that it will rise tomorrow

Gencor's new gold mining division, Genmin, just to be on the safe side, is basing its decisions on the possibility that there could be another 5 percent deterioration in operating costs both this year and next year

The industry is facing some difficult problems and will have a tough job cutting costs in the present inflation enviroment Because of this some of the industry is looking to decline in the rand to help it out of its present problems

A lower rand means an increase in the rand price of gold But it would also lead to further increased inflation And one gets the impression from ministerial utterances that fighting inflation is being given priority over helping the gold mining industry

There is evidence that the Government is following a tough anti-inflation policy but because it is uncertain about the succesful outcome of its actions it is not saying that much about it at present

The prevailing high interest rates and the tough budget, which contained the equivalent of an 8 percent increase in real income tax rates and also sets out to freeze R1billion, together with other imposts such as the high petrol levy must hit consumer demand and lessen inflationary pressures

It will not happen immediately, but the effects of government policy should be increasingly felt as the year wears on

Cabinet Ministers have gone on record that they expect a lower inflation rate at the year-end, but have not given any figures

Looking at the plight of the gold mining industry it is obvious that it will greatly welcome anything that assists it in its fight to curb costs

GFSA could reap profits of R1,3-bn

Star 27/4/89

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By Sven Lunsche

Minorco said yesterday that a repatriation of profits by Gold Fields of South Africa, to the tune of R1,3 billion, would somewhat alleviate the estimated R4 billion outflow generated by the sale of Consgold's South African interests

The financial rand is likely to come under intense pressure if Minorco sells Consgold's interest in GFSA and Driefontein, as it has stated it would if the bid succeeded

The financial rand has dropped over the last few days in the wake of Mobil's alleged disinvestment

Deputy Finance Minister Org Marais reportedly said yesterday that the multi-million rand international buy-out deals would come under scrutiny, as they put enormous pressure on South Africa's foreign exchange reserves

The SA Competition Board last year cleared the bid on condition that Minorco would sell the GFSA stake to companies not associated with Anglo American.

Minorco indicated yesterday that the outflows in the wake of the sale of GFSA, would be more than offset by the inflow of money, if GFSA repatriated its profits

The current differential between the offer price and the ruling London share price would give GFSA a benefit premium of R300 million if it were to accept the offer

In addition the value of the holding would be of the order of R1,3 billion, representing well over a R1 billion in profits for GFSA on its original investment

No money would leave the country if an overseas buyer would buy Consgold's 38 percent interest in GFSA, but both Rembrandt and Gencor have already emerged as potential buyers

Cape Times 27/4/89

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SA firm's cou

Dramatic win for Minorco takeover bi

From IAN HOBBS

LONDON. — In Britain's biggest hostile takeover battle, the South African-owned Minorco company has succeeded in winning control of the giant Consolidated Gold Fields conglomerate.

The Luxembourg-based Minorco announced its victory late yesterday — but said the seven month-long battle for the giant British mining company was still far from over

Sixty percent of Minorco is owned by Anglo American Corporation

The battle between Minorco and Consgold has been the hardest, dirtiest, biggest, most expensive and, it is believed, longest take-over battle in British history.

The deadline for acceptances of Minorco's £3,5 billion (R15,26bn) bid was 1pm yesterday

In addition to the 29,8% stake Minorco already held, they received acceptances from a further 24,9% of shareholders

At 5pm — with more acceptances still to be counted — Minorco announced that they held a total of 117 161 820 Gold Fields shares, or 54,7%

Gold Fields shares were trading at £12,85 at the close of trading on the London stock exchange, up 40p on the day.

A confident Sir Michael Edwardes, Minorco chief executive, told SABC-TV in a satellite link-up last night that Minorco's bid for Consgold had nothing to do with politics but was "just good business"

He said he and his colleagues had spoken to about 80 institutions in the past weeks and never doubted that Minorco would gain a majority

Sir Michael ended the interview with a cheery "Totsiens"

London experts said last night that in normal circumstances the defeated board would concede and walk out of Consgold's headquarters

But the immediate indications were that ConsGold chairman Mr Rudolph Agnew would not be conceding defeat.

Sources said Mr Agnew would fight back until the injunction imposed by the US Federal Court in New York, banning Minorco from buying more ConsGold shares, was lifted

SA HOLDINGS FOR SALE?
Report, PAGE 14

Minorco still faces the injunction of the US district court blocking the bid on competition grounds, taken out by Gold Fields' US subsidiary Newmont Mining Inc

Sources at Minorco said the company had the option of appealing against the injunction or of calling an extraordinary general meeting of shareholders to compel the Gold Fields board to drop the injunction

In the atmosphere of a bitter family feud that has marked the seven-month battle, it is anticipated that Mr Agnew will force Minorco CE Sir Michael Edwardes to summon an EGM to have the shareholders sack the present board

A spokesman for Minorco said "The ConsGold board may well insist on being frustrating as they have all along — but they have lost"

Minorco's New York headache

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BDay 28/4/89

REINIE BOOYSEN

MINORCO'S executives are savouring the lull after the storm, but final victory in their attempt to take control of ConsGold will depend on the acumen of their US legal counsel

Very politely, and very deliberately, they will have to argue with Judge Michael Mukasey, of the US Federal Court in New York, to persuade him of the naivity of ConsGold's claim that Anglo American Corporation would dominate the gold market if it took control of ConsGold through Minorco

This was rejected by the British Monopolies and Mergers Commission, and the European Parliament US courts appear far more suspicious of anything monopolistic

Even if an Anglo-ConsGold combine did control 32% of annual world gold production (1 500 to 2 000 tons), this is a small percentage of the 200 000 tons recovered to date around the world

Minorco has promised to sell American gold producer Newmont if it wins control of ConsGold ConsGold claims Minorco will shut Newmont down

Minorco's lawyers will have to explain that it really would be stupid to pay billions of dollars for ConsGold, and its subsidiary Newmont, and then, to promote Anglo's clout in the gold markets, close Newmont

Minorco now has 55% of ConsGold's shares But the US court injunction stops it buying additional shares from US investors — who hold a large chunk of ConsGold's shares Minorco cannot flout this injunction, both Minorco and ConsGold have extensive US interests.

This is what is preoccupied CE Sir Michael Edwardes and his Minorco executives yesterday While a vice-president of communications fielded Press queries, other executives deliberated Minorco's strategy to prevent their financial offer being frustrated by legal niceties

It has been argued that ConsGold chairman Rudolph Agnew's acrimonious response to Minorco's bid has benefited his shareholders, as Minorco was twice forced to lift its offer

Minorco hopes that, if this was Agnew's only intention, he would concede defeat and resign with the rest of the ConsGold board

An analyst said yesterday that, in a normal takeover struggle, when the predator acquired more than 50% of a company, the rest of the shares usually "came rolling in"

In the present situation, however, a number of shareholders, including Gold Fields of SA and Driefontein Consolidated, which together hold 7,5% of ConsGold, are waiting for the offer to become unconditional

No more significant acceptances came in yesterday, reinforcing the view that Minorco's success was a very narrow call.

Minorco's priority is the US court action, where it has laboriously stressed the contradictions in the ConsGold board's stance

ConsGold's argument that Minorco will close Newmont implies that ConsGold controls Newmont. This is not true Although ConsGold has 49% of Newmont's shares, it only has 40% board representation, and a 10-year agreement not to exercise management control

This undermines ConsGold's argument in New York, but makes it impossible for Minorco, as new controller of ConsGold, to force Newmont to withdraw its US action

What remains is simple, although timing will be a problem call an extraordinary shareholders' meeting and force the ConsGold board to resign Then, with Minorco men controlling a new ConsGold board, the former-competitors can try a joint approach to Judge Mukasey

LABOUR LETTER/Alan Fine

ConsGold board vows to continue fight

(214) Bday 28/4/89

LONDON — The ConsGold board remained adamant yesterday it would fight on for independence, despite Minorco's claiming nearly 55% support from ConsGold shareholders for its £3,5bn takeover bid

Minorco's chief executive Sir Michael Edwardes, who met colleagues yesterday to discuss his group's next move, said: "Its absurd — we've won"

But ConsGold chairman Rudolph Agnew said he would not abandon a US civil action case which prevents Minorco adding to its 29,9% shareholding in ConsGold and taking up acceptances

Minorco now has only three weeks to secure a lifting of the injunction unless it can persuade Britain's Takeover Panel to extend the bid timetable.

The London Evening Standard said sources close to the panel had suggested that an unprecedented extension was likely to be granted, in view of the fact that more than 50% of ConsGold shareholders had accepted the offer.

IAN HOBBS reports Agnew denied yesterday his refusal to submit to Minorco was a legal gimmick or act of resentment that typified controversial tactics used.

Insisting his company was using a legitimate last defence, Agnew said the Minorco bid had been conditional on the US Federal Court action being lifted

"That was a condition laid down by Minorco."

ConsGold shares jumped sharply in London yesterday.

ConsGold shares rose by more than 5% to £13,55 when the London stock exchange opened. The share closed at £13,15, up 40p on the previous day's close

But the price was still well short of the £15,50 per share offered by Minorco. — Sapa-Reuter.

Minorco faces last hurdles before victory

Cape Times 28/4/89

NEWMONT, the US's largest gold producer, a US court injunction and the UK Takeover Panel stand in the way of Minorco taking control of Consolidated Gold Fields (ConsGold), in spite of Minorco obtaining acceptances for its offer from more than 50% of ConsGold shareholders

While the US court injunction, which prevents Minorco from increasing its 30% stake in ConsGold, is in force, the SA-owned Minorco cannot take transfer of the shares handed in by those shareholders accepting its offer

ConsGold said in a statement that litigation over the injunction would run its course and proceed to a full trial, which is not expected to take place before September

By this time the May 17 deadline for additional acceptances of the offer will be closed and in terms of the offer, the injunction has to be lifted before the bid can be accepted

There are few options open to Minorco for it to be sucessful with the largest takeover bid in the history of the UK

Clearly Minorco will have to obtain an extension from the Takeover Panel in the UK regardless of which route it takes to gain control of ConsGold

ConsGold have been encouraged by the fact that shareholders representing some 64% of the outstanding ConsGold shares had rejected the offer

Although the majority of shareholders have technically sacked the ConsGold board of directors, chairman Rudolf Agnew said that the board remained adamant that it would fight on for the independence of the company

Newmont has indicated that it will continue its opposition to the hostile bid and is a key element in the Minorco-ConsGold battle

Minorco will not be able to pressurize the Newmont board into lifting the injunction because Minorco cannot sit on Newmont's board even if the extraordinary general meeting of ConsGold shareholders proves to be successful for Minorco

In the meantime Gold Fields of SA (GFSA) has issued a statement saying that it would not sell its shareholding in ConsGold until the verdict of the US court is finalized in spite of an appeal made by Edwardes for GFSA and Driefontein Cons (Dries) to do so

By accepting the offer GFSA and Dries would benefit to the amount of R1,3bn in cash and 57m Minorco shares worth R1,8m

The Rembrandt group has first right to refusal for the 38% holding in GFSA owned by ConsGold, but a spokesman for the group said that it was not prepared to comment on whether or not it would take up the right to purchase the shares before any finality was reached in terms of the takeover

— Financial Staff, London Correspondent and Sapa-Reuter

 (214)

BUSINESS

Minorco: a golden hedge against risks at home

Minorco's victory in its Consgold takeover bid gives Anglo American access to world mining — and insurance against political uncertainties and falling profits By HILARY JOFFE

THE hard-won victory by Minorco in its bid to control Britain's Consolidated Gold Fields stands to strengthen Anglo American's position as a world power in the mining industry

Luxembourg-based Minorco, as the overseas investment arm of Anglo American and De Beers, is part of the Western world's largest single gold mining concern Now only the American courts stand between it and control of Consgold, the world's second largest gold producer

Minorco's was the largest ever takeover bid for a British company — its total value rose from an initial £2,9-billion pounds to an eventual £3,5-billion (R15-billion) as Consgold used all the financial means at its disposal to resist the takeover bid

After the deadline for the bid expired this week following a bitter seven-month-long battle, Minorco announced it had increased its total shareholding in Consgold to about 56 percent, well above the 51 percent it needed for control

Prior to the bid, Minorco held 29,6 percent of the shares — by the time the bid closed it had persuaded shareholders owning 24,9 percent of Consgold shares to accept its offer

But Sapa reports the Consgold board responded by pledging to continue a United States court action which prevents Minorco going ahead with the takeover, in terms of US anti-trust legislation, on the grounds that it may create a monopoly in the gold mining industry

Minorco now has three weeks to decide its next move The offer must remain open for further acceptances until May 17 It cannot take control as long as the US judgement remains in force, but it can file an emergency appeal with the court It has indicated it hopes to use majority support among Consgold shareholders to pressure that company's board to drop the US court action.

If it succeeds, Minorco will have won in more ways than one

In its attempt to get the court action overturned, it had offered to give the court guarantees that it would sell off Consgold associate companies Newmont Mining Renison Consolidated Goldfields and Gold Fields of South Africa within a year

If it can get the action withdrawn now, it will have succeeded in its takeover without having to give guarantees

Although it did not set a time scale, Minorco did say during the takeover battle it planned, if it won, to sell Consgold's 49 percent stake in US gold mining company Newmont, its 48 percent stake in Renison in Australia and the 38 percent stake in GFSA If it does sell GFSA this will, in effect, be a disinvestment from South Africa by a South African-controlled company

Anglo and De Beers together control 60 percent of Minorco However, this percentage will fall following the takeover, since Minorco will issue new shares, thus diluting the South African holding

Minorco has suggested there are two parts of Consgold's business which it really wants

It plans to keep Gold Fields Mining Corporation in North America, which has rich gold mines, for example in Nevada in the US

It also wants ARC Limited in Britain (formerly called Amey Roadstone) and ARC America Corporation, which quarry for crushed rock, sand and gravel used in building roads and in civil engineering construction They also produce ready-mixed concrete, road-stone and precast concrete products

Both ARC and GFMC are wholly-owned subsidiaries, and they are the companies which, Minorco has pointed out, account for the bulk of Consgold's profits

If the takeover goes ahead, Minorco will increase enormously in size and will have to become the active operating company, which it has said it wants to be Until now it has been primarily a passive investment holding company

Its new holdings would add to the Anglo group's already extensive international holdings in mining and natural resources companies

In 1988 Anglo derived 24 percent of its investment earnings from non-South African sources, up from 16 percent in 1987

In South America, it mines gold in Brazil and Chile, as well as other minerals such as copper and ferro-nickel Anglo American of South America is also involved in producing fertiliser and petro-chemicals in Argentina, where it has a range of investments in finance and industry

Anglo American Pacific pursues the group's mining interests in Australia and the Far East And in Africa, Anglo mines copper in Zambia and has extensive interests in Zimbabwe And of course Anglo's overseas companies include Minorco

Minorco's largest single investment is its stake in Consgold, but it has other interests in natural resources companies in the US and Britain, for example in the Engelhard Corporation, a chemical and metallurgical products company, Inspiration Resources Corporation which prospects for gold and other precious metals in the US, and in Adobe Resources Corporation, which is engaged world-wide in oil and gas exploration and production

For the Anglo group, Minorco is a form of both political and economic insurance — an attempt to ensure its sources of profit don't just depend on South Africa's uncertain future

Anglo has been expanding its overseas interests for many years taking out long-term insurance against the prospect of a future South African government choosing, for example, to nationalise the country's mines

Its overseas investments also give it access to foreign technology, despite any sanctions which might be imposed on South Africa Minorco's expansion in mining and quarrying through Consgold is no doubt important in increasing its access to new technology in these fields

More immediately, diversifying internationally is also economically important for Anglo as a mining group

South Africa's position in world gold mining has declined In the early 1970s the country produced close to 80 percent of the non-communist world's gold This had dropped to just over 40 percent by 1987

And the profitability of South Africa's gold mining industry no longer compares favourably with that of other countries The costs of production of the country's gold mines are now the highest in the non-communist world — where only a few years ago they were among the lowest

According to the Marais Committee report on mining taxation last year, it cost South Africa's mines on average $255 to $265 to produce an ounce of gold — where the average for Australia was $212, for Canada $223 and for the United States $242

Most of South Africa's mines are "middle-aged" and the proportion of gold in the ore is declining The industry is having to go deeper and deeper to find gold — new mines can be as deep as 4km underground — and that keeps pushing costs up

By contrast, new mines opening up in North America and Australasia produce gold much more cheaply

Against this background, it's not surprising that the Anglo group wants to expand its stake in the mining of natural resources particularly gold, in countries where the mining industry has a brighter future Through Minorco, it wants to consolidate its position as an international mining house

Costs soar, profits dip as SA gold sheds its glitter

By KURT JENSEN

THE South African gold mining industry has fallen far from the powerful position it occupied some 10 years ago

Then, the local mines were by far the lowest cost producers in the world mining industry and consequently the most profitable Foreign investors flocked to invest in what they saw as high return investments

Since then, the situation has changed dramatically South Africa's lack of access to technology, lower grades of ore, the largely successful wage campaigns by the National Union of Mineworkers and the decline in the gold price from its highs in the early 1980s have caused costs to rocket and profit margins to decline drastically

Not surprisingly the NUM's latest demand for increases of up to 100 percent in minimum wage levels was greeted with dismay by the mining houses

Many marginal mines are currently facing closures and foreign investors, who also face political pressures at home, have moved their investments to North American and Australian mines

Since 1979 total foreign ownership of South African gold mining shares has declined from 42 percent to about 23,6 percent last year, according to a report released this week by stockbrokers Davis Borkum Hare

Similar trends are evident in foreign holdings of platinum and mining house shares, but the bulk of the recent sales by non-resident shareholders have hit gold shares

This is not surprising when one analyses the results by the mines over the first quarter of this year

During the quarter four more gold mines became marginal, bringing the total to 15

A marginal mine is one which shows a profit of less than 10 percent on its gold output

At the end of December, 23 of the country's 34 major gold mines were showing a profit of 10 percent or more — by the end of March, this figure had dropped to 19

The increase in marginal mines is only one of the industry's concerns A more important one is that almost all the mines — rich and poor — are being squeezed

The profit margins of most mines have deteriorated sharply in the past three months Semi-marginal mines — those with a profit margin of between 10 and 20 percent — could easily drop to the marginal category unless they watch their costs

In addition to the decline in profits, the squeeze severely affects the length of many gold mines' lives

With operating costs up and the gold price down, it doesn't pay to work much of the ore With less ore to work, the life of the mine is shortened

But cutting costs is difficult given the present inflationary environment

Some in the industry are thus looking to a decline in the value of the rand to help them out of their problems a lower rand means an increase in the rand price of gold, although it also tends to mean higher inflation

Davis Borkum Hare blames much of the long-term decline of foreign holding in local mining shares on the bleak outlook for local mining, but adds that political pressures have also played their part

Outlining the factors that led to the selling wave the stockbrokers highlight five major factors

- The relatively poor performance of the gold price,
- The disappointing performance of South African gold shares,
- The revival of the gold mining industry in North America and Australia which has provided international investors with an alternative source of gold mining equity investment,
- Foreign investor perceptions which have imparted a political risk to holding South African equities, reducing their relative attraction vis-à-vis gold mines elsewhere in the world,
- The expanding economic blockade on trade with, and investment in, South Africa

The decline slowed down somewhat last year

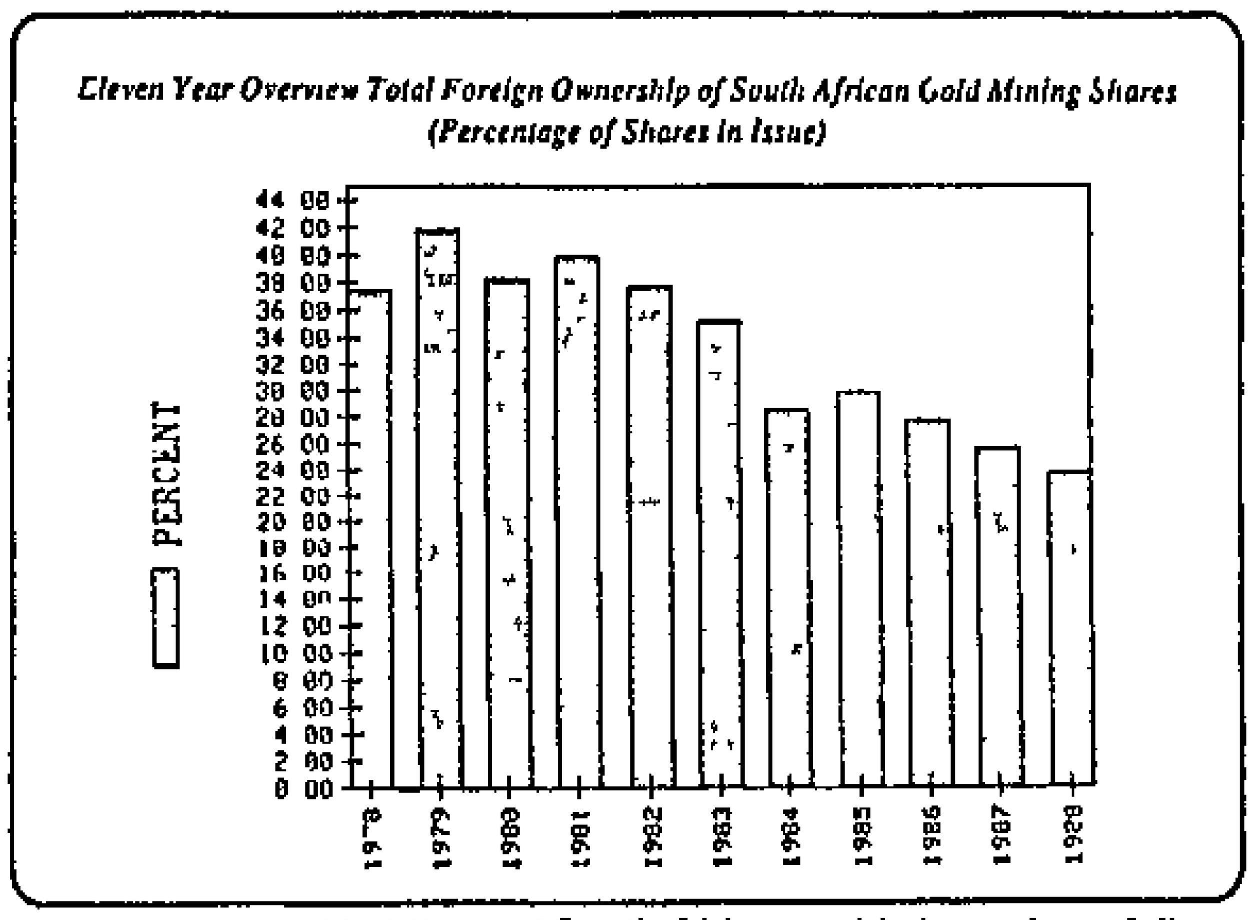
Foreign ownership of all mining shares dropped from 23 percent at the end of December 1987 to 21 percent at the end of last year

Foreign holdings of gold shares fell from 25,2 percent to 23,6 percent of issued share capital during 1988 while the number of South African platinum shares owned by foreign investors actually increased marginally

Foreign interest in mining house shares declined from 16,2 percent of issued share capital in 1987 to 13 8 percent at the end of 1988, while non-resident ownership of De Beers remained relatively stable during the year

US ownership of South African mining stocks showed the largest decline during 1988, falling from 11,5 percent to 10,4 percent But the report points out that US citizens are still the dominant non-resident shareholders in South Africa's mining industry, despite sanctions and disinvestment pressure on them

UK ownership fell from 7,7 to seven percent but, against the trend, other European holdings improved slightly from two to 2,2 percent.



How foreigners' holdings of South African gold shares have fallen

Banks ease up, but the debt pressure's not off yet

By HILARY JOFFE

THE question which might be asked this week following the actions of two major United States banks to extend the period in which South African debtors can pay back their loans is is the pressure off?

This week US bank Manufacturers Hanover announced it would extend the repayment period on $230-million of loans to South African debtors Last week Citicorp, the largest US lender to South Africa, confirmed it would reschedule payment on $666-million of loans until 1997

The US banks' moves were seen as a positive sign, particularly since Manufacturers Hanover is one of two US banks on the international technical committee responsible for renegotiating South Africa's foreign debt

South Africa's agreement with its foreign creditors reached after the 1985 debt crisis is due for renegotiation in June next year — this is the debt "inside the net" South Africa is also due to make large repayments "outside the net" over the next two years

Looming foreign debt problems may have acted as a significant pressure for political flexibility on the part of the South African government in recent months

And in turn the foreign bankers have been reacting to what they see as positive political signals, such as the Namibia settlement, economists say

But Sanlam economist Johan Louw this week cautioned against excessive optimism

"The indicators are that overseas bankers are prepared to roll over our debt but we must realise that the follow-up of certain reforms here is essential, otherwise the door will be closed again," he said

While South Africa would be able to meet its foreign debt commitments, he said, the balance of payments would remain a constraint on the economy South Africa could not afford to pay debts out of reserves, which at around R6,8-billion would cover less than two months' worth of imports

Rand Merchant Bank economist Rudolph Gouws said he forecast a balance between the surplus on the current account of the balance of payments and debt repayments for this year — each about R4-billion The country's gold and foreign exchange reserves might therefore remain constant, in contrast to last year when they fell by R3,7-billion

Assocom index up

ASSOCOM's business confidence indicator rose to 96,7 in April after registering 95,6 in March.

But Assocom says there is a divergence between business and consumer confidence at present Business confidence was showing a stronger trend, "being underpinned by expanding profits and the growth of the informal sector", it said

Consumers appeared less optimistic "Caught in the grip of inflation and taxation the average consumer is finding it difficult to make ends meet, despite recent increases in salaries and wages " Assocom said

Its BCI report also noted that demand for mortgages was tapering off It added that the inflation was a problem for both business and consumers, pointing out that the rate of increase in both the consumer price index and the producer price increase had risen again — Sapa

WMAIL 28/4-4/5/89

Consgold accused of frustrating wishes of its shareholders

(214) Star 29/4/89.

NEIL BEHRMANN

GENERALLY the UK press has sided with Consgold in the face of the hostile £3,5 billion bid by Minorco for the British group

But in the *London Daily Mail*, a highly respected commentator Andrew Alexander wrote "Consgold justifies its attempts to frustrate the will of the majority of shareholders by arguing that Minorco, as a holder of 29,9 percent of the shares already, does not really count

"That leaves 70 percent independent shareholders of whom Minorco has only been able to muster a minority (of 25 percent)

Directors' duty

"Thus, runs the Consgold theme, in the interest of the company as a whole, it is the duty of the directors to battle on

"To put it mildly, this is a curious way of looking at the rights of shareholders," says Alexander

"To be able to exclude those you do not like and label all the others as 'independent' as if they were a separate breed — would be a useful formula for any board which got irritated with the views of certain stockholders

"The simple fact is that a shareholder has rights, whether he is hostile to the board or not

"The likelihood remains that in one way or another, Minorco will eventually succeed in completing the takeover"

Anthony Hilton City Editor of the *Evening Standard* wrote that "Agnew should end the agony"

"Whatever the Consgold legal opinion, public opinion will find it hard to justify a departure from the basic democratic principle that the board must act in accordance with the wishes of its voting shareholders

"Once boards depart from the principle of putting shareholders first, whoever they may be, the door is opened to some very unpleasant results

"The US takeover scene is frequently disfigured by boards of directors putting their own interests and job security before the interests of their shareholders

Poison pills

"The great advantage of British takeover rules is that by unequivocally putting the shareholder first and guaranteeing that the wishes of shareholders must always take precedence over the wishes of management, they have prevented poison pills and other defences that could weaken the company"

The City believes that more institutions will go on to Minorco's side because of this principle

Otherwise many more target companies will use foreign legal cases to frustrate the wishes of shareholders

Star 2/5/89 (214)

The Star Finance

Buyers wait in wings for Consgold's Newmont stake

The Star Bureau and Finance Staff

LONDON — Minorco's bid for Consgold could take a new turn this week as talk grows of a full-scale bid for Consgold's 49 percent-owned US associate, Newmont Mining

The *Sunday Telegraph* reported over the weekend that Consgold chairman Rudolph Agnew had flown to Denver, Colorado, on Sunday for a board meeting of Newmont Mining amid talk on both sides of the Atlantic that a full bid was in the offing

Four companies, including Canadian mining concerns Placer Dome and American Barrick, are reported to have told Minorco they are interested in the 49 percent stake it has promised to sell if its £3,5 billion bid succeeds

Newmont and Consgold are the two parties that have brought an anti-trust injunction in a New York court to prevent Minorco from taking its Consgold holding over 30 percent

Last Wednesday Minorco won the financial argument of the bid when it said it had acceptances from shareholders owning 54 percent of Consgold's shares

Consgold could lift the New York court injunction by withdrawing the action Minorco believes it can persuade Newmont to withdraw its action

The Consgold board has taken legal advice, which reinforces its view that it is in the best interests of all Consgold shareholders that the action remain in place and that the bid be defeated

Mr Agnew said on Sunday "We can still win This is a carve-up of a great British company by international pirates and monopolists"

Minorco is trying to convince the UK Takeover Panel to extend the May 17 deadline on the bid to give it time to overcome the injunction

The Takeover Panel meets on Friday to give its verdict The critical issue for the Takeover Panel is whether Mr Agnew is breaking takeover rules in continuing to reject the bid, even though it is backed by shareholders owning more than half the shares

If Sir Michael Edwardes, Minorco's chief executive, can persuade the Takeover Panel to rule in his favour, it would enable him to call a special meeting of shareholders to vote on a resolution telling the Consgold board to concede defeat and lift the injunction

If Newmont refuses to lift its part of the injunction, Sir Michael will use this in his appeal to show that even after a Minorco takeover, Newmont would remain independent and thus Minorco could pose no threat to its business

In a separate development it has been revealed that Gold Fields of South Africa is planning a R500 million rights issue, despite denials by Consgold

The *Sunday Telegraph* said it had documents showing Mr Agnew and two other members of the GFSA board knew of the rights issue by April 13

It claimed the news came in a memorandum from GFSA director BR van Rooyen, who said the cash was needed to fund new projects

"The executive believes it would be prudent to raise R500 million to R600 million by way of a rights issue to shareholders," the memorandum said

Minorco over the weekend protested to the Takeover Panel that the planned rights issue was a material fact, which should have been disclosed by Consgold

Minorco is also furious about Consgold's denial when Minorco raised the issue just hours before the close of acceptances on Wednesday

GFSA has not yet voted on the Minorco offer, but Sir Michael has suggested that by accepting it, GFSA could repatriate profits of about R1,3 billion

This would alleviate some of the financial strains at GFSA's platinum subsidiary, Northam, which is experiencing considerable cost overruns and is planning a third rights offer in four years to raise funds

According to Frankel Kruger analyst, Keith Bright, the original prospectus estimate of capital expenditure of R560 million in 1986 figures could rise dramatically

"Taking inflation into account, the overall figure could be well in excess of R900 million and it is likely that the new rights issue, planned for early 1990, will have to look for a great deal more money than was originally anticipated," Mr Bright said

GFSA rights issue on cards?

New twist in Minorco, ConsGold saga

GNL Times 2/5/89

714

LONDON — The momentous Minorco-Consolidated Gold Fields (ConsGold) battle is set to take a dramatic twist this week with mounting speculation of a full-scale bid for Newmont Mining and the revelation that ConsGold's 38% associate Gold Fields of SA (GFSA) has been planning a R500m rights issue, in spite of denials by ConsGold in London

Documents in the possession of The Sunday Telegraph show that the board of GFSA (which includes Rudolph Agnew and two members of the ConsGold board) was circulated with details of the rights issue plan in a memo dated April 13

But in a statement on April 26, a ConsGold spokesman said "There is no GFSA rights issue"

Rights plan

Minorco has protested to Britain's Takeover Panel that the rights plan is a "material fact" which should have been disclosed by ConsGold and mentioned in documents covered by responsibility statements It is furious not just about the omission, but at the denial when it raised the issue with ConsGold on Wednesday

ConsGold chairman Agnew said on Saturday "We have no knowledge of a rights issue It has not been raised with us (ConsGold) formally

"GFSA has been looking at ways of financing its developments These included selling off investments

"I have not seen the memorandum As far as I know, the rights issue has not been formally recommended"

The memorandum, from GFSA director B R van Rooyen, says that the cash was needed to fund new projects such as the Northam platinum mine.

It goes on "The executive believes it would be prudent to raise between R500m and R600m by way of a rights issue to shareholders

"Market conditions are more favourable than they have been for some time

"Indeed, if our principal shareholder had not been preoccupied with other matters, the executive would have recommended a rights issue be mounted in the first quarter of 1989

"The executive is of the opinion that further delay would not be wise This memorandum therefore is designed to provide the directors with an early warning of the company's funding requirements and to enable them to consider the principles involved in advance of the event"

The Sunday Telegraph says it has also seen excerpts of detailed notes of a GFSA board meeting on April 18

Largest shareholder

These reveal that GFSA chairman Robin Plumbridge said that the largest shareholder (ConsGold) "is aware of the fact that GFSA is thinking of a rights issue".

Plumbridge himself sits on the ConsGold board

GFSA holds a 7,8% stake in ConsGold and Agnew's reference to the option of "selling off investments" hits the rawest of nerves

This is because GFSA has stayed fiercely loyal to ConsGold and has refused to accept the Minorco offer, even though acceptance would have brought in R650m in cash to the heavily geared company and obviated the need for any cash call. — The Sunday Telegraph

Minorco-ConsGold battle to take new twist

Own Correspondent

LONDON — The Minorco-Consolidated Gold Fields battle is set to take a dramatic twist this week with mounting speculation of a full-scale bid for Newmont Mining and the revelation that ConsGold's 38% associate, Gold Fields of SA, has been planning a R500m rights issue, despite denials by ConsGold here

Documents in the possession of The Sunday Telegraph show the board of GFSA (which includes ConsGold chairman Rudolph Agnew and two members of his board) was circulated with details of the rights issue in a memo dated April 13 But ConsGold denied knowledge of the issue in a statement on April 26 Minorco has protested to Britain s Takeover Panel that the rights plan is a 'material fact" which should have been disclosed by ConsGold and mentioned in documents covered by responsibility statements

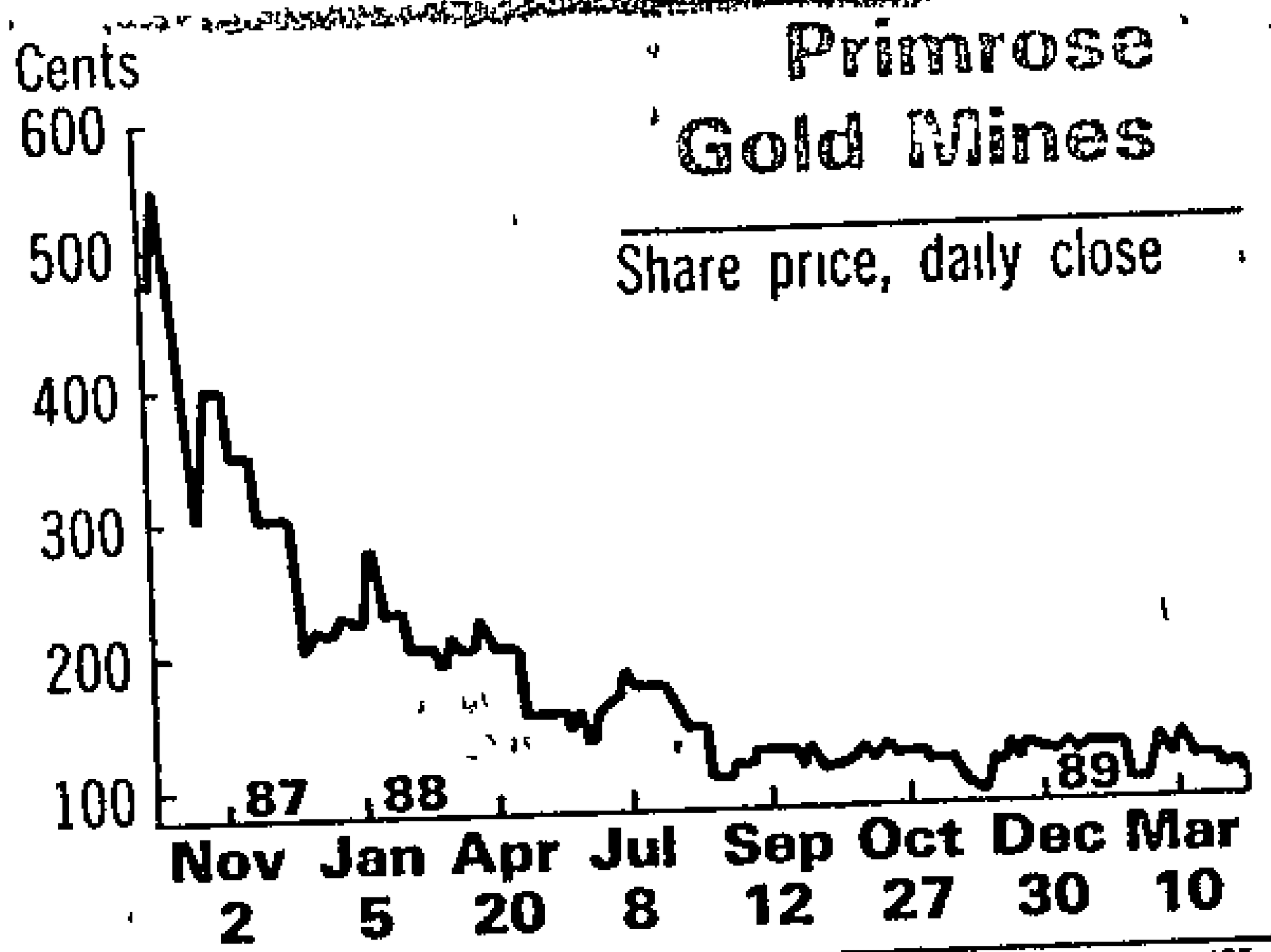
Agnew said at the weekend "We have no knowledge of a rights issue It has not been raised with us (ConsGold) formally GFSA has been looking at ways of financing its developments These included selling off investments '

The memorandum, from GFSA executive director B R van Rooyen, says the cash was needed to fund new projects such as the Northam platinum mine

□ CHERILYN IRETON reports Van Rooyen confirmed last night no decision had been taken regarding a rights issue

"GFSA has a large number of new projects which will have to be financed in due course We recently raised this at a board meeting and the board asked to be given further details However, no decision has been taken and there is no imminent rights offer," he added

BD 2/5/89 214



Graphic, FIONA KRISCH Source JSE

Stayers emerge among independent gold mines

BDay 21/5/89 REINIE BOOYSEN (214)

THE stayers among SA's small independent gold mines are gradually emerging from the disappointments which many individual investors suffered on the JSE during the last two years

Gradual hard-earned improvements in profitability are a feature of the quarterly results of some small mines during the March quarter Although most are far from the forecast earning levels in their prospectuses, they are learning to be realistic in their expectations

The usual recovery formula has been to cut back on tonnage, improve recovered grade, and concentrate single-mindedly on working costs per kilogram of gold produced Managements have realised the necessity of "hands-on" involvement with the mines' problems

Primrose Gold Mines lifted grade to 5,7g/t (5,42g/t), and contained working costs to R146,23/ton milled (R143,84) With working costs per kilogram of gold produced down to R25 648 (R26 562), working profit rose to R691 000 (R638 000) — despite the fall in the average gold price received, to R31 043/kg (R31 793/kg)

Gold production has been lifted from about 60kg in the June quarter last year to 128kg this quarter

MD Jomo King says this is expected to rise to about 240kg within the next two and a half years, after the completion of the new gold recovery plant at the newly-acquired Waverley Mines section The plant will be capable of handling about 15 000t/month

Underground tonnage will also be boosted by the upgrading of the three current shafts The Glenluce shaft, which is being re-equipped, is due to come on stream on July 1, and it should build up to about 5 000t/month within a year after that, says King

The most notable improvements were achieved by the two Golden Dumps-managed mines, Consolidated Modderfontein and South Roodepoort, which benefited from the concentrated efforts of controlling shareholder and chairman Loucas Pouroulis, who has apparently devoted most of his time to these mines since he sold Lefkochrysos to Rand Mines in September last year

Cons Modder turned from a loss of R3m to a profit of R85 000 — albeit before capex — and South Roodepoort turned from a loss of R1,8m to a R342 000 profit

Another improved performance was reported by Osprey Gold Mine, which is finally starting to fund its capex requirements internally After settling its capex bill of R251 072 in the March quarter, it even had R90 435 left over to start repaying its debts of about R1,6m

Modder B Gold Holdings also appears to be settling into a profitable routine In the March quarter it managed a net profit of R253 130 (before capex), bringing profit for the nine months to March to R408 435, with capex of R63 000

PGA to seek R15m more for Vyfhoek

B/Day 31/5/84 REINIE BOOYSEN 214

POTCHEFSTROOM Gold Areas (PGA) is to raise about R15m via a rights offer to share- and option-holders to fund expenditure commitments to the Vyfhoek joint venture with Anglo

The money might also be used to fund PGA's share of a possible joint venture with Vaal Reefs to treat Dominion Reef slimes dams

PGA, according to its 1983 annual report, has a 6% subscription right and a 20% contributory participation interest in the Vyfhoek venture

This means it is obliged to contribute 20% of the costs of the venture or risk diluting its stake

PGA's contribution to exploration expenditure is limited to its share of R20m — R4m Beyond R20m the exploration costs will be funded by Anglo as a loan to the venture PGA is, nevertheless, obliged to continue contributing its share of mineral rights purchases

● WHYTE

The annual report says PGA and Vaal Reefs are negotiating terms of a joint venture to exploit about 4-million tons of slimes material arising from the old Dominion Reefs gold and uranium mine, which run at a grade of about 0,5g/t gold, 136g/t uranium and 0,68% sulphur

Chairman Ken Whyte said in the annual report a feasibility study conducted during the year revealed retreatment of the slimes for gold was economically viable at current gold prices and would result in significant cash flow contributions to PGA for about six years

Exploration within the so-called Potchefstroom Gap has increased significantly over the past few years after discovery of encouraging gold values at depth within the Bird (or Vaal) Reef

There are at present 20 rigs drilling the area and PGA has an interest in nine of these boreholes

New Central Wits recently announced Anglo would proceed with phase 2 of its exploration programme on Gerhardminnebron, north of PGA's areas of interest, at a cost of R50m

East Dagga gold shines 63% brighter

(214) BDay 31/5/89

ANDREW BUDDEN

EAST Daggafontein Mines, an investment holding company with rights to 12 gold dumps in the far East Rand, has lifted attributable earnings in the year ended March by 63% to R17,2m (R10,5m)

The company's wholly-owned subsidiary, Dumpco, sells dump material to Ergo's Daggafontein division, which refines it and sells the gold produced

In return, Ergo pays Dumpco half the net pre-taxed profit received from its dump material

Company earnings a share rose 54% to 120c (78c)

This was lower than the 63% increase of attributable earnings because share capital was enlarged during the year by a rights issue of 764 545 ordinary shares

Gold production at the Daggafontein plant, commissioned in March 1987, rose 30% to 3 629kg (2 784kg)

On higher production, pre-taxed profit grew 60% to R20,3m (R12,7m), despite generally declining gold prices in 1988 and the first quarter of 1989

Daggafontein plant, among the lowest cost producers in the world, maintained lower unit expenses, and refined gold at an average cost of R12 903/kg

In the March quarter the plant received a pre-taxed profit of R565 for each ounce of gold produced compared with an SA industry average of about R277/oz

This puts Daggafontein third on the list of lowest cost gold producers

A final dividend of 60c a share has been declared to put the total dividend for the year at 120c a share

City backs Minorco as Consgold still resists

(Afr Times 4/5/89 (Q) ZRC 282

From ROBERT GENTLE

LONDON — As the acrimonious battle between Consolidated Gold Fields and Minorco nears its climax tomorrow with the meeting of the Takeover Panel, City support is grudgingly swinging back to Minorco

While the Luxembourg-based investment company is by no means the blue-eyed darling of the local investment community, there is nevertheless the feeling that if only on a technical level, it is being unfairly treated

This is because despite having received acceptances from ConsGold shareholders giving it 55% of the issued share capital — theoretical control by normal takeover rules — the ConsGold-backed US court injunction prevents Minorco from actually acquiring those and other shares

There is also the growing sentiment that somehow it is not right that the outcome of what is effectively a UK takeover should lie in the hands of a judge on the other side of the Atlantic

An analyst said it was not so much that the City had gone pro-Minorco — "many still can't stand Sir Michael Edwardes" — but that in the spirit of fair competition the rules of the takover game should apply

Finish the job

"They've got the requisite 50% and should be allowed to finish the job Whatever one might think about them privately is now really a side issue," said another

This sentiment has also been reflected in the quality press, where the once open pro-Rudolph Agnew line has been noticeably softened

The Sunday Times' Ivan Fallon wrote "I supported him in his fight for independence with as much vehemence as I could muster, but now that Minorco owns 55%, should it be deprived of its victory?"

He added that merchant bankers may "rue the day" they allow American courts to decide the outcome of British takeover battles

●First quarter profits at Newmont Mining, ConsGold's 49%-owned US gold mining company, were $9,4m, or 14c a share

This was considerably less than for the same period last year, when profits were $114m, or 70c a share However, these included substantial one-off gains from sale of stock and asset disposals

It is Newmont Mining which is behind the controversial US court injunction preventing Minorco from acquiring more ConsGold shares However, Minorco contends that the whole action is being orchestrated by ConsGold here in London, despite the latter's claims that it has no control over its US operation

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Standing at the gates of victory, waiting for a US court ruling

Minorco — look, but don't touch

An injunction by a New York court is preventing Minorco from claiming victory in its £3,5 billion (about R15,4 billion) bid for Consolidated Gold Fields

Although Minorco last week claimed a financial victory, by receiving acceptances from about 55 percent of shareholders for the bid, the offer could be foiled by the US court

SVEN LUNSCHE examines the troublesome relationship between the Anglo American/De Beers mining empire and the US courts and looks at the options left to Minorco to lift the court injunction

For 20 years Mr Harry Oppenheimer did not see his Manhattan flat and directors of his huge Anglo American/De Beers empire would not dare set foot on American soil without fear of arrest

The history goes back to World War II days when Mr Oppenheimer's father, Sir Ernest Oppenheimer, attempted to establish De Beers diamond marketing cartel in the United States

It ended in shame for De Beers when a grand jury in 1974 indicted them of a conspiracy to rig prices

Dropped

De Beers sister company Anglo American did not fare much better and closed its New York offices after one of its subsidiaries became the subject of a Justice Department investigation, also in 1974

The investigation was dropped and relations between Anglo/De Beers and the US courts seemed to normalise — Anglo American, through its various subsidiaries, developed into one of the biggest foreign industrial investors in the US during the early 1980s

But things changed dramatically this year A New York court ruling now seems set to foil Anglo's attempt to enhance its position as the world's leading mining conglomerate

The court injunction prevents Minorco, Anglo American's international investment arm from raising its stake in the biggest UK mining group, Consolidated Gold Fields, above its current 30 percent holding

Minorco has won the battle on financial grounds by declaring last week that over 54 8 percent of shareholders had accepted the £3,5 billion offer for Consgold the biggest in British takeover history

But the celebration was low key as the outcome now depends on the settlement of the US court action

Minorco headed by the fiercely independent Sir Michael Edwardes has offered to put up a $300 million (about R750 million) bond and given assurances that it would sell Consgold's subsidiaries — US-based Newmont Mining, Gold Fields of South Africa and Australian mining group Renison Consolidated — if the bid succeeds

But they have failed twice already owing largely to the prevailing mistrust by US judges of anything remotely associated with Anglo American.

The Anglo group's record in circumventing legal restrictions and engaging in anti-competitive behaviour is not reassuring, said Judge Michael Mukassey in his judgement three weeks ago

Minorco head Sir Michael Edwardes

Diary of a bid

Sept 21 — Minorco launches R12,8 bn bid for ConsGold
Sept 24 — Mr Agnew asks Lord Young to probe alleged insider dealing in ConsGold shares
Sept 28 — Lord Young tells Mr Agnew the DTI is considering an inquiry into dealings in ConsGold shares
Oct 11 — Newmont Mining and ConsGold sue Minorco in New York, alleging anti-trust and securities violations
Oct 19 — Lord Young appoints inspectors to investigate allegations of insider dealing
Oct 21 — New York court hearing begins on action brought by Newmont anf ConsGold
Oct 25 — Lord Young refers bid to Monopolies Commission
Oct 26 — European Commission announces bid inquiry
Oct 31 — DTI announces that Monopolies Commission will investigate dealings in shares
Dec 13 — Johannesburg stock exchange says it can find no evidence of insider dealing in ConsGold shares
Feb 2 — Monopolies Commission clears takeover
Feb 17 — European Commission says it will not stop a Minorco bid for ConsGold, provided Minorco agrees to sell platinum interests of ConsGold
Feb 20 — Minorco makes new R14 billion bid
March 18 — First closing date acceptances covering just 0,2 percent of ConsGold shares
March 23 — Court ruling in US threatens to stop Minorco ConsGold shares slump 175p to £12,44
March 29 — Minorco offers to put up R750 million bond and sell holdings in Newmont, Renison and GFSA in an attempt to overcome American court ruling
April 10 — Minorco raises offer to R15,4 billion
April 17 — Another American court ruling against Minorco
April 24 — Minorco fails to get American court to lift the injunction that stops it from raising its stake in ConsGold above 30 percent
April 26 — Minorco claims acceptances in respect of 54 8 percent of ConsGold shares ConsGold board continues legal fight in American court

And he was repeatedly scornful of Minorco's promises "South African laws enable South African companies to conceal the source of their overseas investments The Anglo group could easily use those laws to help create new entities to recapture the three companies"

Judge Mukassey has indicated that the court needed jurisdiction over Minorco's ultimate owners Anglo American and De Beers and had representatives of the two companies appeared in court, Minorco would have had a better chance of satisfying the judge, say lawyers

But De Beers has again been named in US anti-trust suits because of the diamond cartel. So executives did not attend the hearing

Given this barrage of criticism it is not surprising therefore that most analysts remain sceptical of a Minorco victory, but the prospect that a US federal judge can block a takeover of such magnitude has sent tempers soaring

"The issue is in London, not in an American court, Sir Michael said recently "I would say that 55 percent is a pretty powerful position to have in any company"

However, he has partly himself to blame for the dilemma. The bid was made conditional on the outcome of the US court hearing and Sir Michael is left pondering his options

A meeting of the UK Takeover Panel later today will be crucial

At the meeting, the Panel will decide whether the bid expiry date can be extended beyond the May 17 deadline

If there is no extension, the bid is likely to fail — Minorco is unlikely to have the time to reverse the injunction in the US court and it will also be unable to call an extraordinary general meeting so that shareholders can vote on whether the Consgold board should abandon legal action

The good news for Minorco is that the Takeover Panel is likely to grant the extension The bad news is that Consgold's board, headed by its abrasive chairman Mr Rudolph Agnew, has indicated it would not drop the court action even if a majority of shareholders request it to do so

A majority of 75 percent at a special shareholders meeting would force Mr Agnew to adhere to shareholders wishes, but according to analysts this is unlikely

Consgold head Mr Rudolph Agnew

Even more worrying for Sir Michael is the fact that Consgold's US associate Newmont Mining has stated that it would not drop the US court action even if Consgold was forced to do so

However Minorco could argue that Newmont's independent action is proof that Consgold does not control Newmont and would not do so even if Minorco succeeds in its bid for the UK mining giant

Flavour

Another silver lining for Minorco is that Newmont itself could be subject to a takeover bid by one of its North American rivals in which case the injunction would be lifted virtually immediately

Despite the worldwide implications of the bid the takeover battle has a uniquely South African flavour Mr Agnew has worked for Consgold in South Africa and Mr Gordon Parker, the head of Newmont, was born and educated in Cape Town and still retains strong links with South Africa

Sir Michael, of course, is South African and despite his long association with major British companies like British Leyland, he concludes his interviews with South African journalists with a colloquial tot siens

However, it is this strong South African connection which could well foil Sir Michael's most ambitious business venture to date

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Shareholders at Wit Nigel ponder future

By Derek Tommey

May 12 will be a day of decision for shareholders in the Wit Nigel Gold Mine. They will be asked at a general meeting to approve the virtual takeover of Wit Nigel Gold Mine by the Nigel Gold Mine and Nigel's plans to rationalise the two operations

Last month Nigel announced that it had acquired a 56,7 percent stake in Wit Nigel by an exchange of shares and the acquisition of Wit Nigel shares from Egoli, also by a share exchange.

Six million of the 16,8 million Nigel shares which Wit Nigel has acquired as a result of the share exchange are to be used to repay a R3 million loan from the Bank of Lisbon.

The bank has agreed to a three-year moratorium on the R2,8 million still outstanding

Glen Laing, managing director of Southgo, which controls Nigel, says good progress is being made in devising a new mining plan and strategy for Wit Nigel's large mining title.

This adjoins Nigel's lease area and offers "most exciting opportunities for combining and rationalising operations and making the merged mining venture profitable", he says.

"Linking the mining properties on the south-east rand is the only way of making mining and dump treatment produce impressive profit figures.

"Broadly the plan is to reduce Wit Ngel's underground production, to cease milling ore at Wit Nigel and to treat it at Nigel's No 2 plant, which has excess capacity.

"Depending on feasibility studies, this plant could then be converted to treat material from Wit Nigel's tailing dumps," he says.

Mr Laing does not spell out the benefits in hard cash that will accrue to Wit Nigel shareholders.

However, in view of Wit Nigel's sorry history of losses, shareholders will no doubt welcome a shining knight who seems likely to put the mine on its feet.

Nonetheless, Wit Nigel shareholders would probably like Southgo to be a little more precise about what the merging of the mine will mean to them in terms of tributing agreements and dividends on Nigel shares.

Change in takeover law studied

(214)

13/04/5/5/89

Own Correspondent

LONDON — Minorco's bid for ConsGold has highlighted the proposition that the current trigger point at which a bidder is obliged to make a mandatory offer should be reduced, the Financial Times said in its editorial yesterday

The bid has also highlighted the proposition that companies should not have complete freedom to make takeover offers if they themselves are bid-proof, for one reason or another

According to the Financial Times, both propositions — the subject of much discussion at the Confederation of British Industry (CBI) — were "dubious"

"At present a predator is obliged under the Takeover Code to make a general offer for a company once its shareholding in the target company passes 29,9%

"The director-general of the CBI has called for that trigger to be reduced to perhaps as low as 15% and, although the idea was politely dismissed by the CBI's own companies committee, this month's council meeting may well conclude that the Takeover Panel should be asked to lower the threshold from the current level"

It would be surprising if the panel agreed to such a request

The object of the 29,9% trigger point was not to put a handicap on bidders, but to ensure equality of treatment for shareholders "at a moment when effective control changes hands"

The suggestion that bids automatically be referred to the Monopolies Commission if the bidder itself is bid-proof was also "open to question"

"The government would have to consider some form of intervention as the current takeover rules were placing British companies at a clear disadvantage in the international marketplace, or were providing an open door to undesirable bidders," the editorial said

However, it added "The case for interfering with the freedom of the market is not proved"

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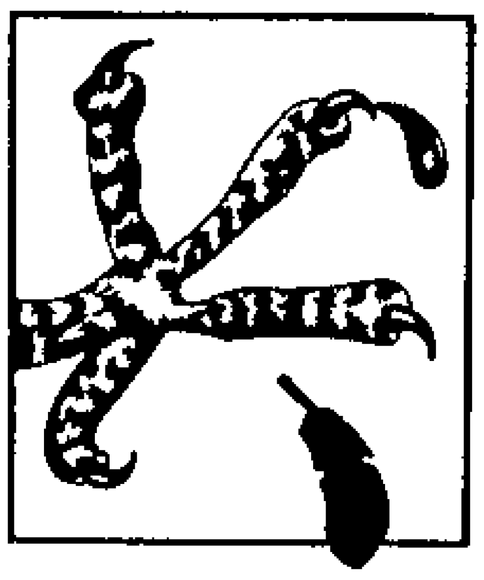
MINORCO/CONS GOLD

'Control' may not be enough

■ Minorco still faces large hurdles in its battle for Cons Gold



Rudolph Agnew, abrasive chairman of Consolidated Gold Fields (Cons Gold), seemed increasingly near the end of his tether as he flew to the US at the weekend for a board meeting of Cons Gold's 49%-owned Newmont associate He still refused to concede defeat in the battle for Cons Gold, despite Minorco's 55% acceptances, but one by one his reasons for resistance were crumbling

Agnew is trying to continue the battle on two main fronts He refuses to withdraw the private anti-trust suit brought by Cons Gold in New York, alleging that Anglo American, through Minorco, is bent on establishing a world gold cartel And he insists that Minorco's 55% acceptances mean that only just over a third of independent shareholders support the bid — insufficient, he says, for Cons Gold to drop the action

Anti-trust suits are normally brought by governments In this case, Cons Gold and Newmont persuaded a New York court that they are the only possible policeman of Anglo's alleged monopoly plans in the world gold market Therefore, they argue, either Minorco's takeover of Cons Gold or the group's dismemberment will create a vacuum

The clincher for the court was that total gold output of Cons Gold and Anglo would top 30% of annual world non-communist production, the level which triggers a presumption of illegality in the US When Minorco responded with a commitment to sell Newmont and Renison, Cons Gold's Australian arm, Cons Gold convinced the court that Anglo could not be trusted to abstain from selling either interest to an offshore trust, or to a competitor in return for other favours

If the case comes to full trial, Cons Gold and Newmont will have to argue what they know to be untrue — that the world gold market could be cartelised by producer interests despite the existence of thousands of tons of gold in central bank vaults and individual hoards

Cons Gold and Newmont will also have to sustain the argument that they are the only possible counterweight to Anglo On this, they surely have an exaggerated idea of their importance In the sunrise gold mining industries of the US, Australia and Canada, combined Anglo-Minorco-Cons Gold-Newmont production falls well short of any conceivable threshold

According to latest estimates by Shearson Lehman, US output will exceed 250 t in 1989 Newmont will account for 45 t, CGF 10 t and Minorco a nominal amount That leaves nearly 200 t — 80% — in the hands of aggressive, low-cost producers such as Placer Dome, RTZ/BP, Amax and American Barrick, and a score of smaller groups In Australia, Newmont and Cons Gold have less than 10% of current output The anti-trust action is so specious that it is hard to take seriously, if it ever comes to court, Cons Gold executives will have a problem giving evidence without falling foul of the perjury laws Yet as long as the injunction remains in force, Minorco cannot legally acquire any Cons Gold shares tendered to it and the stalemate continues

Edwardes

On Agnew's second count, Minorco's supposed lack of a clear majority, he also seems to be losing ground Since announcing the result, Minorco has kept a low profile and pursued a policy of winning institutional hearts and minds, on the view that UK institutions, with 42% of Cons Gold, hold the key Cons Gold claims that only four of its 30 main institutional shareholders supported Minorco, Minorco claims 17 did

The Cons Gold board has obtained a legal opinion that its duty is to the company, not the shareholders On the back of this, the board argues that it must continue the New York court action That might have some theoretical justification if the US anti-trust action had merit which it does not

Agnew

Minorco's view is that the board is in breach of general principle seven of the UK Takeover Code which lays down that a target company should not, other than with the approval of shareholders, take any action that results in a bid being frustrated UK institutions seem increasingly uncomfortable with two points that a New York court can thwart the UK's biggest-ever takeover, when it has obtained all the clearances required in the US UK and Europe, and that a majority of shareholders, at the end of a seven-month bid, can be defied by their board Even institutions opposed to Minorco or Anglo are unhappy with the conduct of a board which decides arbitrarily to disenfranchise shareholders it doesn't like

Minorco calculates that these fears can be exploited and UK institutions brought to put unendurable pressure on the Cons Gold board The immediate test of this strategy will come on Friday, when the full Takeover Panel will rule on Minorco's request for an extension of the bid timetable The panel has heard submissions from both parties

If it agrees to extend beyond the final closing date of May 17, Minorco has the option of calling an EGM of Cons Gold to vote on a resolution in favour of dropping the New York lawsuit An extension might also enable Minorco to appeal the latest ruling maintaining the injunction in the New York court But it is sceptical about both the timing and outcome of an appeal, which it feels might not be worth the effort

The UK press, solidly against Minorco until acceptances were counted is having second thoughts, perhaps reflecting institutions' shifting mood There is praise for Agnew's defence, despite its £25m-plus cost, and condemnation of Minorco's campaign and Sir Michael Edwardes in particular

But now the feeling is that enough is enough "Agnew should end the agony" is the *Evening Standard*'s view, while *The Sunday Times*, vehemently against Minorco

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from the outset, sees failure to concede as "Cons Gold sets bad precedent"

Agnew has faced down all the pressure put on him, but it is becoming irresistible What was once a justifiable fight against a much larger opponent now defies commonsense Surrender is a bitter pill, but sooner or later Agnew may have to swallow it

But what if he doesn't? And it's not only Agnew, but also the New York court and Cons Gold's co-plaintiff, Newmont Mining, that need to be persuaded — with Newmont perhaps the most difficult, unless a deal can be struck

Plumbridge

Where will Minorco stand if its seven-month battle ends in defeat? Even if the London Takeover Panel grants an extension, the clock has become Minorco's biggest enemy As one London commentator put it, what began as high drama is in danger of ending as low farce

Lessons can be drawn from the way the drama developed The way that Cons Gold conducted its defence, and the degree of success it achieved, shows how vulnerable any company with major SA shareholders is when making a hostile bid in international markets Having retained a large and costly retinue of legal and financial advisers, Cons Gold concentrated its defence largely on the SA connection and the personalities and history of Anglo and De Beers

Financial and business considerations were downplayed One local analyst noted that Cons Gold's net asset value had been grossly overstated in London and management had done nothing to set the record straight He added that Cons Gold had unforgivably not given a profit forecast for 1988-1989, though the financial year is almost 10 months complete, instead it indulged in wild speculation about 1989-1990, 1990-1991 and 1991-1992 — years for which it knows nothing about the gold price or the international economy — and recklessly promised to give away £1,36bn of shareholders' own money if earnings in those years do not total 400p a share

Though there was initially disappointment in London that the final offer was not higher, it's now more widely recognised that Minorco's price in fact was highly attractive One analyst says there is a strong camp within Anglo itself that believes £15,50 excessive — "some of them think Minorco have gone out of their bloody minds," he says

Even so, given that Minorco already held 30%, its capture of acceptances from only another 24,92% hardly ranks as an overwhelming victory Evidently price was not the only consideration Cons Gold's defence aside, analysts believe part of the reason lies in the poor acceptability of Minorco's paper in London, which in turn is rooted in the company's own lacklustre history

Net worth per share by the end of the 1988 financial year was only slightly higher than in 1983, its dividend growth has been pedestrian, and the price has long stood at a big discount to NAV

Critics also pointed to the historical lack of management at Minorco But that is what this bid is about Until 1987, Minorco was simply a passive investment portfolio, mainly holding interests in associates — the only holding of more than 50% was 56% (42% of the votes) in Inspiration Resources — and cash flow comprised dividend income from companies it did not control

The structure of Minorco largely reflects its history Originally Zambian Anglo American, it became Bermudan-domiciled and changed its name in 1970, to re-invest the proceeds from the nationalisation of its Zambian copper mines Subsequent deals included acquiring 30% of Engelhard, 36% of Charter Cons, selling a holding in Salomon Inc for $1,4bn, and acquiring the Cons Gold stake through a controversial "dawn raid" When the bid for Cons Gold was announced, the directors said it was part of a new strategy of turning Minorco into an actively managed company with operational and cash flow control over core assets

Mick Oliver of James Capel, house broker to Minorco, points out that the conventional wisdom of investing in associates must be questioned Far from paying out substantial dividends, associates wish to re-invest much of their cash flow to grow themselves

Oliver concludes that Minorco could not compete effectively over the medium term because cash flow in the form of dividends is severely limited "So the forced sale of assets, rights issues or debt become the only options open to compete against associates able to control their own cash flow," he says Even without Cons Gold, then, logic suggests the transformation of Minorco will continue

But the approach may have to change Minorco has made a number of uncontested acquisitions, generally minority stakes, in smaller companies such as Adobe Resources Though it surely knew Agnew would fight, Minorco chose to start implementing its strategy with a hostile bid for one of the bigger fishes in the natural resources arena Apart from the political and emotive defence, some of it homing in on Anglo's historical record in the US, the result also exposed astonishingly poor personal relationships between some directors of the groups

Even after Minorco won acceptances for more than 51% of Cons Gold GFSA chairman Robin Plumbridge clung to a stance not to accept the offer until it is fully unconditional and all legal qualifications have been lifted Yet if Plumbridge's board accepts and the offer succeeds, GFSA and Drie Cons (which together hold the Cons Gold stake) stand to make a huge capital gain

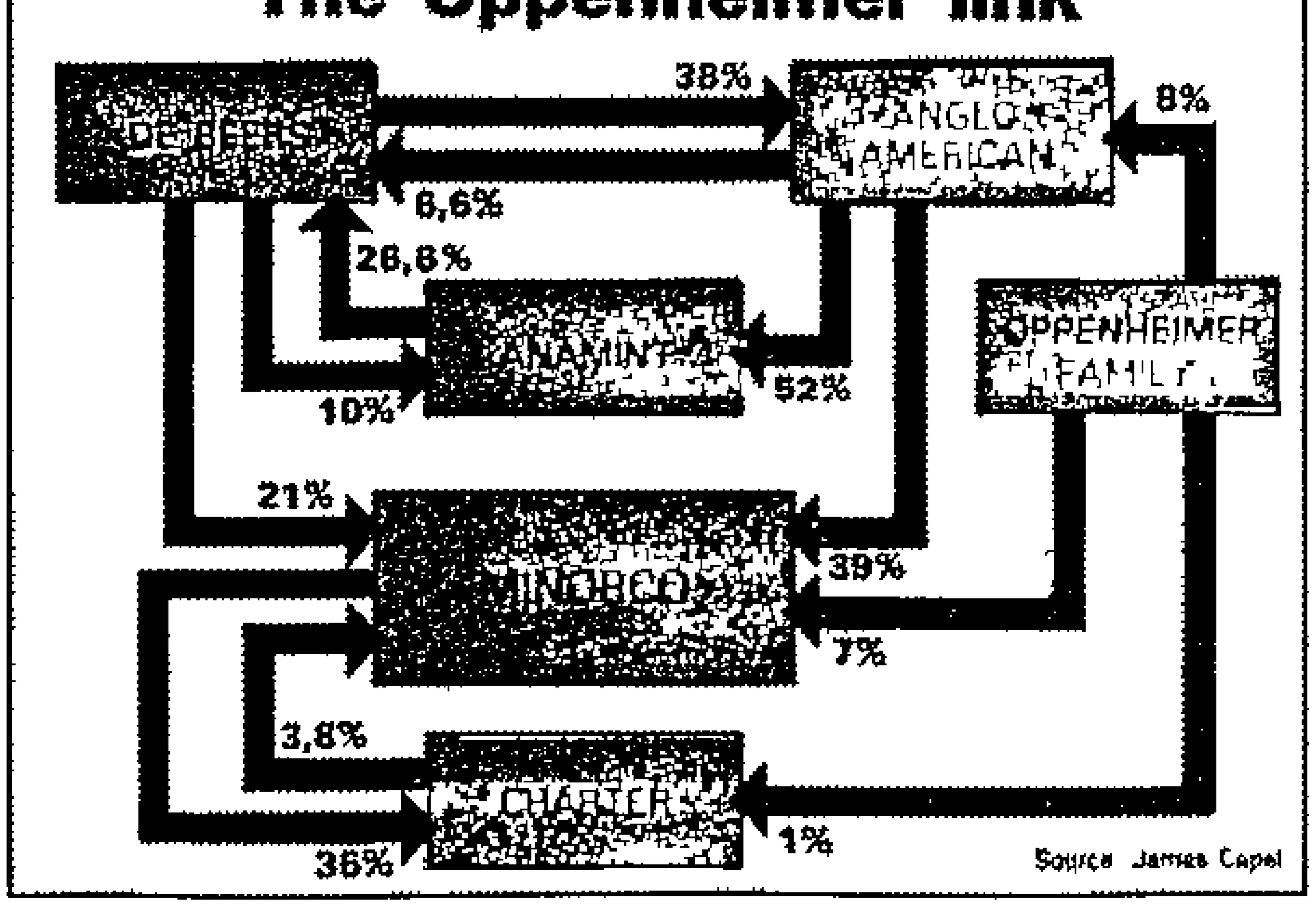
Of course, the fate of Cons Gold's 38% of GFSA is no foregone conclusion Analysts note that if it goes to Rembrand, Plumbridge may become even more independant, if it goes to Gencor the implications are less clear, but he could end up out of a job

In many companies, heads might roll in the event of a bid as costly as Minorco's failing But that can almost certainly be ruled out should this one not come off Julian Ogilvie Thompson, chairman of Minorco and De Beers, is one of three deputy chairmen of Anglo and looks unassailably placed to succeed Gavin Relly as chairman of Anglo He has a powerful supporter Last year, at De Beers' centenary banquet, Harry Oppenheimer described Ogilvie Thompson as "a very great businessman He is, technically, in my opinion, better equipped for (the chair of De Beers) than any of his distinguished predecessors"

With or without Cons Gold, Minorco's strategy will continue - but it will be surprising if there are many more hostile bids Friendly takeovers seem more probable

The problem is, if the object is to build an actively managed company controlling its own assets, that could narrow the field considerably And after asset shuffling is complete Minorco will have to show that it can manage an operational business ■

The Oppenheimer link



City support swings back to Minorco as panel meeting looms

Bl Day 3/5/89 (214)

ROBERT GENTLE

LONDON — As the acrimonious battle between Consolidated Gold Fields and Minorco nears its nail-biting climax today with the meeting of the Takeover Panel, City support is grudgingly swinging back to Minorco

While the Luxembourg-based investment company is by no means the blue-eyed darling of the local investment community, there is nevertheless the feeling that, if only on a technical level, it is being unfairly treated.

This is because, despite having received acceptances from ConsGold shareholders giving it 55% of the issued share capital — theoretical control by normal takeover rules — the ConsGold-backed US court injunction prevents Minorco from actually acquiring those and other shares.

There is also the growing sentiment that it is not right that the outcome of what is effectively a UK takeover should lie in the hands of a judge on the other side of the Atlantic

□ First-quarter profits at Newmont Mining, ConsGold's 49%-owned US gold mining company, were $9,4m, or 14c a share.

It is Newmont Mining which is behind the controversial US court injunction preventing Minorco from acquiring more ConsGold shares.

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Standing at the gates of victory, waiting for a US court ruling

Minorco — look, but don't touch

An injunction by a New York court is preventing Minorco from claiming victory in its £3,5 billion (about R15,4 billion) bid for Consolidated Gold Fields. Although Minorco last week claimed a financial victory, by receiving acceptances from about 55 percent of shareholders for the bid, the offer could be foiled by the US court. **SVEN LUNSCHE** examines the troublesome relationship between the Anglo American/De Beers mining empire and the US courts and looks at the options left to Minorco to lift the court injunction

For 20 years Mr Harry Oppenheimer did not see his Manhattan flat and directors of his huge Anglo American/De Beers empire would not dare set foot on American soil without fear of arrest.

The history goes back to World War II days when Mr Oppenheimer's father Sir Ernest Oppenheimer, attempted to establish De Beers diamond marketing cartel in the United States

It ended in shame for De Beers when a grand jury in 1974 indicted them of a conspiracy to rig prices

Dropped

De Beers sister company Anglo American did not fare much better and closed its New York offices after one of its subsidiaries became the subject of a Justice Department investigation also in 1974

The investigation was dropped and relations between Anglo De Beers and the US courts seemed to normalise — Anglo American, through its various subsidiaries developed into one of the biggest foreign industrial investors in the US during the early 1980 s

But things changed dramatically this year A New York court ruling now seems set to foil Anglo s attempt to enhance its position as the world's leading mining conglomerate.

The court injunction prevents Minorco, Anglo American s international investment arm, from raising its stake in the biggest UK mining group, Consolidated Gold Fields above its current 30 percent holding

Minorco has won the battle on financial grounds by declaring last week that over 54,8 percent of shareholders had accepted the £3 5 billion offer for Consgold the biggest in British takeover history

But the celebration was low key as the outcome now depends on the settlement of the US court action

Minorco, headed by the fiercely independent Sir Michael Edwardes has offered to put up a $300 million (about R750 million) bond and given assurances that it would sell Consgold's subsidiaries — US-based Newmont Mining, Gold Fields of South Africa and Australian mining group Renison Consolidated — if the bid succeeds.

Minorco head Sir Michael Edwardes

But they have failed twice already owing largely to the prevailing mistrust by US judges of anything remotely associated with Anglo American

"The Anglo group's record in circumventing legal restrictions and engaging in anti-competitive behaviour is not reassuring," said Judge Michael Mukassey in his judgement three weeks ago

And he was repeatedly scornful of Minorco's promises "South African laws enable South African companies to conceal the source of their overseas investments The Anglo group could easily use those laws to help create new entities to recapture the three companies."

Judge Mukassey has indicated that the court needed jurisdiction over Minorco's ultimate owners, Anglo American and De Beers, and had representatives of the two companies appeared in court, Minorco would have had a better chance of satisfying the judge, say lawyers.

But De Beers has again been named in US anti trust suits because of the diamond cartel. So executives did not attend the hearing

Given this barrage of criticism it is not surprising therefore that most analysts remain sceptical of a Minorco victory, but the prospect that a US federal judge can block a takeover of such magnitude has sent tempers soaring

"The issue is in London, not in an American court, Sir Michael said recently I would say that 55 percent is a pretty powerful position to have in any company"

However he has partly himself to blame for the dilemma. The bid was made conditional on the outcome of the US court hearing and Sir Michael is left pondering his options

A meeting of the UK Takeover Panel later today will be crucial

At the meeting the Panel will decide whether the bid expiry date can be extended beyond the May 17 deadline

If there is no extension, the bid is likely to fail — Minorco is unlikely to have the time to reverse the injunction in the US court and it will also be unable to call an extraordinary general meeting so that shareholders can vote on whether the Consgold board should abandon legal action.

The good news for Minorco is that the Takeover Panel is likely to grant the extension The bad news is that Consgold s board headed by its abrasive chairman Mr Rudolph Agnew, has indicated it would not drop the court action even if a majority of shareholders request it to do so

A majority of 75 percent at a special shareholders meeting would force Mr Agnew to adhere to shareholders wishes, but according to analysts this is unlikely

Even more worrying for Sir Michael is the fact that Consgold s US associate Newmont Mining has stated that it would not drop the US court action even if Consgold was forced to do so

However Minorco could argue that Newmont's independent action is proof that Consgold does not control Newmont and would not do so even if Minorco succeeds in its bid for the UK mining giant

Consgold head Mr Rudolph Agnew

Flavour

Another silver lining for Minorco is that Newmont itself could be subject to a takeover bid by one of its North American rivals, in which case the injunction would be lifted virtually immediately

Despite the worldwide implications of the bid the takeover battle has a uniquely South African flavour Mr Agnew has worked for Consgold in South Africa and Mr Gordon Parker, the head of Newmont, was born and educated in Cape Town and still retains strong links with South Africa

Sir Michael of course is South African and despite his long association with major British companies like British Leyland he concludes his interviews with South African journalists with a colloquial totsiens

However it is this strong South African connection, which could well foil Sir Michael's most ambitious business venture to date

Diary of a bid

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COMPANIES

Bday 5/5/89

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Journal warns of trade war if Minorco bid fails

Own Correspondent

NEW YORK — Entrenched managers worldwide would be encouraged to "come running" to US courts to stop unwanted takeovers if the Minorco bid was defeated, the Wall Street Journal said in an editorial yesterday

The editorial was a response to the takeover battle between Minorco and ConsGold, which is being fought in a New York court

Minorco announced last week its $4bn offer led enough Gold Fields shareholders to tender their stock to give it 55%, enough to complete the takeover Under British law, Minorco has until May 17 to complete the transaction

It was possible Gold Fields shareholders would force management to drop the US lawsuit, and Britain might waive the May 17 deadline to give Minorco more time, the editorial said

However, the only sure loser so far was the "costly and erratic" US court system, which had proved once again why its reach did not deserve to extend the world over

New York Federal Judge Michael Mukasey had made the deadline nearly impossible by welcoming Gold Fields into court to "agitate questionable US anti trust issues", it said

Everyone agreed Britain was the location of the takeover fight, because only 2,5% of Gold Fields stock was owned by US residents, and only 50 000 of Gold Fields' shares were held directly by US residents, the editorial said

In addition, the extra-territorial application of one judge's view of US anti-trust law was "grapeshot that could lead to a trade war"

"If the Minorco bid is defeated, there will be a lot of angry British shareholders of Gold Fields robbed of the premium of the tender-offer price"

Standing at the gates of victory, waiting for a US court ruling

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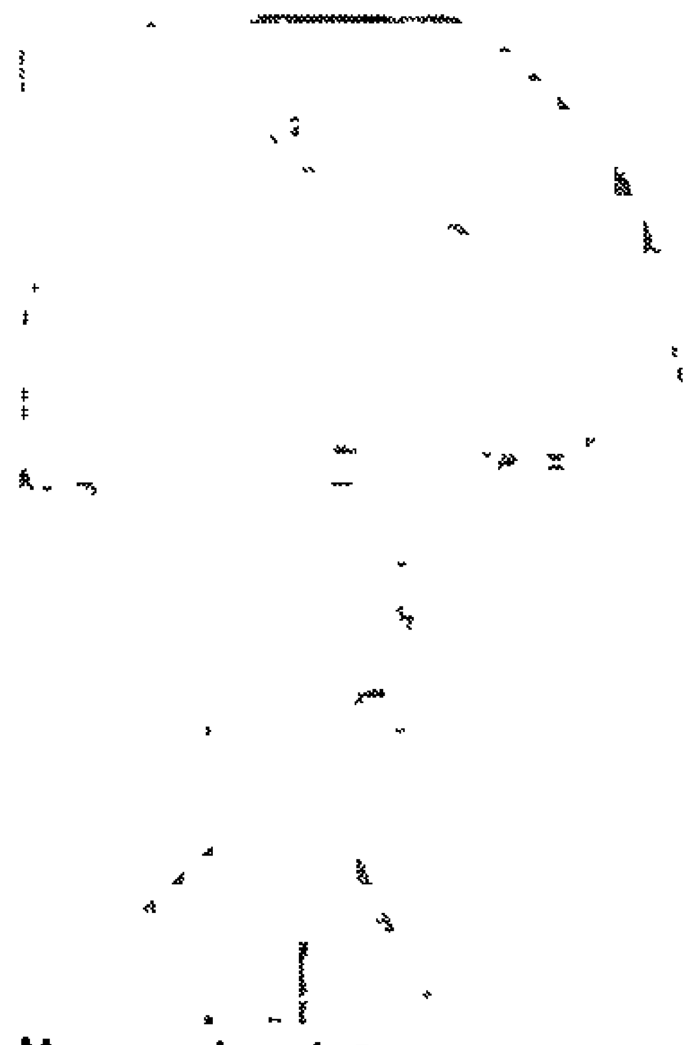

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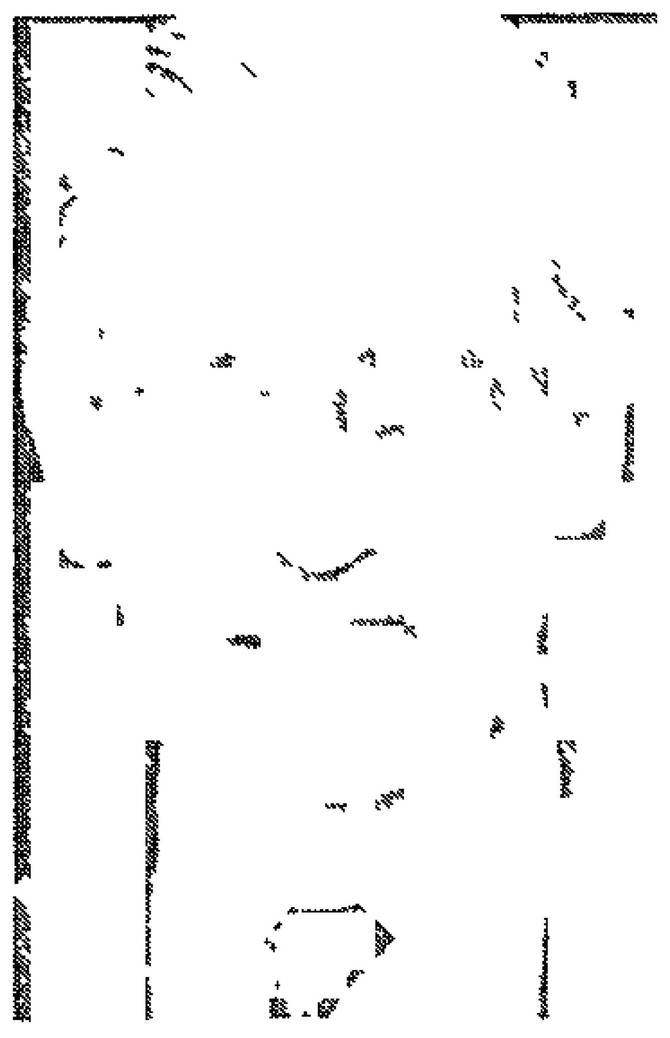

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Few marginal gold mines face closure

GEC w/t mus 6/5/89 214

Business Staff

EVEN if the rand gold price continues languishing in the doldrums for months, few marginal mines are in danger of closing, say gold analysts

The mines at risk are not those belonging to the big groups, since these can always survive by way of rights issues, but rather the smaller, independently owned operations.

Assuming the rand gold price does continue at its present low levels — and gold analysts expect it to bottom out soon, perhaps by the middle of this month — the mines might even ask the government to reintroduce State assistance, say analysts

They could also be expected to follow the lead set by Gencor at its marginal mines, including Leslie, Bracken and Marievale, where cuts in staff and production levels are improving competitiveness

Davis Borkum Hare's Dave Giese says he doubts whether those mines that have been under pressure will be able to get out of the red this quarter

At the moment, about 20 percent of South Africa's gold is produced at a loss, which raises the possibility that mines might cut back production

"The present level of production is under pressure," says Mr Giese "Unless the rand weakens against the dollar, which I think it will do, I would be very wary of marginal mines that aren't in the Gencor stable"

As for the survival or death of mines, Mr Giese believes some mines, especially the independents, are at risk

"A little mine like Bracken has a finite life, regardless of the gold price Stilfontein would need an astronomical rise to have any hope of staying alive

"Wit Nigel too seems to be in a very precarious situation"

Altogether, Mr Giese thinks some 10 percent of South Africa's production would be at risk in the next year or so if the gold price does not improve

"But there won't be any sudden closures within the next six months And the rand is likely to weaken again, bailing out the gold producers once more"

Frankel Kruger's Rob Gillin believes there is little chance of the gold price staying at its present low level for much longer

"I reckon we're about at the bottom of the market now Until 1992 I'm expecting a reasonable run on gold shares"

Although Mr Gillin sees a possibility of three or four mines being forced to close, he thinks most will survive — if external factors don't come to their rescue soon — by cutting back on staff and production

BUSINESS DAY, Monday, May 8 1989

Minorco takeover outcome still hanging in the balance

ROBERT GENTLE

LONDON — The outcome of Minorco's £3,5bn takeover of ConsGold was still in the balance late on Friday after the Takeover Panel meeting failed to reach a decision

A spokesman said the meeting, which involves parties from the two sides as well as chairman of the takeover panel Lord Alexander, would run into this week

Submissions were heard by the two parties and representatives from their respective financial advisers

Minorco is trying to get a ConsGold-backed court injunction served last October in New York lifted so that it may complete the takeover It already has acceptances in respect of 55% of ConsGold's share capital, but cannot follow through while the injunction is still in force

The growing legal controversy over ConsGold's decision to use the US courts to block a takeover made in Britain intensified after the Wall Street Journal lined up behind Minorco

It said Imagine if a judge in mythical Ruritania tried to block a merger between two US companies by invoking strange anti-trust laws Everyone would probably ignore Ruritania as a joke"

Pointing out that only 50 000 ConsGold shares were held in the US, the Wall Street Journal said "The only sure loser so far is the costly and erratic US court system which has proven once again why its reach has yet to extend the world over"

Minorco gets UK ruling today

Star 9/5/89

214

LONDON — Britain's Takeover Panel is expected to rule today on the Minorco-Consolidated Gold Fields dispute

Minorco, which now has 54,8 percent of its target, claims Consgold is frustrating its offer by continuing a United States court action

Minorco's £3,5 billionbid will lapse if the litigation, which is based on anti-trust laws, is not resolved

The Luxembourg-based group launched its revised offer on condition of a settlement of an American civil action

The Takeover Panel met all-day last Friday to hear both sides of the dispute

The *London Times* said an unusual aspect of the submissions to the Panel was an address by Newmont Mining, the North American group 49 percent owned by Cons-Gold

"Newmont is individually party to a court action in the US which led to an injunction preventing Minorco from acquiring any more Consgold shares

"Minorco has argued that Consgold should withdraw its private action in deference to the number of assented votes, and persuade Newmont to withdraw its action" — Sapa

Takeover body rules for Minorco

MB6a5 9/8/89 2/14

By TOM HOOD
Business Editor

THE seven-month South African siege of the British mining giant Consolidated Gold Fields drew nearer victory today with a supporting ruling from Britain's Takeover Panel.

The R15-billion takeover bid by Minorco, the overseas investment arm of De Beers and Anglo American Corporation, has been blocked by court action in the United States instigated by ConsGold's directors.

The panel, led by Lord Alexander, ordered ConsGold to call a shareholders' meeting to approve this court action.

BIGGEST BATTLE

However, as Minorco (Minerals and Resources Corporation) controls almost 55 percent of ConsGold, a vote is pretty certain to put a stop to the court case.

The panel said ConsGold must "discontinue its litigation forthwith unless it is approved by shareholders".

The takeover battle has been Britain's biggest and most expensive.

● See page 16.

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TOP FINANCIAL JOURNALS BACK MINORCO BID

B Day REINIE BOOYSEN 9/5/89

MINORCO has not yet won the battle for control of ConsGold, but it certainly has the support of leading British and American financial journals

Last Wednesday, the Wall Street Journal set the tone by criticising the US legal system for interfering in an essentially British dispute

On Saturday, The Economist questioned ConsGold chairman Rudolph Agnew's decision to fight on against the Minorco bid, even though Minorco now controlled 54,8% of ConsGold's shares

The Economist said "His reason? His duty is to the company and not to its majority shareholders

"Plenty of Mr Agnew's fellow company chairmen would love to be able to cite this higher duty when dogged by irritable institutions or an aggressive takeover bid Yet, at face value, the idea is indefensible Shareholders own the company, the firm's interests and their own cannot, by definition, diverge

"Britain's Takeover Panel does require directors to take other interested parties, notably employees and creditors, into consideration when advising shareholders whether or not to accept a bid Their legal rights and the firm's long-term prosperity must be of interest to shareholders too

Convince

"Once more than half the shareholders have accepted, however, the bid is won The fact that Minorco already owned 30% of the firm, and thus had to convince only another 20% of shareholders to join its camp, is irrelevant If Minorco hurts ConsGold it is now hurting its own assets

"To make sense, what Mr Agnew has to be arguing is that Minorco's interests divert in some way from those of the 45,2% of shareholders that did not accept its bid

"That too is unlikely under British law (unlike in America) Minorco is obliged to treat all shareholders equally, so that its offer applies to all, whether they vote for or against"

The panel is expected to decide today whether to extend the final deadline for Minorco's bid (May 17)

Minorco wants it extended either until the US courts decide whether the bid can go through, or until an extraordinary meeting of ConsGold shareholders can be held to vote on whether to lift the US court proceedings

☐ ROBERT GENTLE reports from London that, in another twist to an already tortuous legal situation, certain institutional investors who have accepted Minorco's offer are said to be considering legal action against the ConsGold board if the US injunction ends up thwarting the bid

TAKEOVERS

News 9/5/89

(214)

Takeover Panel backs Minorco

Business Staff

BRITAIN's Takeover Panel today issued a ruling backing the Minorco claim that its R15-billion takeover bid for Consolidated Gold Fields was being frustrated by the directors of Cons Gold

The panel, led by Lord Alexander, ordered Cons Gold to call a shareholders' meeting to approve its court action in the United States which is blocking the takeover bid.

As the South African-controlled Minorco (Minerals and Resources Corporation) controls almost 55 percent of Cons Gold, the result is a pretty certain.

LITIGATION

The panel said Cons Gold must "discontinue its litigation forthwith unless it is approved by shareholders"

In a statement today the panel said that it would extend the bid timetable until June 7, at which time Minorco must declare its offer unconditional or it would lapse, reports Reuter.

It said Cons Gold must call an extraordinary general meeting by May 30 to obtain shareholder approval for the court injunction, which prevents Minorco from completing its takeover of Cons Gold

FRUSTRATE BID

The panel said its General Principle 7, which says a target company must not unfairly frustrate a bid, did not extend to Cons Gold associate Newmont Mining Corporation, which last September obtained the injunction against Minorco

"General Principle 7 does not extend to Newmont's proceedings, and we make no clear order against Cons Gold in respect of those proceedings," the panel said.

Newmont, which is 49 percent owned by Cons Gold has said it will not withdraw its injunction.

Minorco has obtained acceptances for its offer from shareholders representing 54,9 percent of Cons Gold's shares.

PREVENTED

Minorco is prevented by the injunction from taking control of Cons Gold

The injunction was granted on the grounds that a merger could, under US anti-trust legislation, crate a monopoly situation in the world gold market

Cons Gold's shares were quoted 27p haigher at 1340p at 0700 GMT, suggesting the market believed the panel's ruling increased the likelihood of an eventual Minorco victory

Minorco put its case to the panel last Friday, arguing that Cons Gold, in pursuing the injunction, was effectively frustrating the bid.

CONDITIONAL

Cons Gold said Minorco had made its bid conditional on the outcome of the US court action, which was recently upheld by the Judge hearing the case.

The panel recognised that Newmont was a key element in the outcome of the bid.

"If Newmont's proceedings are not terminated within the extended timetable, the bid will lapse," it said.

It said it was justified in preventing Cons Gold from continuing its proceeedings in the US without shareholders' approval but had no grounds to prevent Newmont from "legitimately seeking to protect those interests in so far as it can in the US courts".

LEGAL SENSE

The panel said Cons Gold did not in a legal sense control Newmont but had considerable influence in regard to the general direction of Newmont's affairs.

Cons Gold controls 40 percent of Newmont's voting rights.

"We do not consider that Cons Gold has controlled, procured or been a dominant influence in the commencement or continuance of the legal proceedings by Newmont," it said.

It said that given this conclusion it had to consider whether it was proper to make any order against Cons Gold, since the order would have no practical effect if Newmont failed to discontinue its court proceedings.

Focus on Takeover Panel decision in Minorco bid

CAP. Times 9/5/89

From ROBERT GENTLE

LONDON — The Takeover Panel is expected to put an end to investor uncertainty today with the announcement of its ruling into Minorco's long and bitter battle for control of Consolidated Gold Fields (ConsGold).

The panel, chaired by Lord Alexander, met on Friday with the combatants and their respective financial advisors during an all-day marathon session.

Neither side has issued any statement since, except to say that they are now anxiously awaiting the panel's verdict.

At issue is whether Minorco, which already has acceptances from ConsGold shareholders giving it an effective 55% of the share capital, will be able to followthrough and finish the job.

At present it is stymied by a ConsGold-backed US court injunction which effectively blocks the actual purchase of more shares.

It is understood from reliable sources that Minorco pressed long and hard at Friday's meeting for view that ConsGold shareholders — not the ConsGold board — should have the last word on the court injunction.

ConsGold is expected to have insisted on the technical argument that as Minorco's second bid was launched in the full knowledge that the injunction was still standing, it has only itself to blame for its present predicament.

However an analyst said yesterday that what was uppermost in the panel's mind were the wider legal issues.

This centres around the fact that a UK bid is being decided not in Britain, but by a judge on the other side of the Atlantic.

He said that if the panel ruled in ConsGold's favour, it would be setting a dangerous precedent.

British companies fearing a takeover would go out and buy themselves vulnerable American subsidiaries solely for "insurance" purposes.

The controversial legal angle was also discussed by the Wall Street Journal last week. In its lead editorial, it threw its support squarely behind Minorco and deplored the role of the US legal system in British takeover battles.

Minorco holds discussions to find buyer for Newmont

Star 10/5/89

214

By Neil Behrmann

LONDON — The City contends that Minorco has only a slim chance of taking control of Consgold, even though the UK Takeover Panel has ruled in its favour

Timing is against Minorco and even though Consgold has withdrawn legal action in the United States, Newmont Mining Corporation will continue with litigation

Moreover by discontinuing litigation, Consgold forces Minorco to surmount legal hurdles by May 17 Had the company called a shareholders meeting, Minorco would have had more time because the Takeover Panel was prepared to extend the bid deadline date to June 7

But the Panel also ruled that if Consgold withdrew its legal suit, the expiry date for the bid would remain at May 17

With just over a week to go, city analysts believe that Minorco will have to pull off a miracle to counter Newmont's stumbling block As a result, Consgold shares hovered around £13,20, well under Minorco's price for the company

"I have told my clients to sell," says Tim Read an analyst at Smith New Court. He believes that if Minorco wants to be successful against Newmont, representatives of Anglo American and De Beers must appear in the New York court. If they don't appear, they will not alleviate the judges suspicions

Privately Minorco executives admitted that "the pressure was on" But they were hopeful that they could achieve something in a week. They were not prepared to disclose their strategy

Newmont informed the takeover panel that it would not withdraw its action The US Court injunction preventing Minorco from buying more shares, therefore remains in force nothwithstanding Consgold's withdrawal from the case

Minorco said that it had discussions aimed "at procuring an offer for the whole of the share capital of Newmont."

But this will not end court action

If Minorco loses, it will be the first time that a UK bid has been frustrated by a foreign court.

The Panel ruled that it had no jurisdiction over Newmont

But the Panel said that "the continuance of the US proceedings without shareholder approval clearly has the effect of frustrating the offer for Consgold."

The takeover code "prevents action being taken by directors which may bring the interests of management into conflict with those of shareholders

"The majority view of shareholders as to the future of their company should be respected," said the Panel

Consgold thus decided to withdrew even though its directors "consistently considered that the US court action is in the interests of Consgold and is well-founded"

The company said that legal action began on October 11 and the preliminary injunction preventing Minorco from buying more shares, has been uphald through four seperate judgements

If the bid expires this month, Minorco can try again next February

13 mines at risk as gold price falls again

Star 19/5/87

By Derek Tommey

The latest slide in the gold price entered its fifth day today with the metal falling a further $3 in early trading to $368 an ounce in Zurich

Since last Friday the gold price has fallen by $9 This has made South Africa somewhat poorer and intensified the crisis facing the gold mining industry

The price has fallen some $35 since the start of the year which could cost South Africa and the gold mining industry almost $700 million in a full year

The Government has been cushioning the immediate effects of the lower gold price on the gold mining industry by allowing the rand to fall against the dollar This has helped to maintain the domestic gold price at around R1 000 an ounce

But letting the rand drop in this way is highly inflationary. So while the mines may not have to face a lower gold price, they have to face a 12 to 15 percent annual escalation in costs which in the long run is just as bad for the industry

VULNERABLE

At the moment about 13 mines are regarded as marginal and vulnerable to a lower gold price or increased inflation

While strenuous efforts are expected to be made to keep these mines going, this will probably require major cost cutting, including lay-offs and a reduction in operations

The next 12 months look like being difficult ones for the gold mining industry and also for the already hard-pressed South African economy.

Dealers reported this morning that central bank pressure late yesterday and overnight had resulted in the dollar giving up some of its gains against other currencies But it was still strong this morning at 1,9663 German marks and 138,50 Japanese yen

The rand was expected to trade at near last night's closing rate R2,7045 to the dollar

Minorco boardroom battle spearheaded by locals

10/5/89 Argus 214

By TOM HOOD, Business Editor

FORMER Rondebosch schoolboy Gordon Parker could repay a debt and stymie the R15-billion takeover bid by Minorco spearheaded by another South African, Sir Michael Edwardes

TAKEOVER

Mr Parker, a former managing director of O'Okiep Copper, now hold oneof the top mining jobs in the United states as chairman of Newmont Mining Corporation

Newmont stands in the way of success for the South-African backed Minerals and Resources Corporation (Minorco) which has battled since last September to take over the London-based gold mining and industrial congoomerate, Consolidated Gold Fields (Con Gold)

Newmont is a 49 percent-owned American associate of Con Gold and "owes one" to Con Gold, whom it could surprising rescue from the South African raiders

□□□

In 1987, Con Gold protected Newmont from an American takeover specialist T Boone-Pickens, who was trying to bid for the company In terms of a standstill agreement, it guaranteed Newmont's independence from a predator.

Minorco is the overseas investment arm of the diamond and gold giants De Beers and Anglo American Corporation, which would become virtually immune from the pressure of overseas sanctions if their foreign empire expands as a result of the takeover

Sir Michael, who was born in Port Elizabeth and made his name as a leading British industrialist, was appointed chief executive of Minorco the day the South African raiders decided to try and buy out Con Gold's shareholders in the face of bitter opposition from the board of directors

The bid is the biggest in British business history and the battle has become the one of the most expensive and viciously fought

Minorco won an important battle yesterday when the British govemnment's business watchdog, the Takeover Panel, gave the go-ahead and ruled in favour of Minorco in an an unprecedented decision

The takeover bid will lapse on May 17 if legal hurdles in the United States are not settled and Minorco will have to wait until next February before making another offer

The panel instructed Con Gold to withdraw obstructive legal action which is thwarting the wishes of the majority of shareholders

Almost 55 percent of these shareholders have accepted Minorco's offer

□□□

But Minorco's bid could still be stymied by the legal action of Newmont. The panel ruled that it had no jurisdiction over Newmont, which has said it does not intend to withdraw legal action and an injunction against Minorco

A Minorco spokesman said in Johannesburg that Minorco would appeal in the American courts against Newmont's action

Newmont is pursuing anti-trust action on the ground that a merger of Minorco and Con Gold will create a monopoly in the world gold and platinum markets

But Minorco claims a monopoly is impossible because Newmont is independent of Con Gold. Also Minorco is committed to selling Newmont.

The panel ordered Con Gold to call off the American court action unless its shareholders vote to continue it at a meeting to be called by May 30.

The panel said that to continue the American legal action without shareholder approval would unfairly frustrate Minorco's bid

Sir Michael Edwardes last night said the takeover panel ruling endorsed the principle of shareholders' rights and he had no doubt it would be welcomed by all Con Gold shareholders

"Minorco will now focus on the resolution of ourstanding matters in the United States," he added

GORDON PARKER, above, aged 53, was born in Cape Town and educated at Rondebosch Boys High School and the University of Cape Town, where he also obtained an MBA. He also has a mining degree from the Montana College of Mineral Science.

Before joining Newmont, a leading world-wide mining company, as vice-president operations in 1981, he was managing director for six years of the O'Okiep Copper Company and the Tsumeb Corporation in South West Africa, both affiliates of Newmont.

He was appointed chairman of Newmont, one of the top jobs in the American mining industry, in 1985

Buit many analysts believe the takeover battle still has a long way run and only a miracle or a complete takeover of Newmont can win the day for Minorco

If the share market is any guide to the betting, Con Gold shares surged in London after the takover panel statement but later edged back below Monday's closing price — indicating that the market if far from decided over the outcome of the battle

The Anglo-De Beers camp has stalked Con Gold since the early 1980s, when the South Africans build up a strategic 29 percent stake in a famous share-buying "dawn raid" on the London stock exchange

Sir Michael has said this 29 percent stake represented too large a proportion of Minorco's assets to be a passive investment

When he announced the takeover bid he claimed "Minorco is ready for a quantum leap forward We propose to unlock the true value of Minorco and, given our bid is successful the potential value of Con Gold as well"

Minorco has undertaken to sell off Con Gold's South African assets, including a 38 percent stake in Gold Fields of South Africa, which Rembrandt Group is expected to buy

Bitter takeover battle continues

Star 10/5/89 214

Finance Staff

British mining group Consolidated Gold Fields has moved to deprive Minorco of a three-week breathing space to complete its hostile takeover bid

Its move yesterday leaves Minorco with only eight days to push through its £3,5 billion (about R15 billion) bid

In a statement, Consgold said it was withdrawing from a US court action against the bid, but its US associate Newmont Mining would maintain an injunction barring Minorco

Minorco responded yesterday by saying it had talked with an unidentified third party over the possible takeover of Newmont Mining which, if it succeeded, would raise the chances of the injunction being lifted on time

● See Page 9.

Threat to sections of some of SA's largest gold mines

(214) BDay 10/5/87

ANDREW BUDDEN

A CONTINUED decline in the gold price could lead to the closure of sections of some of SA's largest gold operations, including Freegold and Vaal Reefs which are part of Anglo American Corporation

It is well known that a number of SA gold mines are in loss-making situations due to the low gold price and escalating costs It has also emerged that some of the larger, less marginal operations, have sections which are in the same situation

These are mostly the older sections which have little or no high grade ore left to mine Managements are conducting feasibility studies to assess their futures

March quarterly results disclosed that 16 SA gold mines had working costs (excluding capital expenditure) above yesterday's afternoon gold price fix of $376/oz If one included capex, about 24 mines had working costs above the gold price

The average gold price received by SA's big six mining houses fell from R33 802/kg in the September quarter (last year) to R31 483 in the March quarter

Anglo American company officials said last week some of the older sections at its two largest mines, Freegold and Vaal Reefs, could face closure if the price slide continued

Loss

The mines — the two largest in SA — are consolidations of several smaller mines Freegold has 27 operational shafts and Vaal Reefs has 10 When considered as single consolidated units, neither can be considered marginal

However, MD of Anglo's Transvaal gold operations Theo Pretorius said last week three shafts at Vaal Reefs — four, six and seven — were running at a loss

The three shafts together produce 7%-8% of the mine's 7 000kg monthly gold production and employ 10% of its 50 500-strong labour-force

"Clearly it is in our best interests to keep them going in the short term for a number of reasons One is that we expect them to come back into profitability and we have a whole series of programmes which we are implementing in this respect," he said

He conceded, however, that a continued decline in the gold price would force Anglo to close these shafts

He added "Since any closure will have to be permanent, nothing will be done until the circumstances are very clear-cut

"In any event nothing will be closed this year We will try all sorts of ways and means of keeping them open"

Freegold MD Keith West declined to disclose how many shafts at Freegold were threatened

The mine — which employs 112 000 people (20% of the workforce in the SA gold mining industry) — recently announced curtailment of further capital expenditure in the Erfdeel area of its Free State Saaiplaas mine

Minorco wins 'bitter' victory

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ConsGold to drop court action in US

B/Day 10/5/87

ROBERT GENTLE

LONDON — ConsGold said last night it had decided to drop the US court injunction standing in the way of Minorco's £3,5bn takeover bid.

The development came after an almost full day of intense discussion at ConsGold's HQ between the company's senior directors, lawyers and financial advisers

They were reacting to the ruling made by the Takeover Panel about 10 hours earlier which required that ConsGold drop the court action — described as frustrating Minorco's bid — or put the matter to a shareholder vote

Ironically, the decision is a bitter victory for Minorco as its immediate effect is to leave unchanged the timetable for the bid, which will lapse in seven days on May 17 unless it goes unconditional

Mooted

This is perceived in the City as an uphill battle as Minorco still has to contend with ConsGold's 49%-owned US company Newmont, which has not withdrawn its own court injunction

The likelihood of ConsGold dropping its part of the US court action as speedily as possible had been mooted by analysts only minutes after the panel announced its ruling earlier in the day

This was because of a key clause specifying that though the bid had been extended until May 30, it could, nevertheless, lapse any time before that within a period of seven days of ConsGold dropping the action or putting the matter to a vote

One analyst called it the type of tactics any devious sports team would employ in the closing minutes of a game to frustrate its adversary

ConsGold confirmed this line of thinking when it said its decision to withdraw the court action was primarily linked to the bid timetable

A spokesman said "The calling of an extraordinary meeting to put the matter to a vote would only extend the timetable

"ConsGold has been under siege for nearly eight months and the interests of shareholders are not served if uncertainty about the outcome is prolonged"

A Minorco spokesman said "We have certainly gained a moral victory, but we still have seven days and the bid is not yet over"

He said Minorco was now redoubling its efforts at sorting out the Newmont court action, which was the last remaining obstacle on the road to all-out victory

He confirmed that these efforts had already led to discussions aimed at procuring an offer for the whole of the share capital of Newmont

Minorco has already publicly stated that it is committed to selling ConsGold's stake in Newmont to parties unaffiliated with Minorco or its major shareholders

Analysts said that if Minorco could present the Newmont board with a buyer to its liking, the US company may not feel threatened any more and could drop its court action

TAKEOVERS

ARGUS 10/5/89 214

Minorco needs a miracle

By TOM HOOD,
Business Editor

BRITISH mining group Consolidated Gold Fields acted swiftly last night to deprive South African-backed Minorco of a three-week breathing space to complete its R15-billion takeover bid.

But analysts say Minorco will have to to pull off a miracle to counter this new stumbling block by Con Gold, which has been under siege by Minorco for almost eight months.

Con Gold's move, the latest shot in Britain's biggest corporate takeover battle, leaves Minorco with only eight days to push through its bid

In a statement, Con Gold said in London it was withdrawing from an American court action against the Minorco bid, but its associate Newmont Mining Corporation would maintain an injunction barring Minorco from buying any more Con Gold shares

Newmont has said that it would "vigorously pursue to trial its antitrust action against Minorco and a trial date could not be expected until late in the year."

The move means the deadline for Minorco to clear the legal obstacles against its bid is brought forward by three weeks to May 17

Con Gold's announcement effectively negated a decision by Britain's takeover watchdog earlier yesterday making it call off the legal action unless shareholders voted to continue it at an extraordinary general meeting to be held by May 30

The Takeover Panel would have given Minorco until June 7 — a week after the meeting — to try to clinch the takeover

The Con Gold move restores the original timetable by which the bid must succeed or fail Unless Minorco can get the US injunction removed, its bid will lapse on May 17.

Minorco, the Luxembourg-based investment arm of De Beers and Anglo Investment Corporation owns or has acceptances for 54,9 percent of Con Gold, but the injunction held by Newmont stops it from actually buying shares from holders who have accepted its bid

Newmont is 49 percent owned by Con Gold.

Mr Antony Hichens, a Con Gold managing director, told Reuter "Short of a complete about-face by Newmont, I think the most likely outcome is that the bid will lapse"

Minorco spokesman Mr Keith Irons said "We are left with one remaining obstacle, the Newmont injunction.

Minorco said yesterday it was in talks on finding a possible third party buyer for the whole of Newmont as a way of removing the injunction

But share analysts believe the Con Gold move left it with little time to finance such a bid

If Minorco loses, it will be the first time a takeover bid in Britain has been killed by a foreign court

See Page 17

Minorco, Newmont set for 'head-on clash'

C/T Times 11/5/89

From ROBERT GENTLE

LONDON. — The US gold company Newmont was last night set for a head-on clash with Minorco in a New York court after allegations of contempt and breaches of its injunction

The injunction is standing in the way of Minorco's £3,5bn bid for Consolidated Gold Fields (ConsGold), which until Tuesday was a joint party to it before being forced to withdraw by the Takeover Panel

Newmont, 49%-owned by ConsGold, alleged that Minorco's recent application to the Takeover Panel and its subsequent actions to procure an offer for all of Newmont's share capital constituted breaches of the injunction

Minorco dismissed the allegations, which according to its lawyers are groundless.

CE Michael Edwardes called it yet another spoiling tactic designed to frustrate the bid and entrench management.

"It patently has nothing to do with the alledged anti-trust issues that underlie the existing injunction," he said.

"It is absurd for Newmont to seek that Minorco be further penalized for obtaining a ruling form the Takeover Panel in relation to a British takeover."

Minorco was "fully justified" in procuring an offer for all the share capital of Newmont, he added

Newmont's senior spokesman on the affair in Denver, Colorado, was unavailable for comment at the time of going to press.

It is understood that Minorco will also press for an urgent hearing at which it will advance further arguments supporting its claim that Newmont no longer has any legal right to pursue its injunction.

The key to this plea is the ruling made by the Takeover Panel which formerly accepted that ConsGold — and by extension any company which may take ConsGold over — has no control over Newmont.

Meanwhile, analysts remain sceptical on Minorco's chances of settling the court injunction before the bid lapses next Wednesday, May 17.

The argument is that Newmont patently has no intention of dropping the court action, in spite of the Takeover Panel's ruling.

Moreover, finding a buyer for the company may not be enough as Newmont appears to prefer the current standstill agreement it has with ConsGold

This 10-year agreement, which prevents ConsGold from acquiring more Newmont shares, allows the Newmont management to get on with the job without the constant fear of a takeover.

However, one analyst cautioned against handing ConsGold victory before the bid is truly over.

"Minorco have been written off before and they surprised everyone and came back," he said.

Cape Times 11/5/89

Newmont head faces dilemma

By BRUCE WILLAN

MINORCO's long battle for control of Consolidated Goldfields (Consgold) is ending with a confrontation between two ex-South Africans.

Minorco CE Michael Edwardes — born in Port Elizabeth — is now up against a former Capetonian, Gordon Parker, who went to school in Rondebosch.

As chairman of Newmont Mining, Parker is the man who may be able to frustrate Minorco's attempted takeover of Consgold if he does not abandon a court action in the US.

Last night Parker was not available for comment but indications are that Newmont has no intention of withdrawing its injunction against Minorco.

By holding out against Minorco, Parker must be facing a personal dilemma. If his action is lost and he becomes an employee of a Minorco subsidiary he may have placed his career at risk.

Parker holds an honorary degree of Engineer of Mines from the Montana College of Mineral Science and Technology as well as a BS and MS degree from the same college.

He also has an MBA from the University of Cape Town.

Prior to joining Newmont in 1981, he was MD of O'Okiep Copper mines and Tsumeb Corporation for six years. Both were affiliates of Newmont at the time.

In 1981 he joined Newmont as vice-president (operations) and was appointed a director in 1983.

The following year he became president and in October 1985 was elected as CEO.

He was proposed by the then CEO Plato Malozemoff, who had held this position for 31 years.

Mine bosses call for unity

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Mine managers in the Free State gold fields have called on local communities and suppliers to rally behind the mines in their present crisis.

Reflecting growing concern about the viability of some of South Africa's oldest gold producers, the Association of OFS Mines issued a statement yesterday calling on the mines, employees and associated businesses to unite to combat continuous cost escalation.

They said concerted action was necessary if the Free State gold fields were to continue as a community. — Sapa.

South Wits considers listing new gold mine

Star 12/5/89 214

By Derek Tommey

The small but thrusting exploration company, South Wits, which was listed on the Johannesburg Stock Exchange just a year ago, has plenty of good news for its shareholders in its first annual report

Chief item is that its Murchison gold venture, near Gravelotte, is highly promising and South Wits is considering listing it on the Johannesburg Stock Exchange

Exploratory results have been been highly encouraging, say the directors

They believe that the area contains about 860 000 tons of ore with an average grade of 6,0 g/t

Nick Stavrakis, South Wits managing director, says that the prospect has two ore bodies, one of which was previously known

The other was discovered after the employment of new geophysical techniques which are extremely sensitive to depths of up tp 70 metres

Both ore bodies lie near the surface

In addition, South Wits has acquired the rights to three sand and slimes dumps totalling 220 000 tons at a grade of 1 g/t

A start has been made on the construction of a plant to recover gold from the dumps

It is later planned to expand the plant to treat ore from the opencast reserves of the two ore bodies

South Wits is considering ways to finance the exploitation of these reserves

These include seeking a new listing for the project

Another promising development has been the uncovering, near Potgietersrus, of Platreef (a "robustly mineralised platinoid layer containing nickel, copper and platinum group elements") of substantial width and strike cropping out on the surface

Further drilling

The reef is estimated to be about 1000 metres long and between 22 and 65 metres wide

The metal grades have been sufficiently encouraging to warrant further drilling, says the chairman, Dr JC Linde

Although extractable values as high as 0,7 percent nickel and 0,5 percent copper have been obtained in certain zones, the average for the Platreef as a whole is nickel 0,35 percent and copper 0,15 percent

Combined platinum and palladium values are said to range between one percent and 3,3 percent

South Wits has also reached a joint venture agreement with Marievale, the exploration arm of the mining house Gencor

They plan to explore three of the original Witwatersrand basin gold areas in the Orange Free State

Gencor is managing the joint venture

Drilling will start shortly

Marievale, in exchange for financing an agreed exploration programme, initially comprising a minimum of 7 500 metres of diamond drilling, has acquired a 51 percent interest

Marievale's immediate financial commitment is estimated at R1,4 million

South Wits says it is considering a number of options on how to exploit its chrome deposits near Brits and bordering the Lefkochrysos property

It has secured a sizeable block of ground in the Delmas area on which exploration drilling has indicated substantial reserves of both export and domestic grade coal

A joint venture agreement has been concluded, which will bring South Wits a favourable royalty

Exploration of the Barberton gold venture is expected to start later this year

It holds a 93 percent stake in this venture

The remaining seven percent is held by Antrobus & Associates

South Wits has secured options over a 2 000ha site south of Steelpoort in the eastern Bushveld complex

It expects to find both Merensky and UG2 platinum horizons at moderate depth

South Wits had a loss of R1,4 million for the year to February bringing its accumulated loss to R1,9 million

This has left it with net assets of R3,7 million, of which R700 000 is in options, mineral rights leases and fixed assets

The balance of R3 million is in trading investments, funds on call and cash

Newmont plea in limbo

5109 12 15 84

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NEW YORK — A federal judge has declined to grant or deny a Newmont Mining request to hold Minorco in contempt of court for evading a preliminary injunction

The injunction prevents Minorco from proceeding with its $3,98bn hostile bid for ConsGold, which has a 49,3% stake in Newmont Minorco now has, or been tendered, about 55% of ConsGold shares

Judge Michael Mukasey said he would consider holding Minorco in contempt if the company requested British authorities to "freeze or in any way alter the interest of ConsGold in Newmont"

He ruled that, until such a step were taken, and granted by Britain's takeover panel, it did not appear Minorco would evade the injunction by seeking bids for Newmont

Newmont argued on Wednesday if a third party bought a majority stake in it the company could be forced to withdraw from litigation

The judge noted in the order that Minorco attorney Jeremy Epstein said Minorco intended no such evasion

On Tuesday Minorco stepped up its pressure on Newmont to drop litigation by stating it was seeking bids for Newmont

ConsGold removed itself from the US antitrust complaint on Tuesday after Britain's Takeovers and Mergers Panel ruled the action was frustrating Minorco's offer

The panel endorsed Denver-based Newmont's right to pursue the US complaint

This leaves Newmont alone in the fight against Minorco — AP-DJ

SouthWits reviews listing possibility

B/Day 12/4/84 ANDREW BUDDEN

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THE mineral rights holder and exploration company, Southern Witwatersrand Exploration (SouthWits), is reviewing the possible listing of a small gold mine at its 100%-owned Murchison venture, near Phalaborwa in the eastern Transvaal

The company's first annual report for the seven months ending February details exploration conducted during the last 12 months at the mine

This has indicated proven reserves of 65 000 tons of relatively high-grade (6,6g/ton) ore Another 795 000 tons of probable and possible reserves with grades between 5,7g/ton and 6,6g/ton are indicated

Commenting on the mine, analysts say eastern Transvaal deposits are typically small, with high-grade ore, but tend to be difficult to extract because of extended faulting

They say as a result, underground operations tend to yield low monthly tonnages

Replying last night, MD Nick Stavrakis said exploration work had defined the ore body well, making extraction easier

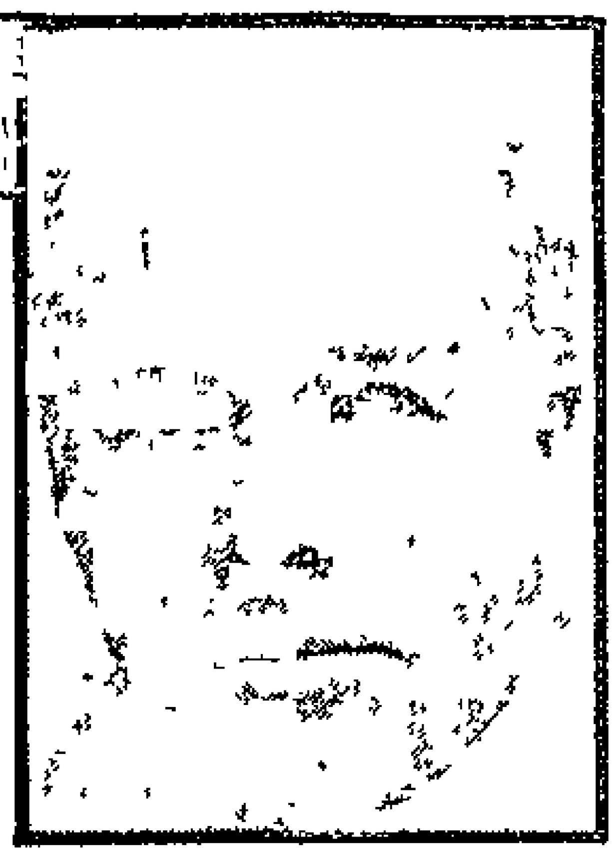
In addition, the Murchison venture had acquired rights to sand and slime dumps totalling 220 000 tons Average grades of the dump material are 1,0g/ton

These would be used to increase throughput of ore in the earlier period of the mine's life

The company hopes to begin production by processing 2 000 tons of dump material a month Depending on the outcome of underground pilot operations, this will be increased to 5 000 tons a month

RICHARD ROLFE in LONDON

New life for uranium



IF there is any truth in the view that the moment of opportunity is at its greatest when a market is bombed out, there must be something to be said for uranium, the forgotten metal

In my case, it has been literally forgotten At the beginning of last year when I was preparing a report on the SA mining industry for a distinguished magazine, I was several weeks into my task before I realised I had done no research into uranium

Not only had it slipped my mind, but it was not on the agenda of any of the numerous mining house executives I interviewed

Since then, there have been faint stirrings of life The London-based Uranium Institute, a think-tank for the nuclear industry, held its first conference in 10 years last September

Examining the outlook for uranium mining, it estimated that between 1992 and 1995, supply and demand would fall into balance

For most of the past decade, there has been over-capacity in uranium Nuclear power has been under a cloud There have been few new power stations world-wide to take up supplies from mines begun in the wake of the oil crisis of the 1970s

Indeed, in the US, where the industry suffered a set-back because of the Three Mile Island incident, no nuclear plant has been built since 1975 Some have been decommissioned and more than 100 plants intended to be built have been cancelled

A uranium mine can take between five and seven years to come on stream in countries like Canada, the world's biggest producer, or Australia, which has the biggest reserves

Present uranium prices do not provide any incentive to open mines On the spot market, uranium has collapsed to $10,50 a pound That compares with $17 last year and a peak of $43 in 1978

About 20% of US electricity output is still supplied by nuclear plants The power stations require a renewed charge of uranium every 18 months or so, the main source of continuing demand

They have been drawing a part of their requirement from inventories, weakening the spot price of uranium

WASTE

A new opportunity for proponents of nuclear power has arisen out of the rising environmental concern among the industrialised nations Carbon dioxide emissions from coal-fired power stations seem to be one of the main culprits in depletion of the world's ozone layer, causing the greenhouse effect

If this is to be reversed, there may have to be fewer or no coal-fired power stations in future and a corresponding increase in nuclear plants

Nuclear power stations may devastate the environment if there is a disaster like the one at Chernobyl, and they cause problems of waste disposal But nobody has ever accused them of emitting carbon dioxide

For the environmentalists, it would be an irony if nuclear power, which they have always fought against, proved to be the most benign source of electricity — assuming optimum safety can be maintained

RTZ is among mining groups which believes uranium will come back into demand in the 1990s It controls Rossing in Namibia and large mines in Canada

Chief executive Derek Birkin says mines are gradually being worked out, so that a new generation of uranium producers will be needed — and that will be merely to meet the recharge demand from power stations, not any new ones the future might bring

Oliver Messenger of Shearson Lehman, who has completed an analysis of the market, says "Whether we like it or not, the inevitable rise in global temperatures and the impact on local environment and agriculture will force us all to accept more nuclear plants

BRITAIN'S consumer boom over the past few years has been fuelled by easy availability of credit.

The equally easy availability of credit cards has been generally blamed for any excesses there have been, although most UK consumer borrowing is for mortgages

Be that as it may, there is evidence that consumer attitudes to credit cards are changing rapidly More and more financial institutions are trying to break into the market and challenge the established Visa (Barclaycard) and Access cards

A poll of 1 000 people found that a remarkable 15% had stopped using one or more credit cards in the past 12 months.

It is no longer trendy to haul a deck of credit cards out of one's wallet, telling a salesman to "pick a card"

"Credit card caution" is the new watchword among consumers — not surprising when storecards, issued by retailing groups, charge interest rates of more than 30%

Some shops believe consumers may even start to save before buying items instead of lashing out with their plastic

A separate poll of teenagers finds that 85% think credit cards are too easily available, and 94% would not go into debt unless it was essential

Market researchers are calling these attitudes "the new puritanism" The interesting thing is that it seems to be happening autonomously and before, not after, the expected move by banks to introduce annual fees on credit cards in the next year or so

A major change in how contemporary Britons spend and view credit seems to be in the making

CARTE BLANCHE

By David Carte, BUSINESS TIMES Editor

S/Times 14/5/89

Wolves in the wings for GFSA

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It's preposterous that an American company (Newmont Gold) in an American court can prevent a Luxembourg company (Minorco) from exercising its right to control a British company (Cons Gold).

But that is the unlikely way in which the prayers of Cons Gold chairman Rudolf Agnew may yet be answered.

The Wall St Journal warned that the judgment was "grapeshot that could lead to a trade war If Minorco is defeated, there will be a lot of angry British shareholders of Gold Fields robbed of the premium of the tender offer price More broadly, entrenched managements the world over will be encouraged to come running to US courts to stop unwanted takeovers."

The Journal concludes "The US court system has proved once again why its reach does not deserve to extend the world over."

If this last obstacle does stymie Minorco, GFSA management will be relieved One of the conditions of the success of Minorco's bid is that Cons Gold must sell its 38% holding in GFSA

Everyone knows that Rembrandt has a pre-emptive right to Cons Gold's shares in GFSA Rembrandt is interested, but is not prepared to become involved in an auction.

But several SA parties would like to have control of GFSA. It would thus be remiss of Minorco not to hear other bids

GFSA has some of the world's richest gold mines and they have long life expectancy Adding to its lustre, rival mining houses have properties next to GFSA's.

Apart from the most obvious suitors, Remgro and its ally Liberty Life, a voracious Gencor would be keen to bid, probably with the help of Sanlam

The Old Mutual, Barlows and Rand Mines camp would probably also not be averse to GFSA's stake. One hears this would be GFSA's preferred partner — particularly if it is permitted to control Rand Mines.

With Anglo American out of contention, it is doubtful that any single mining house, life assurer or company in SA is big enough to acquire outright control of GFSA.

After pref conversion, there will be 86,2-million GFSA shares. They are currently valued at R74, capitalising the company at R6,4-billion. A buyer having to pay only a 15% premium for unfettered control would need R7,3-billion.

Old Mutual's assets at market value last December were R27,8-billion and Sanlam's, at cost, on September 30 were R17,2-billion. Gencor is capitalised at R7,2-billion, Liberty at R2,9-billion and Rembrandt at R4,9-billion

For any of these parties a single investment of R7-billion is out of the question

At the present share price, Cons Gold's 38% stake would cost "only" R2,4-billion Anyone outbidding Rembrandt would be obliged to take the tobacco house's 10% stake as well. Other SA contenders are thus in for a minimum of R3-billion.

These numbers suggest that there will have to be collaboration on the purchase of GFSA, should it ever happen.

They also imply that the bidders will avoid making an offer to minority shareholders. The precedent was established when Barclays and Standard disinvested. In each case, control does not vest in one party

An alliance between Sanlam, Rembrandt and Gencor would seem the most logical, but that would be conditional on Sanlam and Rembrandt burying the hatchet over the lamented Wim De Villiers affair I am told that for now this team is a non-starter There is still bad blood.

If Sanlam and Gencor are to bid they will do so without Rembrandt, which is more likely to co-operate with Liberty and possibly Standard Bank. The Ruperts and Donald Gordon are like a family. Rembrandt has 10% of GFSA and Liberty 7%. They could split the 38% between them

That way neither would have even effective control and they would not need to bid for the minority.

Robin Plumbridge's management team would probably be agreeable because Remgro has guaranteed GFSA independence

Other prospective buyers might be inclined to close down the GFSA head office, eliminating a large overhead and obliging Mr Plumbridge and team to scramble for golden parachutes like their colleagues in London.

Certain prospective buyers are less than delighted that the Plumbridge team did not vote the GFSA and Driefontein shares in Cons Gold in favour of Minorco.

Another advantage of a Rembrandt-Liberty alliance is that it can coexist with Anglo, so the rationalisation benefits of contiguous properties could still be used. There would be no time limit on Minorco to sell GFSA.

If SA buyers were permitted not to make an offer to the minority, the strain on the financial rand would be that much less.

The lower the finrand goes, of course, the more enticing GFSA looks to foreigners An amount of R2,8-billion or R7-billion, whatever the case might be, would be forbidding to locals. But a daring foreigner could be looking at less than £1-billion.

Newmont questions Edwardes about bid

Star Bureau

NEW YORK — Sir Michael Edwardes, Minorco's chief executive, was forced to reveal details of a bid for Newmont over the weekend

Newmont's lawyers took depositions under oath in New York, after Judge Michael Mukasey, who presides over the injunction case, which Newmont has brought against Minorco, granted Newmont's lawyers "discovery" powers

Minorco's bid for Consgold will lapse at midnight Wednesday unless the injunction in the New York court is lifted or withdrawn

If a potential bidder has two percent holding in Newmont and wins Minorco support it can make Newmont withdraw the injuntion

Placer Dome, thought to be the most likely candidate, has apparently snapped up a block of 580 000 Newmont shares on Friday

Minorco is free to solicit offers but would be in contempt of court if it actively assisted one Today, Newmont will reply in court to Minorco's allegations that it had "fraudulently obtained" the injunction, to which Minorco will reply tomorrow

Rogold acquires ASL Ventak for R1,13m

(214) B/Day 16/5/89

ROODEPOORT Gold Holdings (Rogold) has completed negotiations for the acquisition of ASL Ventak (ASL) a mining supply company, from P & D Mining Supplies, it announced yesterday

The acquisition is subject to the approval of shareholders of an increase in the share capital of Rogold

The purchase price of R1,13m will be settled by an issue of 1,88-million ordinary shares at 30c each and 1,88-million "A" deferred ordinary shares at 30c each

ASL, which has its head office in Welkom and a factory in Randfontein, supplies fire-proofing materials and ventilation-control materials to the gold and platinum mining industries

The transaction will have no effect on the net asset value of Rogold ordinary shares, the directors say Based on profit warranties given by ASL the transaction will have the effect of increasing estimated earnings per Rogold ordinary share by 1,9c for the financial year ending June 1990 Earnings per Rogold ordinary share for the nine months ended March this year were nil — Sapa

US court upholds injunction

S Day 17/5/89

Minorco calls it quits in ConsGold bid

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B

ROBERT GENTLE

LONDON — Minorco last night threw in the towel in its £3,5bn bid for ConsGold after a US court upheld the injunction brought by the latter's US affiliate Newmont Mining

This means the bid will lapse at midnight Acceptances and related documents will be returned by post to ConsGold shareholders within 14 days

Minorco CE Sir Michael Edwardes said "We take this opportunity to thank the many people who gave us support and encouragement, especially the ConsGold shareholders who took Minorco to 55% in spite of the uncertainty created by ConsGold's and Newmont's actions

Strategy

"Minorco continues to be the largest single shareholder in ConsGold and we will keep the position under close review

"We will now energetically implement our strategy of transforming Minorco into an operating company Minorco is now a familiar name in the market, in the UK and overseas, and has a positive future"

□ AP-DJ reports from New York that a federal judge declined yesterday to dissolve a preliminary injunction he issued against Minorco that barred it from proceeding with its hostile bid for ConsGold, which has a 49,3% stake in Newmont

Judge Michael Mukasey also wrote, in his nine-page order, that "because the tender offer will expire tomorrow, I deem that Minorco has requested a stay of this order pending appeal and that stay is denied That Minorco has only until tomorrow to appeal this decision is regrettable"

He noted that Minorco had had ample time to appeal his previous denials to modify or lift his injunction

He also ruled that Newmont had standing as an independent competitor to allege that the resulting combination of ConsGold and Minorco would substantially lessen competition and injure it

The judge previously noted a resulting combination would control 32,3% of the non-communist world's gold market

ConsGold and Newmont mining filed suit against Minorco last October The judge issued a preliminary injunction after expressing antitrust concerns

□ It was reported from London that ConsGold shares plunged 35p yesterday to £12,83 amid City fears that Minorco's £3,5bn bid would fail

Speculation in the City is now focused on what Minorco will do next There is talk of it selling its 29,9% stake in ConsGold to the highest bidder and moving on to greener pastures

Alternatively, the Luxembourg-based investment company could wait another year and try for another bid

Analysts also hold out the possibility of ConsGold falling prey to another predator, who would then sell most of the company to Minorco in a separate deal

An analyst said "One thing is sure, we haven't heard the last of ConsGold and Minorco"

Consgold's Agnew faces anger and revolt

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Star 15/5/89

The Star Bureau

LONDON — Rumblings of an institutional revolt have followed Consolidated Gold Fields' escape from the Minorco takeover bid

The fall in Consgold shares to well below Minorco's £15 offer fuelled the anger as institutions started to whisper about a vote of no confidence in chairman Rudolph Agnew

"It's early days yet," said one institution, which had backed Consgold during the bid

"For us 55 percent is a victory, no matter how they got those votes We will be talking to Consgold about the situation '

The National Association of Pension Funds' fire-fighting "Institutional Shareholders' Committee' is waiting for the views of its members on the subject before backing action against Mr Agnew

It is also awaiting a letter from Mr Agnew on how Consgold's value is going to be unlocked

There were reports of anger in London financial circles that Minorco had been "robbed" of victory

As Consgold chairman, Mr Agnew, celebrated his escape from Minorco control, the London *Evening Standard* said last night the controversy and bitterness that had surrounded the takeover battle was certainly not going to go away with the US court ruling which killed the bid

"This morning there was outrage in the City that justice was not being done and that Minorco was being robbed of victory by a judge on the other side of the Atlantic," said the newspaper

"Already pressure is building up on the Takeover Panel to change its rules to stop a repeat of the situation whereby a foreign court can effectively block a takeover in another country "

But Mr Agnew dismissed all suggestions that he should have conceded victory to Minorco.

"I don't feel guilty about the situation,' he said "Rather I feel that we have an enormous responsibility to perform over the next few years

"We are obviously going to have to make peace with our shareholders The only way to do that is to make a lot of money for them and when the dust has settled we will be visiting them'

Share in Consgold slumped in London and Johannesburg yesterday

They opened 9,3 percent lower at £11,55 in London, but later regained some ground in extremely thin trade to £12,20, well below the bid offer of £15,00

Major questions are still unresolved over Minorco's plans for its 30 percent stake in Consgold and this is likely to create uncertainty over the shares

In Johannesburg an estimated R150 million was wiped off the value of Consgold shares

Within hours of the market opening the share had fallen 10 percent to close at R79, against Tuesday's closing of R88

Given that there are over 200 million Consgold shares on the market, the total loss in value was about R150 million

Minorco shares, on the other hand, rose R2,50 to R51,00

Dealers said this showed that the market believed Minorco had offered to pay too much for Consgold

In a statement yesterday Minorco said it was considering the current situation

It may decide to sell its holding in Consgold or it could decide to renew its bid next year

The Minorco board will meet next month to decide on the next move — Sapa-Reuter

Politics may win day — Agnew

ConsGold to review its SA holdings

B Day 18/5/89. (214)

LONDON — ConsGold yesterday gave the strongest indication yet that international displeasure at its SA links could trigger the disposal of its 38% stake in Gold Fields of SA (GFSA)

Chairman Rudolph Agnew said "We are committed to our presence there for now, but it is under constant review and political considerations could influence our commercial decisions"

He was responding to suggestions that the eight-month-long takeover battle with Minorco, which officially lapsed at midnight yesterday, had brought ConsGold's SA links into uncomfortable focus It was pointed out that ConsGold's highlighting of Minorco's SA parentage may have been less than honest as that company at least had no direct investments there

"That was one of the main pieces of disinformation put out by Minorco during the bid," said Agnew "It's like a person trying to escape the fact that his mother and father are South African"

He would not commit himself on support for an eventual GFSA rights issue,

but expressed confidence in ConsGold's future

"We are delighted this bad bid has finally lapsed," Agnew said, repeating that the US courts had made the "right decision" by considering the wider, international aspects of the bid "If that implies criticism for the UK Monopolies and Mergers Commission, it is well implied"

ROBERT GENTLE

ConsGold's bill for the defence effort had come to "just over £30m", and included "success fees" for the financial advisers

On future dealings with Minorco CE Sir Michael Edwardes, Agnew said he would respond to any constructive offer, and that the ball was now in their court

He aknowledged that Minorco, by virtue of its 29,9% stake, could frustrate the ConsGold board or even mount a coup to get rid of him However, he did not think such actions likely or in Minorco's interests

On whether an eventual sale of Minorco's stake could trigger another takeover bid by a third party, he said "I do not worry about things I cannot control"

The London Stock Exchange knocked 43p off the ConsGold share price, which settled at £12,43 in morning trading An analyst said it would probably go lower

There was no official reaction from Minorco to Agnew Press conference, though Edwardes said in a TV interview the ConsGold victory was not in the interests of shareholders, and that ConsGold was now worth £750m less than the bid offer

Meanwhile, there were unconfirmed reports of an impending revolt among institutional shareholders who felt done out of a good deal by ConsGold stubbornness

Comment Page 6

GIC maintains dividend in spite of setbacks

B/Day 18/5/89 (2-14) (GM)

BRENT MELVILLE

DISRUPTED steel deliveries, industrial stoppages and high interest and tax rates contributed to disappointing results by Goldfields Industrial Corporation (GIC) for the year to March

The steel-strip supplier showed a 33% drop in earnings to 70c (105c) a share on an increased tax charge of R2,3m (R38 000), which reduced attributable income by 37% to R2,6m (R4,2m)

Despite the reduced income, the board proposes an unchanged final dividend of 20c, leaving total distribution the same at 40c

Turnover was 35% higher at R67,9m (R50,2m) and operating profit jumped 43% to R6,4m (R4,5m) on slightly better margins of 9,4% (8,9%)

The effect of the recent M & R steel-strip acquisition was reflected in the virtual quadrupling of interest charges to R1,3m — resulting in pre-tax profit of R5,1m (R4,2m)

Chairman Michael Frye blamed the poor showing on production problems experienced by Iscor and its resultant inability to deliver the required steel In addition, the benefits from the integration of the M & R steel-strip business could not be expected until the next financial year

"We have concentrated on rationalising production facilities between the Brakpan and Roodeport plants Output from the Brakpan plant has nearly doubled since its acquisition," said Frye

Frye remained optimistic about the future in spite of government efforts to cool the economy

GIC shows little room for dividend growth on low cover of 1,75 times, and the high dividend yield of 9,4% (sector average 4,7%), on a current share price of R4,25

Minorco to appeal in US

Star 17/11/89

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LONDON — Minorco has launched an appeal in the New York courts against an injunction which prevented it from completing its takeover of Consolidated Gold Fields.

The 3,5 billion pounds Minorco bid collapsed earlier this week following the decision of a US judge to uphold the injunction, which had been taken out by Newmont Mining, a US associate of Consgold, under American anti-trust laws.

The injunction barred Minorco from increasing its nearly 30 percent shareholding in Consgold.

Minorco's chief executive, Sir Michael Edwardes, said: "There are certain moves we are looking at with our lawyers. We have 29,8 percent. We know we have the support of another 25 percent of the shareholders — mainly big City institutions.'

ConsGold chairman Rudolph Agnew hailed the bid outcome as a victory for his board, but his company's shares have lost ground.

Sir Michael said: "I cannot think of another case where the action of a chairman has knocked £750 million off the value of a company overnight. However, I think the issue of whether the majority of shareholders have been deprived of this offer by a US court is a matter for the authorities to look at closely.

"There has been a lot of abuse and acrimony in this bid. We will consider carefully how we proceed, probably not before next month's board meeting.

CAREFUL LOOK

"We will be looking very carefully at Consgold's claims for profit forecasts and growth — we have said we do not want to be a passive investor."

The takeover bid has cost the protagonists, Consolidated Gold Fields and Minorco, about £50 million between them.

ConsGold's chairman, Mr Rudolph Agnew, said his group's costs, including "success fees" for various advisers, were a little over £30 million.

Minorco said it had not finally completed the sums, but its costs, including those associated with arranging a £1,3 billion three-year finance facility, were in the region of £20 million.

MINORCO/CONSOLIDATED GOLD FIELDS

214 FMail 19/5/89

Counting the cost

Consolidated Gold Fields' (ConsGold) champagne celebration of Minorco's 11th-hour decision to throw in the towel may rapidly go flat on its chairman Rudolph Agnew

The £3,2bn takeover battle which ended five days short of eight months was without precedent and things will not be the same again — for ConsGold or, possibly, the City of London's takeover rules

That a US Federal District judge in New York could stymie a bid by a European-based company for a British group, on the basis of a demonstrably unsound action brought by the defender's non-controlled US affiliate, Newmont, seemed unthinkable a few months ago

ConsGold management's defence of its independence has opened a Pandora's box for future UK or European bids where the subject company has access to this kind of lever, which makes nonsense of free markets and the idea that 50,1% of shares is a controlling majority

Judge Michael Mukasey's decision not to lift the temporary injunction granted to Newmont so that Minorco's bid ran out of time under London rules defies logic (*FM* May 12) Newmont's "independent" action — the Takeover Panel accepted that ConsGold's 49,3% stake did not constitute control and thus the American company's frustrating action was beyond its writ — was based on the premise that Minorco-cum-ConsGold would give Anglo American Corp power over 32% of Western gold production; and that this would enable it to manipulate the market

It mattered not that four US regulatory bodies had found no case on anti-competitive grounds for intervening, nor that the British Monopolies & Mergers Commission and the European Commission had no objections. Mukasey seemed blind to the realities of the gold market where the SA Reserve Bank, not the producers, controls sales or the virtual impossibility of anyone cornering bullion when the Group of Seven central banks hold more than 10 years' supply.

The final injustice must be the undenied recognition that, in any case, ConsGold had no power to control Newmont, ergo neither could Minorco, even if it had been unable to sell the stake as promised

What now? As the *FM* went to press Minorco, disappointed but refusing to acknowledge a disaster, limited itself to saying it will press ahead with the planned transformation from a portfolio to an operating company

Undoubtedly, post mortems will find fault with its tactics, especially in view of claims that another 50p per share would have won the day CE Sir Michael Edwardes said "Minorco continues to be the largest shareholder in Gold Fields and we will keep the position under close review " But, as a passive investment, nearly 30% of ConsGold is for sale

In New York the price was falling towards the £11,75 cash element of Minorco's bid, worth over £15 in total

Apart from stating "obvious delight at a tremendous victory" ConsGold was keeping its counsel for the cold light of Wednesday morning But the way the battle was fought, especially the heavy use of the anti-SA card, must impose a pall over relations between ConsGold and GFSA, whose chairman Robin Plumridge may find future difficulty in extending a warm welcome to Agnew in Johannesburg.

And certainly by raising ConsGold's own SA profile in the US, Agnew will find it difficult to run his aggregate and concrete businesses there and retain the investments in SA

Meanwhile, analysts believe that ConsGold remains "in play" and it is likely to be taken over by somebody before long

John Cavill

Minorco may take further action

LONDON — Minorco is investigating whether it can pursue legal action in the United States after the court ruling earlier this week which killed its £3,9-billion takeover bid for Consolidated Gold Fields

The bid collapsed following the US court's decision to uphold an injunction which had been taken out by Newmont Mining, 49 percent owned by UK-based Consgold, under American anti-trust laws.

Sir Michael Edwardes, chief executive of Luxembourg-based Minorco, which is controlled by Anglo American and De Beers, said. "There are certain moves we are looking at with our lawyers We have 29,8 percent. We know we have the support of another 25 percent of the shareholders — mainly big city institutions "

Consgold chairman Rudolph Agnew hailed the bid outcome as a victory, but his company's share price plummeted following Minorco's announcement

Edwardes said: "I cannot think of another case where the action of a chairman has knocked £750-million off the value of a company overnight I think the issue of whether the majority of shareholders have been deprived of this offer by a US court is a matter for the authorities to look at closely "

He said Minorco would probably not take a decision on how to proceed before its board meeting next month, but would be looking carefully at the profit forecasts Consgold had made during the bitter eight-month takeover battle

Agnew described himself as "a meek and humble man" but disclo-seddisclosed that his controversial defence had cost Consgold £30-million

He said he hoped Minorco would keep its stake in Consgold and its two directors on the board, adding: "We do not feel vindictive but hope Minorco will want to have a constructive and positive relationship with us " — Sapa

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Wmail 19-25/5/89

Why Minorco lost its battle for control of ConsGold

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B/Day 19/5/89.

ROBERT GENTLE in London

HINDSIGHT, that most exact science, was back in vogue yesterday as financial pundits knuckled down to the task of finding out just where Minorco went wrong in its ill-fated bid for Consolidated Gold Fields

Prime in the "ah-but-it-was-obvious-from-the-start" stakes was that Minorco's ultimate parent — Anglo American — was just too tight-fisted to pay the going rate for what is, after all, Britain's second largest mining group after RTZ

Given that the bid always had the potential of developing into a nasty cross-border political fracas, Anglo should have used the one weapon it was free to use all along — a tempting price.

"This whole thing could have been wrapped up within the first month if the price had been right," said an analyst.

Even towards the end when the City — that anonymous group of London financial experts who for better or for worse reflect the view of the market — asked for at least £16, it got only £15,50

Minorco came across as having conceded that price rather grudgingly It was too little too late Yet the writing was always on the wall

"Fifty pence more per share would have done it," said one analyst. "It would have given them possibly 65% or 70% of acceptances, instead of the tenuous 55% they got. Agnew would have been under that much more pressure to drop the court action."

The second area where Minorco is thought to have dangerously miscalculated was the opposition the bid would arouse on both competition and political grounds.

From the start, Minorco's financial director Tony Lea had almost with weary resignation lectured financial journalists in Johannesburg that Minorco's South African links were not the issue here

He insisted on the distinction between a company *owned* by South African interests and one *owning* South African interests

Yet ConsGold's US affiliate Newmont found it academic enough to hammer away at the "apartheid monster" in full-page advertisements in the US

The fact that it was downright hypocritical because of ConsGold's stake in Gold Fields of SA (GFSA) was neither here nor there, and illustrates the other main complaint about Minorco's fight — it was too timid.

Instead of taking the battle on to ConsGold's level and meeting fire with fire, Minorco played by the rules; indeed, it was somewhat proud of its gentlemanly conduct. "We don't want to stoop to their level," Minorco's Press spokesman would often say.

Yet, as one observer remarked early on in the battle, this was not about watching a game of cricket over tea and crumpets This was big business, and ConsGold was putting up big money in defence — £30m — and was not letting such trivialities as logic and fairness stand in the way

What some have called ConsGold's dirty tricks campaign undoubtedly helped it win the day It confirms the adage that, in battle, the victor is never asked how he won.

The UK Takeover Panel has also come in for criticism for its dubious handling of the affair The die was cast the minute the panel ruled that the bid would lapse after seven days of ConsGold dropping its US court ruling

Despite the perceived unfairness of the US courts having decided the outcome of a takeover battle in Britain, a few lone voices are arguing that, to a certain extent, Minorco was the architect of its own deadline problems

It refused to appeal the court's earlier decisions, and trusted in the wisdom of the judge, what it was convinced was the fairness of its case and, the fast approaching deadline.

Lastly, the controversial issue of personalities should not be underestimated

Observers saw a tall, suave Rudolph Agnew with his impeccable Oxbridge vowels trampling over a short, abrasive Sir Michael Edwardes whose South African accent only accentuated the "foreign-ness" of his company.

"It always was no contest," said one observer, perhaps unfairly "Why, even the champagne Agnew served journalists today was Bollinger"

However, as the dust settles, two short statements made early in the game by the two main protaganists prove that the battle was simply bigger than both of them.

"This has very little to do with the US and everything to do with the ConsGold board." — Sir Michael "It is the shareholders who will decide." — Agnew.

They were both wrong, as US Federal Judge Michael Mukasey will no doubt remind them.

The fight of the quotable quotes

THE Minorco-ConsGold saga may be over — for the moment, at least — but the more memorable bouts of verbal repartee between the two combatants linger on:

"This is a full and fair offer" (Minorco, announcing its first offer of £13 per share).

"Their offer seriously undervalues ConsGold's assets" (ConsGold's reply).

"This is a full and fair offer" (Minorco, announcing its second offer of £14 per share)

"Their offer is obviously a sighting shot" (ConsGold)

"We are going to have to make the pips squeak to justify the cost of this bid" (Sir Michael Edwardes).

"... a pipsqueak wanting to make the pips squeak" (Rudolph Agnew's retort)

"This is a full and fair offer" (Minorco, announcing its third and final offer of £15,50 a share)

"Minorco has been wasting everyone's time with trivial offers" (ConsGold)

"They are basically asset strippers ... That is how they operate" (Agnew, on Minorco and the Anglo empire's *modus operandi*)

"They have been holding a smoking chequebook to my head" (Agnew on Minorco's battle over the years for ConsGold)

"ConsGold is not acting in the interests of its shareholders by continuing the US court action" (Minorco).

"The Gold Fields board fully understands its duties to its shareholders and does not need to be lectured about them by a board whose chairman and whose president in charge of North American operations have now both been forced to admit they receive secret salaries from an Oppenheimer family company" (ConsGold).

"Rudolph Agnew has been searching for a white knight ... I am the only knight on the horizon" (Sir Michael).

"The knights are getting shorter" (Agnew).

"This bid has little to do with the US" (Sir Michael on the New York court action).

"In the end, the shareholders will decide" (Agnew).

"In the end, the New York court case killed the bid" (Financial Times).

"You can deny your bastard sons; you can't deny your parents" (Agnew).

"Sir, we never serve plonk — at least not on this floor!" (Indignant ConsGold barman this week when asked if the freely flowing celebratory Bollinger champagne had been opened just for the journalists present).

Reserve Bank may sink rand to save mines

CMG Times 20/5/89

214

By AUDREY D'ANGELO
Financial Editor

THE Reserve Bank may save marginal gold mines from closure by allowing the rand to plummet to a level at which they become viable again, Old Mutual chief economist David Mohr said yesterday

He pointed out that this would also help SA exports and be a further discouragement to imports without raising interest rates

Chamber of Mines economist David Kennedy agreed "I think it likely that the rand will depreciate further and this will take some of the pressure off mines"

Rand Mines, which yesterday suspended trading in the shares of two of its mines — East Rand Proprietary Mines (ERPM) and Durban Roodepoort Deep — has appealed to the government for financial help to keep them open

As the dollar gold price continued to fall a spokesman for the Chamber of Mines said that with the rand gold price at its present level about 13 mines could be considered "marginal" and in danger of closing

Standard Bank economist Nico Czypionka pointed out that the rand had not fallen against the dollar as much as the mines would like because of the recent strength of exports other than gold

"The rand is certainly going to be softish for most of this year but I don't think it will become very weak unless there is a drastic fall in the gold price"

Czypionka said the Government might take the view that the very marginal mines, of which there were probably four, might as well close because they produced very little gold The loss of their production would make little impact

But Trust Bank economist Nick Barnardt said that although in normal times he would not expect the Government to help marginal mines, at present every ounce of gold taken out of the ground helped SA meet its balance of payments (BoP) problem

With more foreign debt repayments due next month, he did not believe the country could afford to let the marginal mines close

But the mines would be faced with higher costs soon, after the mid-year pay rises, and he did not believe the rand gold price would rise sufficiently to solve their problem

Lord Young 'regrets' Minorco's failure

214

Star 20/5/89

TOKYO - British Trade Secretary Lord Young has asked his Department of Trade and Industry to take a long, hard look at the failure of Minorco's bid for Consolidated Gold Fields

"It is regrettable that 54 percent of the shareholders are to be denied what they wanted and I will look into it when I get back,' he said during his trade visit to Tokyo

But it is unclear what powers Lord Young may be aiming to introduce to prevent US courts from intervening in such takeovers in the future The bid was blocked by an injunction granted in New York to Consgold's 40 percent associate company Newmont.

He described the bid as "an unusual one" and said any changes would have to be considered in the light of the DTI's report

A new Companies Bill is going through the British Parliament but Lord Young said he did not envisage a change in the rules governing British takeovers.

Lord Young also expects to get the DTI report into alleged insider trading in Consgold shares soon

"These were shares in a British company, though not a bid by a British company, and it is the interests of British shareholders I must look at,' said Lord Young

Listing of two mines suspended

(2-14, ?) Star 24/5/91

ALTHOUGH two of South Africa's oldest gold mines are under threat of closure as a result of the falling gold price, other marginal gold mines, while affected by the low price of the metal, are in no immediate danger of ceasing operations.

The struggling ERPM and Durban Roodepoort Deep gold mines, both controlled by the Rand Mines group, have been hard hit by the gold price which has shed some $35 since the beginning of the year to reach the $366 level yesterday. Speculation is that the mines could be closed soon.

A joint statement issued by the two companies and Rand Mines said that both the mines were incurring substantial losses and that representations have been made to the Government for further financial assistance.

Although alternative strategies to avoid further losses have been evaluated, at projected prices none of these is viable, the statement says.

At their request the listing of the two companies were suspended on the Johannesburg Stock Exchange, the International Stock Exchange, London, and the Paris Bourse with effect from the opening of business yesterday.

While mines of other groups are obviously affected by the lower gold price, no mine is affected to the extent that closure is being considered.

Anglovaal spokesman said costs are being controlled at Loraine mine, but there have been no dismisssals and that there was no question of closure.

Gold Fields said that while all the group's mines were affected by the present gold price, none of the marginal mines have been affected to the extent that they were threatened with closure. There were also no plans for retrenchment of mineworkers.

Gencor has taken no decision in its marginal mines. Closure is not an issue for JCI at this stage and no closure of mines are foreseen for Anglo American mines.— Sapa.

JSE share prices fall with gold

Star 20/5/89

214

● FROM PAGE 1.

these mines would have to close down

Gencor, South Africa's second largest mining house, recently announced the lay-off of more than 5 000 mineworkers in its battle to contain costs at some of its marginal mines

Dealers said the situation on the JSE yesterday was chaotic

Even blue-chip shares came under heavy selling pressure The share price of blue-chip Barlows, for instance, dropped by nearly 5 percent yesterday to R35,50, down from its record-high of R39,25 achieved barely a week ago

The sudden decline in sentiment regarding the JSE has caught most brokers by surprise, particularly when it is taken into account that both Wall Street and the London Stock Exchange soared to post-Crash record highs yesterday

Local financial markets were hit by a wave of negative news this week and the rampant US dollar rose at one stage to R2,72 This sharp weakening in the rand against the dollar has severe inflationary implications and has already resulted in rumours that further increases in the petrol price and interest rates are unavoidable.

However, Dr Gerhard de Kock, Governor of the Reserve Bank, said in an interview that the local economy was responding well to the austerity measures announced two weeks ago

"At this stage I do not foresee further measures to cool down the economy more," he said

PLATINUM FALLS

But he did admit that the lower gold price was hurting the economy and said "we will all have to sweat it out"

An announcement by the Department of Mineral and Energy Affairs last night warned that the petrol price may have to increase yet again to compensate for the drop in the rand

Other negative news that depressed investors' sentiment on the JSE include a sharp drop in the price of another major foreign exchange earner platinum with the price declining to $498, more than $50 an ounce off last month's peak

The decline in the South African trade surplus in April to R818 million (compared with R1,675 billion) also served to depress local sentiment

While a correction in the overheated industrial market has been predicted by several analysts, the rapid about-face of the market has caught most market commentators by surprise.

Mr Matt Brenzel, investment-head of Cape-based financial company Syfrets, is forecasting a further 20 percent correction in industrial shares

But chartist Mr Tony Henrey is more pessimistic, saying a drop of some 40 percent is not out of the question, particularly if the gold price keeps dropping

● See PAGE 12

Chaos on JSE as gold continues to plummet

Star 20/5/89

214

MAGNUS HEYSTEK, Finance Editor

SHARE prices on the Johannesburg Stock Exchange fell with the gold price in near-panic selling yesterday.

Gold dropped to a three-year low of $366,60 an ounce in London yesterday afternoon

After the fix, it declined even further and was trading between $365,50 and $366 an ounce

Gold has now dropped by about $130 an ounce since its peak of just more than $500 in October 1987, representing a loss of about $2 billion (more than R5 billion) in foreign exchange

The industrial sector came under intense selling with the Industrial Index staging one of its biggest declines of recent times

Since April 27, the Overall Index has declined by more than 10 percent, reducing the market capitalisation from just under R400 billion to about R360 billion, a loss of more than R40 billion

The massive sell-off was triggered by the sharp drop in the gold price

And the already negative sentiment was given further impetus by the suspension of two of South Africa's oldest mines, East Rand Propriety Limited (ERPM) and Durban Roodepoort Deep (DRD) on rumours that the mines were to be closed unless they received additional assistance from the State

When the Saturday Star tried to contact the President of the JSE, Mr Tony Norton, for comment on yesterday's events it was told he was on board a flight to Cape Town and could not be contacted

According to gold mining analysts at least 19 South African gold mines are, at the current gold price, operating at a loss Without a sustained improvement in the gold price, or conversely a further drop in the rand exchange rate against the US dollar, several of

● TO PAGE 2.

Respectable growth from Rand Mines

Cape Times 22/5/89

Own Correspondent

JOHANNESBURG — Rand Mines wiggled its way past the problems of its loss making gold mines to report a respectable growth in interim profits

But the precarious position of the group's gold mines in light of the weak gold price and rising costs, is highlighted by a cautious forecast, a conservative increase in the profit distribution to shareholders and cash flow problems

In spite of a 39% increase in attributable profits, from R66,8m to R93m, Rand Mines still says there is a danger of the imminent closure of ERPM and Durban Roodepoort Deep

Earnings rose to 830c a share from 596c (revised downwards because of a change in the method of accounting for coal stockpiles) Much of the growth is attributed to a strong performance by Witbank Colliery

The Barlow Rand subsidiary was also coming off a relatively low base after a decline in interim profits in 1988

An interim dividend of 120c — 14% higher than the previous interim — is to be paid The directors are predicting full year earnings growth of about 15%

The group's gearing has improved but the balance sheet shows how its cash flow position has deteriorated over the past year with current liabilities now exceeding current assets

The current ratio has infact fallen to 0,87 from 2,1 at end March 1988 and 1,5 at end September 1988

The increase in long term loans to R523,7m (R498,1m) is mostly related to the new Eskom-tied coal mines, Khutala and Majuba Eskom has delayed the commissioning of the Majuba power station by six years

Rand Mines says it is still negotiating on a revision of the terms and conditions of the coal supply agreement in order to offset any prejudice which the group may suffer as a result of the postponement

Operating profit rose 50% to R138,2m (R92m) from turnover of R519,5m (R386,1m)

The increase in sales was largely due to firmer coal export demand and prices The group's base minerals and property divisions also weighed in with improved profits

At end March the net asset was 9 445c

Wimpie slated for disloyalty to DP

SIPHO NGCOBO

"WIMPIE de Klerk! You have stabbed the Democratic Party in the back!"

That was the scathing message from Vrye Weekblad editor Max du Preez to Professor Wimpie de Klerk, brother of NP leader F W de Klerk, after the professor's pull-out from the DP

In an open letter published in his newspaper, Du Preez says

"I belong to the generation of Afrikaans speakers who followed with interest your career in the Broederbond, the academy, journalism and politics And over the years I did tend to take notice of what you had to say

"I was happy to hear that you had been one of that little coterie which helped to bring together, within the establishment, three white opposition groups with the aim of infusing new life into the battle against apartheid

"Now it appears you have caught us with a baited trap"

"Last week, you withdrew from the Democratic Party This about-face caught most people — including myself — by surprise It administered a low, undeserved and very painful blow to the Democratic Party

"Worst of all you gave the Nationalists a boost which may well ensure that, after the election, they will no longer have to peek over their left shoulders and will blunder ahead with their characteristic arrogance"

BDay 22/5/89

Report sought on ConsGold ploys

BDay 22/5/89 (214)

LONDON — Britain's Trade Secretary, Lord Young, has called for a report into the tactics used by Consolidated Gold Fields in its successful efforts to block Minorco's £3,5bn bid through the US courts, the Guardian reported at the weekend

The newspaper quoted Young as saying it was "regrettable" that 55% of ConsGold's shareholders had voted to support the takeover offer but had been thwarted by the British company's associate in the US, Newmont Mining

But the Guardian said it remained unclear what powers Young might be aiming to introduce to prevent US courts from intervening in such takeovers in future

Young described the bid as "an unusual one" and said any changes would have to be considered in the light of the report's findings

Minorco chief executive Sir Michael Edwardes said in a letter to ConsGold shareholders that the Newmont court injunction was the sole reason for the frustration and lapsing of his company's offer

"The directors of Gold Fields should consider their position very carefully now that shareholders who speak for 55% of Gold Fields have shown that they wanted Minorco's offer to succeed and Gold Fields to be given a new strategic direction The fall in Gold Fields share price following the frustration of the offer places a very heavy responsibility on the Gold Fields directors, who must do more than merely fulfil the many promises they made during the course of the offer" — Sapa

Vote against firms doing business with SA

NEW YORK — The US and Britain cast the only votes against a UN resolution on Friday condemning trans-national corporations that "continue to collaborate with the racist minority regime in SA" BDay 22/5/89

The Economic and Social Council's (ECOSOC) economic committee's vote was 34 in favour and two against

The resolution, one of several dealing with trans-national corporations, will go to the ECOSOC plenary for endorsement

It said it deeply regretted that measures taken so far by some governments and trans-national corporations fell short of the comprehensive and mandatory sanctions against SA called for by the UN

It also called on governments to prohibit their trans national corporations from all forms of collaboration with SA including not only direct investments but also services, technology licensing, distribution and franchising agreements and other such arrangements with the economic policy it followed | Jonathan Claasens, were killed

Rand Mines lifts its interim payout

(214) B/Day 22/5/89.

RAND Mines wiggled past the problems of its loss-making gold mines to report a respectable growth in interim profits

But the precarious position of the group's gold mines, in light of the weak gold price and rising costs, is highlighted by a cautious forecast, a conservative increase in the profit distribution to shareholders and cash flow problems

In the six months to March earnings rose 39% to 830c a share from 596c (revised downwards because of a change in the method of accounting for coal stockpiles) Much of the growth is attributed to a strong performance by Witbank Colliery The Barlow Rand subsidiary was also coming off a relatively low base after a decline in interim profits in 1988

An interim dividend of 120c, 14% higher than the previous interim, will be paid

The directors appear guarded about second-half prospects, saying profits are unlikely to exceed substantially those achieved in the comparable period last year With this in mind they are predicting full-year earnings growth of about 15%

The group's gearing has improved but the balance sheet shows how its cash flow position has deteriorated over the past year with current liabilities now exceeding current assets The current ratio has, in fact, fallen to 0,87 from 2,1 at March 1988 and 1,5 at September 1988

CHERILYN IRETON

The increase in long-term loans to R523,7m (R498,1m) is mostly related to the new Eskom-tied coal mines, Khutala and Majuba Eskom has delayed commissioning Majuba power station by six years

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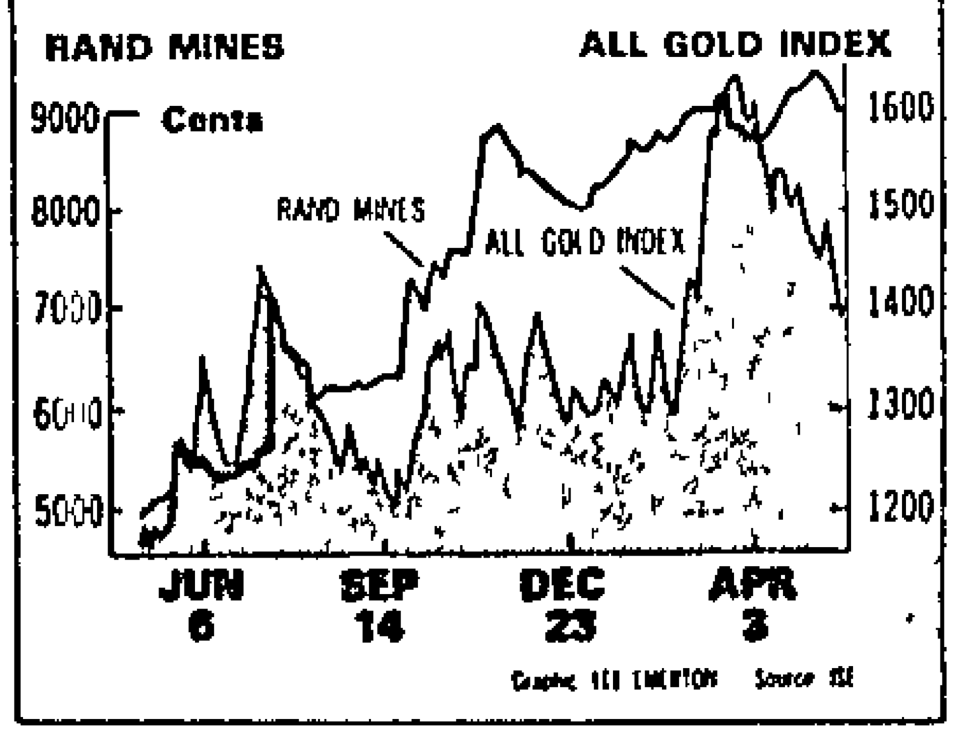
The fall in sales was largely due to firmer coal exports and prices The group's base minerals and property divisions also weighed in with improved profits

RAND MINES compared to ALL GOLD INDEX



Cabinet to decide on marginals

B/Day 22/5/89

THE fate of Rand Mines' two ailing gold producers, Durban Roodepoort Deep (DRD) and East Rand Proprietary Mines (ERPM), rests with the Cabinet

An urgent request for more government assistance was forwarded to the Department of Finance late last week in an attempt to save the mines from closure

The mines have been incurring substantial losses and are uneconomic at the prevailing gold price of around $366 an ounce

Rand Mines has evaluated alternative strategies to avoid more losses, but at projected gold prices, none of these strategies are viable

In light of this, the listings of the two companies were suspended in Johannesburg, London and Paris on Friday

CHERILYN IRETON

A department spokesman said Finance Minister Barend du Plessis and his deputy, Org Marais, were considering Rand Mines' request But "the matter will have to be considered by the Cabinet before any decision is made"

Marais said yesterday the matter had been passed to the committee and he expected to receive a report this morning which would then be put to Cabinet

Should the mines be forced to halt oper-

☐ To Page 2

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BDay 22/5/89 (214)

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Should the mines be forced to halt oper-

□ To Page 2

Cabinet decision

BDay 22/5/89 (214)

□ From Page 1

ations, Rand Mines would write off its investment as an extraordinary charge against reserves "which are more than adequate for that purpose", the interim report said At the end of March, the house had share capital and reserves of R817,9m

ERPM and DRD employ 20 000 people — and last year produced 16 000kg of gold — or almost 2,8% of SA's total output

□ Our Correspondent reports from Cape Town that Old Mutual chief economist David Möhr said the Reserve Bank might save marginal gold mines from closure by allowing the rand to plummet to a level at which they became viable again

He said this would also help SA exports and be a further discouragement to imports without raising interest rates

Chamber of Mines economist David Kennedy agreed "I think it likely the rand will depreciate further and this will take some of the pressure off mines"

Standard Bank economist Nico Czypionka said the rand had not fallen against the dollar as much as the mines would like because of the recent strength of exports other than gold "The rand is going to be softish for most of this year, but I don't think it will become very weak unless there is a drastic fall in the gold price"

Trust Bank economist Nick Barnardt said although in normal times he would not expect government to help marginal mines, every ounce of gold taken out of the ground helped SA meet its balance of payments problem

With more foreign debt repayments due next month, he did not believe the country could afford to let the marginal mines close

Rand Mines give shareholders considerable cause to cheer

214 Star 22/5/89

By Derek Tommey

Rand Mines, one of the big five mining houses with investments in gold, platinum, vanadium, chrome and coal, has produced outstanding results for the six months to March, even though two of its gold mines incurred substantial losses in the period

Group turnover jumped by 35 percent to R519,5 million, while group profit before tax rose 45 percent from R98,2 million to R141,9 million and taxed profit rose 61 percent from R71,9 million to R115,7 million

However, not all this money accrued to Rand Mines shareholders

Outside shareholders took R22,7 million (5,1 million), leaving R93,0 million, equal to 830c a share, for Rand Mines' shareholders

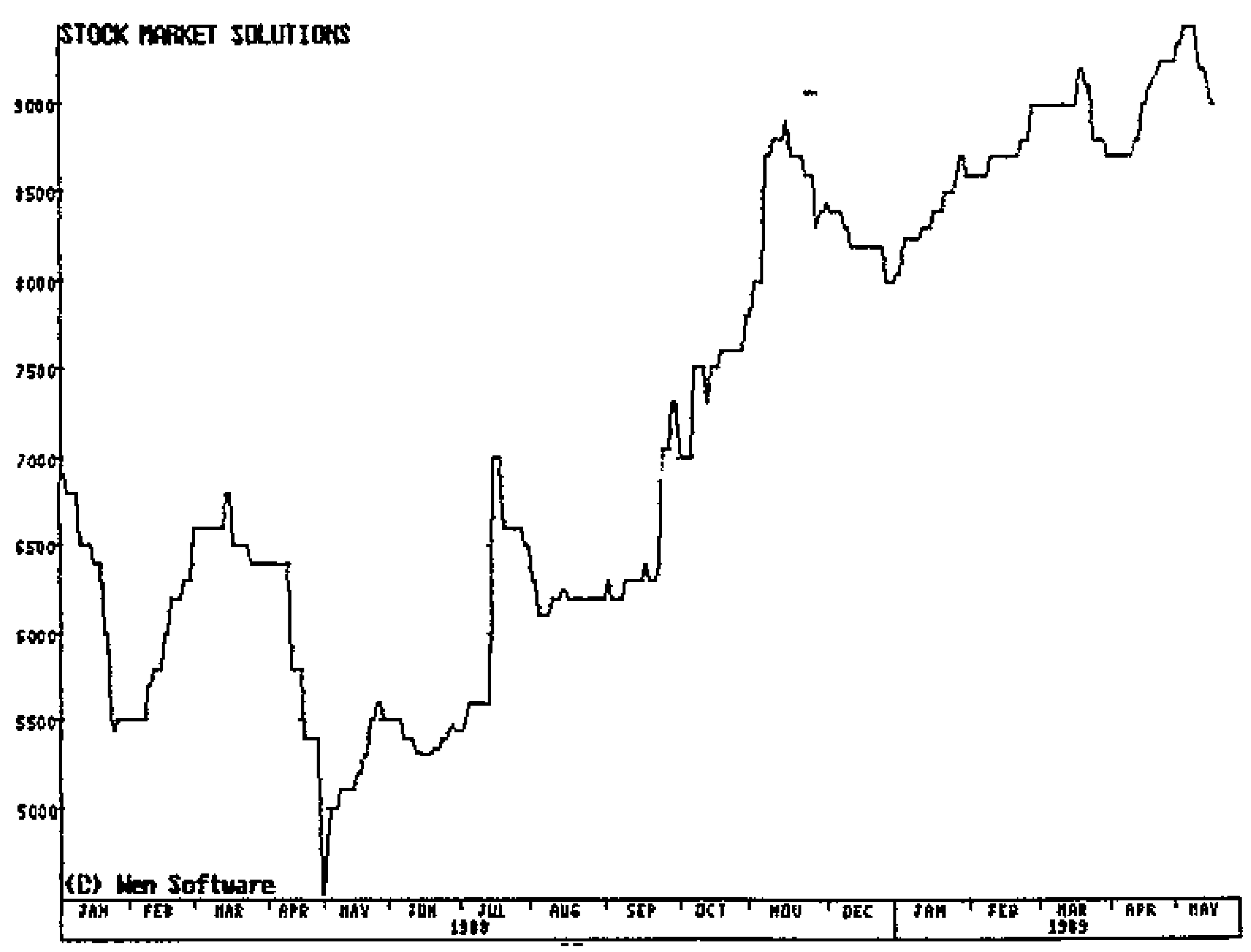
But this was still an increase worth having as it was 39 percent more than the R66,8 million, equal to 596c a share, which accrued to them a year ago

The interim dividend has been raised by 14 percent from 105c to 120c a shares

This is in line with group expectations that the overall increase in attributable profits this year will be about 15 percent

If the final dividend is increased by a similar percentage, it seems Rand Mines, which paid out a total of 450c last year, could pay out about 520c this year

Should this prove correct, Rand Mines' shares, which are currently 9000c, are giving a potential yield of 5,7 percent



Rand Mines shares have risen 80 percent in the past year

Witbank Colliery, which benefited from firmer export demand and prices, was a major contributor to the improvement in figures, say the directors

Following the sharp increase in chrome exports, the group's base metal interests made a bigger contribution to the profit increase

The platinum producer, Lefkochrysos, which was acquired last year probably also helped boost Rand Mines' management fees

Dividends from investments in the six months rose 25 percent from 11,4 million to R14,3 million

Money spent on exploration more than doubled, rising from R5,2 million to R10,6 million — reflecting an intensification in the search for new metal deposits

On February 1, Rand Mines made Vansa Vanadium a subsidiary company by acquiring a further 7,4 percent of its shares

Vansa operates a vanadium and a chrome mine

Its results since it became a subsidiary have been consolidated with those of Rand Mines

Rand Mines says has started negotiations with Eskom to revise the terms of the Majuba coal supply agreement following the decision to delay by six years the commissioning of the Majuba power station

Rand Mines' balance sheet shows that it increased its borrowings — most of which is related to the new Eskom-tied mines, Khutala and Majuba — from R498,1 million to R523,7 million

Looking ahead, the directors expect profits in the six months to September are not likely to exceed substantially those earned in the same period last year

So they expect total earnings for the year to be about 15 percent higher than last year

Durban Deep and ERPM faced with shutdown

Star 22/8/89 214

By Derek Tommey

Rand Mines, one of the major mining houses, has faced up to the possibility that two of its gold mines, ERPM and Durban Deep, might be shut down in the near future

It says in its interim statement to shareholders issued today that if this were to happen, it would write off its investment in the mines as an extraordinary charge against reserves. These were more than adequate for this purpose

Rand Mines' directors say that at the prevailing gold price both Durban Roodeport Deep and ERPM are incurring substantial losses

It says alternative strategies to avoid further losses have been evaluated

Representations have been made to the Government for further financial assistance for the companies to enable them to continue their mining operations and that the matter is under urgent consideration

Pressure builds on Consgold

Star 22/5/89. 214

The Star Bureau

LONDON — Pressure for change is getting louder as next Friday's full board meeting of Consgold approaches.

Gordon Parker, boss of Newmont Mining, and Gordon Plumbridge, head of Gold Fields South Africa, will fly in for the meeting amid rumblings over seven independent non-executive directors who stayed silent as Minorco gained 54,9 percent of acceptances.

And there have been calls for the roles of chief executive and chairman — both occupied by Rudolph Agnew — to be split.

Minorco is keeping all options open ahead of a June 15 board meeting. If Minorco keeps its 29,9 percent stake, it will almost certainly press for stronger representation on the ConsGold board.

It was reported in London yesterday that the court wrangle in the US had focused attention on South African investment.

"Pre-Minorco, the focus had been on US investment in SA,' said the *Observer*. It quoted a close watcher of the Minorco affair in New York as saying: "The fuse has burnt slower, but it is potentially much more explosive."

The *Sunday Telegraph* said of the lapse of Minorco's £3,5 billion bid: "Not an ending, but an interval, not a victory, but a stalemate, not a solution, but a problem compounded

"Forty-four Main Street has a problem," the newspaper said. "Those three crises that sparked the Minorco bid — politics, investment and management succession — are pressing more insistently."

And pressure would now grow on Consgold to acknowledge that matters cannot settle back where they were, it said.

"Who, some institutions are now asking, will speak for those shareholders who accepted?"

Gold loses another $4, rand slide continues

ARGUS 22/5/89

By TOM HOOD, Business Editor

GOLD lost another $4 today to open at $361,15 an ounce in London, the lowest price since early August 1986.

The rand also slipped as the American dollar continued to surge on Far East foreign exchange markets and was quoted in Johannesburg at 33,36 US cents, down from Friday's 36,92 cents.

Since the beginning of the year, when the rand was worth more than 42 US cents, the local currency has lost 14 percent of its value against the dollar.

The low gold price means that 15 of the country's 36 gold mines are in danger of making losses as their costs are higher than R350 a ounce — several report working costs above R400 an ounce.

The mines, however, could get some protection from the falling rand, which has maintained the rand price of gold. Mines receive rands for their gold above R1 000 an ounce. Today gold was worth R1 082 an ounce.

Rand Mines, which is seeking government aid to stave off closing two loss-making mines, said today if the mines, Durban Deep and ERPM, had to cease mining operations, the group had adequate reserves to write off its investment in them.

Share prices eased again on the Johannesburg Stock Exchange, where more than R14,5-billion was wiped off the value of shares in last week's downturn.

The JSE overall index of share prices lost another 14 points this morning to 2337 after losing 165 last week.

The possibility of another hike in interest rates was signalled today when a key money market rate — the 90-day bankers acceptance rate — climbed to 17,60 percent.

● See page 2

Fate of gold producers DRD, ERPM rests with Cabinet

CIT Trib 22/5/89

Own Correspondent

JOHANNESBURG — The fate of Rand Mines' two ailing gold producers, Durban Roodepoort Deep (DRD) and East Rand Proprietary Mines (ERPM) rests with the Cabinet

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Finance minister Barend Du Plessis and his deputy, Dr Org Marais, are considering Rand Mines' request a department spokesman confirmed on Friday But "the matter will have to be considered by the Cabinet before any decision is made"

Marais said yesterday the matter had been passed on to the committee and he expected to receive a report tomorrow morning which would then be put before the Cabinet

Should the mines' be forced to halt operations, Rand Mines will write off its investment as an extraordinary charge against reserves "which are more than adequate for that purpose" according to the interim report At the end of March the house had share capital and reserves of R817,9m

ERPM and DRD employ 20 000 people and last year produced 16 000kgs of gold — or almost 2,8% of SA's total output

THE Reserve Bank may save marginal gold mines from closure by allowing the rand to plummet to a level at which they become viable again, Old Mutual chief economist David Mohr told our Cape Town correspondent on Friday

Discouragement

He pointed out that this would also help SA exports and be a further discouragement to imports without raising interest rates

Chamber of Mines economist David Kennedy agreed "I think it likely that the rand will depreciate further and this will take some of the pressure off mines"

Standard Bank economist Nico Czypionka pointed out that the rand had not fallen against the dollar as much as the mines would like because of the recent strength of exports other than gold

"The rand is certainly going to be softish for most of this year but I don't think it will become very weak unless there is a drastic fall in the gold price"

Czypionka said the Government might take the view that the very marginal mines, of which there were probably four, might as well close because they produced very little gold The loss of their production would make little impact

But Trust Bank economist Nick Barnardt said that although in normal times he would not expect the Government to help marginal mines, at present every ounce of gold taken out of the ground helped SA meet its balance of payments (BoP) problem

With more foreign debt repayments due next month, he did not believe the country could afford to let the marginal mines close

But the mines would be faced with higher costs soon, after the mid-year pay rises, and he did not believe the rand gold price would rise sufficiently to solve their problem

The approach to government is under urgent consideration, the announcement adds

Gold mines: State waits for aid report

2/4

By PETER FABRICIUS ARGUS
Political Staff 22/5/89

THE government expects to receive an expert report today on possible assistance to save ERPM and Durban Deep Mines.

Dr Org Marais, the Deputy Minister of Finance, said the group of finance experts had worked throughout the week-end to complete the report.

An annoucement could be expected from the Government in the next few days, he said.

Dr Marais said a number of option had been considered but he could not pre-empt the announcement However, he believed that if the government could keep viable mines going it was important to do so

He said ERPM seemed to be "a mine with possibilities" and it was just a question of the over-supply of gold which was affecting the price

"Australia's new fields would be putting more than 200 tons on the market this year but this would probably tail off to 100 tons next year.

Dr Marais said he would investigate the position of all marginal mines and had asked the Chamber of Mines to prepare a report on their long-term and short-term prospects

Solving the crisis at ERPM and Durban Deep would have to take into consideration the position of all marginal mines — "We can't help them in such a way that we give all to them and leave nothing for others."

The Minister of Economic Affairs and Technology, Mr Danie Steyn, said it was important that gold mines continue production in order to maintain foreign exchange reserves but this could not be the only consideration

Press curbs

In terms of the emergency regulations reports, comment and pictures may be restricted.

Pastor's pane smashed after Matie speech

By CLIVE SAWYER ARGUS
Tygerberg Bureau 22/5/89

A LUMP of concrete was thrown through a window today at the home of a Stellenbosch minister who spoke at last week's meeting about campus segregation.

The Rev Simon Adams of the People's Church of Africa said he was woken by a noise just before 3 am today.

"When I investigated I found a lump of concrete had shattered one of my most expensive panes of glass," Mr Adams said He did not see who had thrown it.

The concrete did not come from his garden and seemed "foreign" to the area, he said The matter was reported to the police.

Boland police liaison officer Captain Gys Boonzaier confirmed that a complaint of malicious damage to property was being investigated.

Rand now at four-year low

214

By Magnus Heystek, Finance Editor Star 27/3/89

The gold price continued to hover at its three-year low of around $360 an ounce today as the United States dollar maintained its strong performance on world financial markets

The rand weakened sharply and ended trading at a four-year low of R2,78 (35,9 US cents).

The US dollar easily soared through the 2 Deutschmark level on currency markets, and was fast approaching the 145-yen level against the Japanese currency in Tokyo today

Despite the continued weakness in the rand exchange rate, which normally would act as a buffer for gold and rand-hedge stocks on the Johannesburg Stock Exchange, the sentiment remained very bearish and the overall index plunged by a further 66 points after shedding 165 last week.

The JSE has now shed about 8 percent in just more than a week as the longer-term implications of a lower gold price continue to depress investor sentiment Panic selling by small investors gave a further twist to the falling trend

The sharp decline in the gold price, if sustained, has major implications for the South African gold industry, the largest employer in the formal sector

At the current gold price, and faced with upward cost pressures, at least seven gold mines, apart from suspended ERPM and Durban Roodepoort Deep, face closure if the gold price does not recover or the Government does not announce some new scheme of state aid.

The seven mines are Western Areas, WR Cons, Wit Nigel, South Roodepoort, Grootvlei, Bracken and Harmony.

The Cabinet met yesterday to discuss the possibility of state aid for ERPM and DRD, but at the time of going to press no announcement had been made

Mr Mike Brown, gold mining analyst at stockbroking firm Davis, Borkum Hare, said it was probable that the Government would soon announce some form of state aid for troubled mines.

"If it can come to the rescue of the farmers, I see no reason why it should not devise some aid scheme for the gold mining industry," he added

● See Pages 11 and 13

23/5/89 Sowetan (214) (240)

Expert reports on mines

THE Government expects to receive an expert report drawn up over the weekend on possible assistance to save ERPM and Durban Deep mines

Dr Org Marais, Deputy Minister of Finance, said the expert finance group had worked all weekend to complete the report

An announcement could be expected from the Government over the next few days, he said

A number of options had been considered, he said

Over-supply

Marais said he could not preempt the announcement However he felt that if the Government could keep viable mines going, it was important to do so.

He said ERPM seemed to be "a mine with possibilities" At the moment it was just a question of the over-supply of gold which was affecting the price.

The new Australian fields would be putting over 200 tons on the market this year but this would probably tail off to 100 tons next year

Marginals

Marais disclosed that he would be investigating the position of all marginal mines He had asked the chamber of mines to prepare a report on their long and short-term prospects

The solution for the ERPM and Durban Deep crisis would have to take into consideration the position of all marginal mines

"We can't help them in such a way that we give all to them and leave nothing for others"

Strongest likely to survive, says Liebenberg

214

Falling gold price could affect 17 marginal mines

BDay 23/5/89

ALAN FINE

IF THE gold price continued to fall and costs were not contained, the 17 marginal gold mines affiliated to the Chamber of Mines would be in trouble, Chamber of Mines GM Johan Liebenberg said yesterday

"No-one is saying that all 17 mines will close But we are going to have to be extremely cautious," he said

Liebenberg said the 17 mines employed 296 000 people They included the largest, Freegold, which has a 105 000-strong workforce However, according to March quarter production costs, Freegold's production was more efficient than the other marginal mines.

Liebenberg said in spite of the crisis facing marginal mines, the chamber's 11% across-the-board wage offer to the National Union of Mineworkers (NUM) had not differentiated between the marginal mines and others

Liebenberg said the industry had to remain competitive in the marketplace for labour, and had to take into account the effects of inflation on employees' pay packets

He declined to speculate on whether this stance might change as the 1989 wage talks proceeded He also said he could estimate the hypothetical effect of wage increases similar to last year's 13,5% to 16,5%

A NUM spokesman, referring to the possible closure of ERPM and Durban Roodepoort Deep, said yesterday the union saw no point in subsidising mines which had reached the end of their natural lives

However, he criticised Rand Mines management for failing to anticipate well in advance the problems facing the two mines

● LIEBENBERG

Rand Mines personnel manager Don King said the group had previously made provision for transferring workers to new positions while the gold price remained stable More than 95% of the thousands retrenched from the two mines in the past two years had been relocated elsewhere

However, he said, no-one could have forseen the drop in the gold price in the past two to three weeks, and this had unbalanced projections

He said he was nevertheless hopeful that government intervention would allow the mines to continue operating

□ GERALD REILLY reports that DP finance spokesman Harry Schwarz said last night a strong case could be made out to assist marginal gold mines to survive the current troubles

The gold price would not continue indefinitely on the downward course

"We must hold tight until the mines which can be rescued become productive and viable again It is imperative a plan be made to keep them operational"

Witwatersrand Chamber of Commerce and Industry chief executive Marius de Jager said the impact the closing of gold mines would have on business confidence, on the economy on the Witwatersrand, on unemployment, were reasons for serious concern.

The current serious unemployment problem would be aggravated by the extent of any closedown

Seriously affected too would be support industries supplying equipment and requisites for the mining industry

82/Day 23/9/87

RESERVE BANK TO GRANT MORE AUTONOMY IN SALE OF GOLD

ANDREW BUDDEN

IN A hesitant step towards relaxation of its tight control over SA gold sales, the Reserve Bank will probably grant SA producers greater autonomy in the sale and delivery of their own gold

If successful, negotiations between the bank and major mining houses will soon delegate the Reserve Bank from its position of financial intermediary in hedging transactions to that of agent

The changes proposed are small They will allow gold mines to effect delivery of a small portion of their gold production to foreign markets

Nevertheless, success will give mines further access to international finance through so-called gold loans, which use the mine's future gold production as security

Industry sources say the change will precipitate a move from the old "SA mining house" mentality to a more "finance house" one

The scheme will also change the way mines hedge against the risk of falling gold prices

Current regulations dictate that SA gold producers sell their entire gold output to the Reserve Bank Within 30 days of smelting, they must deliver their raw gold bars to the Rand Refinery for refining into the familiar 99,95% purity bullion bars

Rand Refinery delivers the refined bars to the Reserve Bank for export

Offset

The current state of the gold market places producers squarely in a potential risk situation — trying to meet historic, rising working costs with uncertain future gold revenues.

Exchange control permits those who wish to offset this risk to hedge by selling a portion of their future production to foreign customers at a fixed price decided today

The hedging programme is strictly controlled by exchange control, which reviews its permission annually

Until now, the Reserve Bank has not allowed mines to effect delivery of bullion sold against the hedge contracts, and contracts have had to be reversed prior to maturity (usually two days before)

Producers would do this by buying gold back from bullion dealers at the prevailing spot rate, which might in the intervening period have declined below the price stipulated in the futures contract.

This gold was immediately sold in "counter contracts" to the Reserve Bank at the same spot rate.

By now allowing producers to deliver some gold on their own account, the Bank will make them entirely responsible for their own hedging programme.

The break will not be complete. Mines will still have to get permission to hedge from exchange control and will continue to deal through the Reserve Bank

Few options left for marginals

Star 23/5/87 (214)

Diagonal Street

RICHARD CLUVER

Nothing other than direct Government subsidy intervention can save ERPM and Durban Deep and with them the jobs of 20 000 miners.

But a relatively small further decline of the rand/dollar exchange rate could save the nine gold mines other than ERPM and Durban Deep which are also under threat with the gold price hovering around the next technical support level of $360.

They are Western Areas, Eersterling, WR Cons, Wit Nigel, South Roodepoort, Afrikaander Lease, Bracken, Grootvlei and Harmony. All break even at gold prices of $360 so long as the rand/dollar exchange rate holds at its present weak level of R2,70-80 to the dollar

It must thus be concluded that weakening the rand would be the preferred political option for without it, the jobs of some 300 000 miners could be threatened.

The steadily sliding rand, which has cushioned the mining industry for the past three years as gold has slipped steadily downwards would, however, have to plunge abruptly to half its present value if exchange rates alone were to save the grand old ladies of the Reef, 91 year-old Durban Deep and 81 year-old ERPM.

Even if one were to ignore the massive wage demands made recently by the National Union of Mineworkers, projections of historic mine cost escalations, shrinking gold yields and tonnages milled make it clear that the rand would have to fall in value until it reached five rands to the dollar before the presently-configured ERPM could become profitable.

At R4 to the dollar, Durban Deep could be very profitable indeed, for that would project it to a gold price breakeven of $286 an ounce

Of the nine other threatened mines, only another 30 US cents decline of the rand is needed to offer them all fairly adequate protection. At R3 to one US dollar, Leslie would break even at a gold price of $325, Cons Modder at $329, Grootvlei at $330, Bracken and Afrikaander Lease at $337 and South Roodepoort at $345.

Considering the huge financial dependence of some politically marginal Reef towns upon the mines — it is estimated for example that Boksburg depends on ERPM for 70 percent of its income — it is unlikely that the Government will not devise an aid package for the threatened mines And, for the Government, the most painless short-term way of looking after the mines is to allow the value of the rand to fall

Further weakening the rand would give a useful fillip to South Africa's export industry but, in the medium to longer term would create new problems.

But a government which has so often in the past gambled on the gold price, might well be prepared to go for the exchange rate option now in the hope that by the end of the year a rising gold price might make it possible to reverse the exchange rate trend

Rand now at four-year low

By Magnus Heystek, Finance Editor

Star 27/3/92

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The sharp decline in the gold price, if sustained, has major implications for the South African gold industry, the largest employer in the formal sector

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● See Pages 11 and 13

(214)

300 000 SET TO LOSE JOBS

THE threat of unemployment looms over 300 000 workers on 18 gold mines as the sliding gold price begins to knock out our marginal mines.

SOWETAN Reporter

This figure represents 60 percent of gold miners employed in the country and 40 percent of the total mine labour force

The two mines at immediate risk are Rand Mines' Durban Roodepoort Deep (DRD) and East Rand Proprietary Mine (ERPM), two of SA's oldest mines, which together provide 20 000 jobs

The fate of the country's 18 marginal mines was highlighted last week when the gold price fell to its lowest level in nearly three years

In Hong Kong yesterday bullion opened at $364. Last year's average price for gold was just over $430 If the slump continues, the country could not only see the closure of numerous marginal mines, but also a loss in foreign exchange earnings to the tune of over $1 billion (about R2,7 billion), which could force another round of austerity measures.

Durban Deep and ERPM called for assistance last week, as Rand Mines suspended their listings on the Johannesburg and the London stock exchanges. If this assistance is not forthcoming, the mines will close

The mines have been hard hit by the drop in the gold price and by a strong rise in working costs, caused partly by inflation and partly by more difficult mining conditions as both mines grow older and have to go deeper

The two mines spend about R50 million every month, much of which goes to sustaining the economy of their local areas

The higher working costs of the mines are also likely to lead to increased confrontation between the mining houses and the powerful National Union of Mineworkers (NUM), which last month pushed for a doubling of the minimum wage in some job categories on the mines

NUM Press officer Mr Jerry Majatradi said Rand Mines had not directly informed workers of the situation He said management's decision would be challenged at both mines

Majatradi acknowledged that the mines had been established since 1894, and had probably reached their last days, but said management should transfer its interests

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FIVE hundred social workers and community workers in South Africa resolved to mobilise opposition to the Government's welfare programme during a conference at Wits University at the weekend

The decision was taken on the eve of the South African National Welfare Council conference in Pretoria yesterday

A statement issued by the convening bodies said the council had adopted a welfare policy that entrenched racial segregation This led to a bureaucratic and fragmented service, and an inefficient and costly process

The council's proposed privatisation of social services was rejected because it would increase impoverishment among the poor

The policy also provided for state control while it considerably reduced the state's financial

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PERKINS: Rather negotiate than deal with the barrel of a gun.

...E MUST BE ...FUL - PERKINS

Sowetan 23/5/89

By JOSHUA RABOROKO

have a say in how South Africa is developed and governed in the future "

He said whether the Government was genuine in its endeavours to negotiate a settlement still remained to be seen

The South African Government was, in his opinion, prepared to repeal all the discrimi-

He did not believe sanctions and disinvestment would bring about change, although he thought the objective would be to dismantle apartheid

He was disappointed by the declaration of the state of emergency, the ban on certain organisations, the arrest and detention without trial of certain people during his stay in South Africa

Today is D-day for two oldest gold mines on Reef

ARGUS 24/5/89 2/4

By TREVOR WALKER, Business Staff

THE Cabinet is to decide today whether two of the country's oldest gold mines — East Rand Proprietary (ERPM) established in 1893 and Durban Deep — will be allowed to continue mining.

If the Cabinet decides against some form of extended assistance, the original Witwatersrand gold field will cease to exist, affecting about 100 000 people

The workings of mines such as ERPM, Crown, Village and Durban Deep will be flooded

The world's deepest pub, Gold Reef City located 1 000m underground, will be drowned

The fall in the gold price below $400 an ounce has pushed these two venerable gold producers into the red, but the impact will be felt immediately by about 100 000 people who depend on them for a livelihood

ERPM and Durban Deep employ over 20 000 people and, in the case of ERPM, closure will be a particularly bitter pill because the mine has embarked on opening up a new mining area

This would have made it the deepest mine in the world — well over 3km deep — but only profitable at a gold price firmly above $400 an ounce

London

To get some idea of the scale one has to visualise ERPM, 10 km to the east of the centre of Johannesburg, and Durban Deep, 10 km to the west, and all underground operations in-between flooded

The central Witwatersrand is criss-crossed with underground tunnels, many times larger than the tunnels in the London Underground system which has over 500km of track

Spokesman for owners Rand Mines said there was no possibility of putting the mines "into mothballs" or on a caretaker basis

He said once the pumps stopped the water table across the Witwatersrand would rise and all the old workings between these two mines would be flooded.

Gold price steadies and rand improves

Star 24/5/87

The gold price has steadied and the rand has also recovered about a cent against the United States dollar following the upheavals of the past few days

Gold, boosted by a weaker dollar, rose by about $2 to an opening of $362 in Hong Kong today The rand closed yesterday at $2,77

These developments followed the statement in Cape Town yesterday by Finance Minister Mr Barend du Plessis that no further restrictive economic measures would be imposed now to counter the effect of the falling rand and gold price

The fall in the dollar price of gold was a "very adverse development for South Africa", he said

"Gold's average price last year was $437 per fine ounce.

"If the fall of over $70, to today's price, was sustained for a year, it would reduce South Africa's earnings from this source by $1,5 billion

STRENGTH

"At this stage it is difficult to say whether the dollar will for long be able to maintain its strength in the markets or the gold price stay at the present level," Mr du Plessis said.

Speaking at the annual Cape Town symposium of the South African Federal Chamber of Industries, he said he did not think it necessary to impose further restrictive economic measures Latest data showed the growth in domestic demand was faltering — and the effects of the measures announced on May 5 had still to be felt.

His statement was given a boost by a generally improved performance by South Africa's major financial indicators, The Star's financial staff reports.

Boosted by a $4 rise in the gold price to a close of $364,50 in London yesterday, share prices rose sharply on the Johannesburg Stock Exchange The overall index gained 62 points.

See Page 12

JSE rebounds as gold price firms

Mer 24/5/89

Finance Staff

In a dramatic reversal of fortunes, the JSE yesterday recovered most of the previous day's losses, as analysts said the market had completely overreacted to Monday's sharp fall in the gold price.

Brokers said major institutions were back in the market as buyers, but focussed their attention on blue-chip and rand-hedge stocks, which had also received a battering on Monday after a wave of selling by smaller investors.

But gold shares also recouped mosts of their losses, as bullion rose by about $4 in London to a close of $464,50.

The gold index rebounded 58 points to 1368, while the industrial index rose 60 points to 2341.

The overall index soared 62 points to 2344, after the index plunged by 66 points on Monday.

The firmer gold price also helped the rand to regain about 1c to close at R2,77, but dealers said the currency could drop again, if the dollar resumed its recent strong performance and with no visible support from gold.

In Far East trading today the dollar firmed slightly to 143,15 yen and to just over 2 Deutsch mark, as political problems in Japan and West Germany are fuelling the dollar's rise against foreign currencies and putting pressure on George Bush's administration to restrain the soaring greenback.

The White House on Monday took the unusual step of issuing a statement encouraging intervention by central banks to drive down the dollar's value abroad, AP reports

The step was taken in conjunction with a sell-off of dollars by the US Federal Reserve, the Bank of Japan and several European central banks

The decision to issue a statement was propelled by Bush administration fears that too high a rise in the dollar against other major currencies will erase recent improvements in the US foreign trade deficit

Minorco abstains

Star 24/5/89 214

The Star Bureau

LONDON — Minorco has decided not to send its representatives to Friday's Consgold board meeting

Minorco said Tuesday it was reviewing all its options in relation to its 29 percent shareholding and would be considering its future approach at its own board meeting on June 15

In the meantime, it would be "inappropriate" for its representatives — Julian Ogilvy Thompson and Neil Clarke — to attend the meeting.

However, Minorco indicated that the timetable for early implementation of the performance guarantee to Consg shareholders should be top of the list of discussion.

Consgold Tuesday was still not able to say when an extraordinary meeting would be held to consider the issue, but added there was no question of abandoning the performance guarantee scheme.

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Gold price near its bottom — Consgold

By Neil Behrmann

LONDON — Gold prices could be near their bottom, if Consolidated Gold Fields' latest annual review of the metal is taken at face value.

Despite the 14 percent collapse in prices since the end of last year, Consgold says that the supply demand fundamentals of the physical gold market are the best for several years

"A continued high level of Far Eastern demand is likely to limit any further substantial decline in gold prices," says George Milling-Stanley, author of the report

"All the signs in the early months of 1989 are that record jewellery demand will be sustained," he says "Similarly investment demand outside Europe and North America can be expected to remain buoyant, provided Asia remains prosperous"

Last year "total demand for gold was so strong that the conventional sources of supply, including rising mine production, proved inadequate to satisfy the consumption

"Substantial additional supplies were required to keep supply and demand in balance." That gap was filled by "accelerated supplies" in the shape of increased gold loan activity and a significant rise in the level of forward sales by mining companies

The bullish report will be a tranquilizer, but not necessarily a cure for disgruntled bullion and gold share holders who have seen their investments tumble in the past few weeks

Nevertheless, 1988 statistics compiled by Consgold, showed that for the first time since the mid eighties there was a deficit between physical supplies and demand for gold

Worldwide mine production rose to a record 1 538 tons from 1 382 tons, but total supplies fell by almost 10 percent to 1 850, says Mr Milling-Stanley

Nevertheless, supplies fell because of a decline in scrap recovery while a significant increase in central bank purchases, mainly from Taiwan reduced the flow of gold to the private sector by 270 tons

Meanwhile jewellery demand grew by almost 30 percent to 1 484 tons, "far in excess of anything ever recorded before" Demand for gold in industrial applications rose to 258 tons

As a result total fabrication demand rose by 16 percent to a record 1 844 tons, "absorbing virtually the whole of conventional supply" Identified bar hoarding outside of Europe and North America registered spectacular growth at 474 tons, "easily a record"

Total physical demand thus exceeded conventional physical supplies by 468 tons

But the gold price weakened during the past twelve months mainly because of "a big increase in gold loan activity and forward selling by producers"

Prices continued to fall this year in dollars, although they increased in Swiss francs, a "hard currency" which has gone soft

PGA to raise R14,8-m on 'Potch Gap' venture

214

Star 25/5/89

Finance Staff

Potchefstroom Gold Areas yesterday announced a R14,8 million rights offer in order to fund its potentially succesful gold exploration activities in the "Potchefstroom Gap"

A total of 9,85 million shares at 150c each will be issued and existing shareholders will be offered 30 new shares for every 100 ordinary shares and options held

According to PGA managing director, Mr Chris von Christierson, the funds raised by rights offer "will be utilised to fund PGA's portion of exploration costs and mineral right purchases within the Vyfhoek joint venture with Anglo American, as well as its share of any funding required in terms of a possible joint venture with Vaal Reefs to treat the Dominion Reefs slimes dams

"Although current market conditions are not good, the alternative to a rights issue is to dilute PGA's interest with Anglo American in the Potch Gap

"This is to be avoided at all costs, given the exploration successes to date and the enormous potential of this emerging goldfield," Mr von Christierson said

The rights offer has been fully underwritten by major financial institutions

PGA rights offer to raise R14m

BDay 25/8/89 (240)

ANDREW BUDDEN

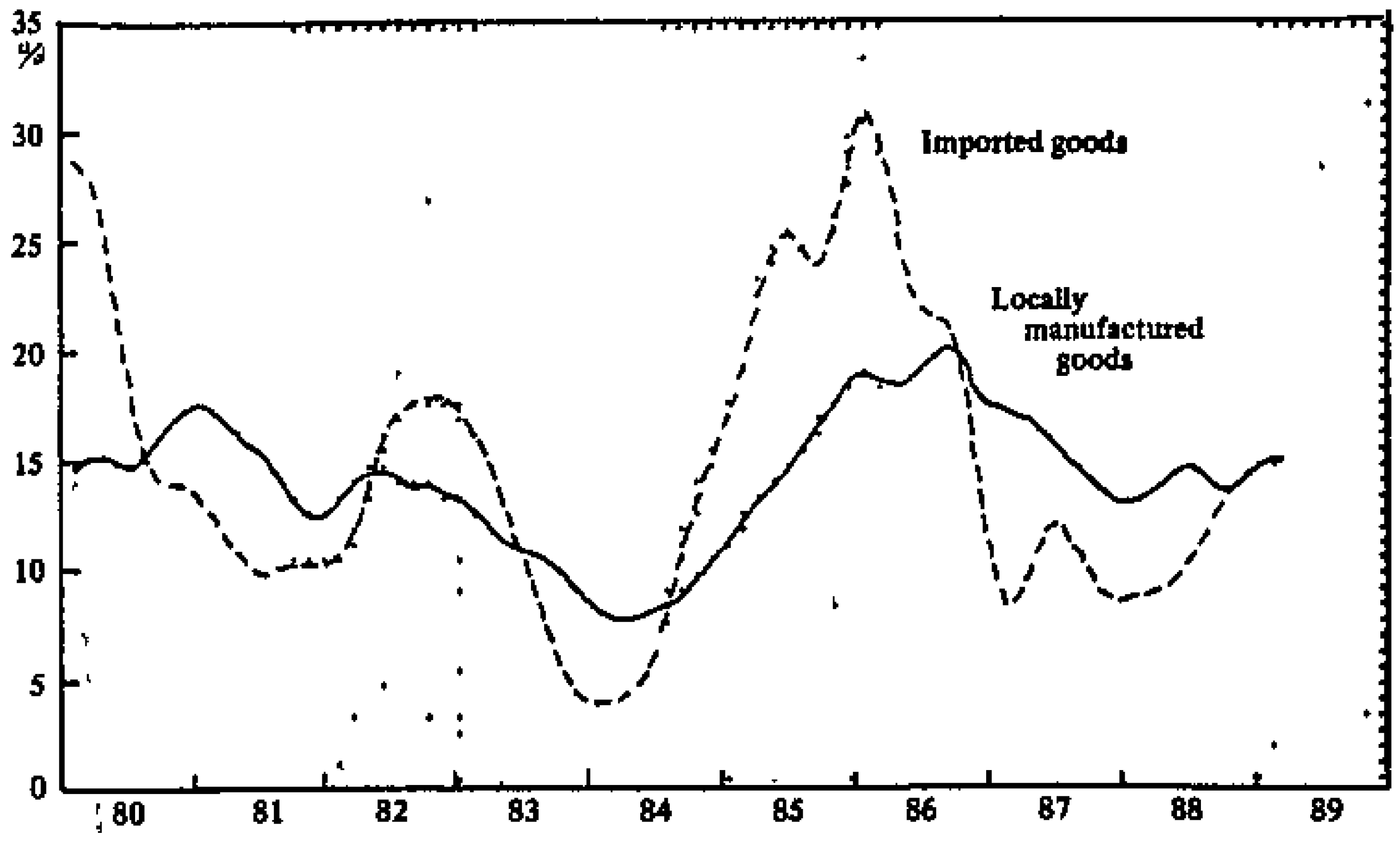
THE FIRST phase of Potchefstroom Gold Areas's exploration programme in the Potchefstroom Gap will culminate in a fully underwritten rights offer to raise R14,8m on the JSE

The company announced yesterday funds would be raised by the issue of 9 854 741 ordinary shares at 150c a share These will be offered in the ratio of 30 ordinary shares for each 100 shares or options held

Funds raised in the offer will be used to finance exploration commitments in the Vyfhoek joint venture with Anglo American

The money will also be used to finance PGA's share of a possible joint venture with Vaal Reefs in the treatment of the Dominion Reefs slimes dams PGA holds the options to the slimes dams

Director Chris von Christierson said PGA's only alternative to a rights offer was the dilution of PGA's holding in the venture by selling out a portion of it to Anglo



Monthly percentage change in the Production Price Index as against the same month a year ago, seasonally adjusted Shaded areas indicate downturns in the economy. *Source Central Statistical Services*

Rand continues to lose ground

2.14

Star 23/5/89

Finance Staff

The rand fell to a new low yesterday in hectic trading pressured by the lower gold price and the higher US dollar

The rand closed at a mid-rate of R2,7908 to the dollar, weaker than its opening level of R2,7823 At one stage the rand fell to R2,795 and the Reserve Bank intervention

A dealer said the Reserve Bank had offered dollars directly to commercial banks to halt the decline

The rand is expected to remain under pressure as support for the US dollar shows no sign of disappearing and the outlook for the gold price is very bearish.

The financial rand also closed weaker The unit finished at a mid-rate of R4,22 to the dollar, sharply weaker than Tuesday's close of R4,16

The US dollar was stronger against most foreign currencies in active European trading, reports Sapa-Reuter Gold prices fell

Dealers said the dollar remains well-supported above the Dm2,00 level, despite concerted central bank intervention yesterday and overnight dollar sales by the Bank of Japan

The dollar rose 1,05 yen to a closing 143 yen, a 19-month high

In London, the pound rose after the Bank of England signalled a one percentage point increase in base lending rates to 14 percent

Sterling has weakened in the past 24 hours because of the dollar's strength, an annual inflation rate of eight percent and the likelihood that trade figures due today will be poor

Shortly after the London financial markets opened, the Bank of England intervened to defend sterling, buying pounds for dollars

The pound stood around $1,56 and Dm3,14 before the rate rise. Soon afterwards it moved to around $1,57 and Dm3,16

Briefing

Anglo, US Justice Department are old foes

Anglo-American subsidiary Minorco's £3,5 billion (about R15 billion) bid for Consolidated Gold Fields (Consgold) will be decided later today when Consgold shareholders will have to cast their votes in favour or against the offer. However, the odds are that Minorco will not succeed and many analysts are blaming a decision by a United States judge, confirmed on Monday, which prevents Minorco from increasing its shareholding in Consgold The latest judgment is a continuation of the fight by the the Oppenheimer family's Anglo American/De Beers' empire against the US judicial system which goes way back to post World War 2 days, reports the London Financial Times

Antipathy between the United States judicial system and the Anglo-American/De Beers group has deep roots They were planted in the early days of World War 2 when the US was attempting to build strategic stocks of industrial diamonds

Sir Ernest Oppenheimer tried to use that as a lever to overturn the Justice Department's ban on De Beers' diamond marketing cartel, by establishing it in New York.

Anti-trust objections prevailed, but the relationship between Washington and De Beers was soured In 1957, the Justice Department and the FBI mounted a series of investigations into alleged anti-trust violations in the industrial diamond and diamond tools industries

It culminated in 1974 when a grand jury indicted De Beers and two US abrasives companies of conspiracy to rig prices and share markets.

De Beers refused to appear or plead before a US court, possibly fearing it might lift the shroud of secrecy which covers the cartel's marketing arrangements.

A subsequent re-arrangement of the diamond group's marketing operations allowed the company to avoid possible problems arising from Justice Department calls for a contempt judgment

In the same year, 1974, the Justice Department turned its attention to Engelhard Minerals & Chemicals, a company controlled by the Oppenheimer family's private trust.

The Justice Department dropped its pursuit of Engelhardt in 1976, freeing Mr Harry Oppenheimer of fear of arrest in the United States

Engelhard had become the principal marketing agent for Rustenburg's platinum, though it is itself supplied indirectly through Johnson Matthey, the British precious metals trader controlled by Anglo

The 1960s and 1970s had been years of mounting antagonism between Washington and Moscow and the Anglo group's close links with the Soviets were kept tightly under wraps The Soviet Union sells its gem diamonds through De Beers

The Soviet Union also appears to have close platinum marketing links with Rustenburg Platinum, the world's largest producer of the precious metal and controlled by Anglo Those links had been forged in Moscow and London by Mr Gordon Waddell, Mr Harry Oppenheimer's former son-in-law and Rustenburg's chief executive.

Details are hidden under a veil of corporate secrecy but, broadly, Detroit used the anti trust argument in an attempt to block the passage of clean air laws Car makers pointed out that the Soviet Union and South Africa were the only large producers of platinum and together they could hold the US to ransom

Assertions by Rustenburg and Impala, South Africa's second largest producer, that they competed strongly were accepted in the US and anti trust reservations were swept aside to allow the South Africans access to what has become one of platinum s most important markets

Evidence of a close, long-term trading contract between Rustenburg and Impala emerged five or six years ago in the South African press but elicited no action from the Justice Department

(214) Sowetan 26/5/89

SOS FROM GOLD MINES

SOUTH AFRICA's troubled gold mining industry is anxiously awaiting the Cabinet decision on "mine aid" for those threatened with closure.

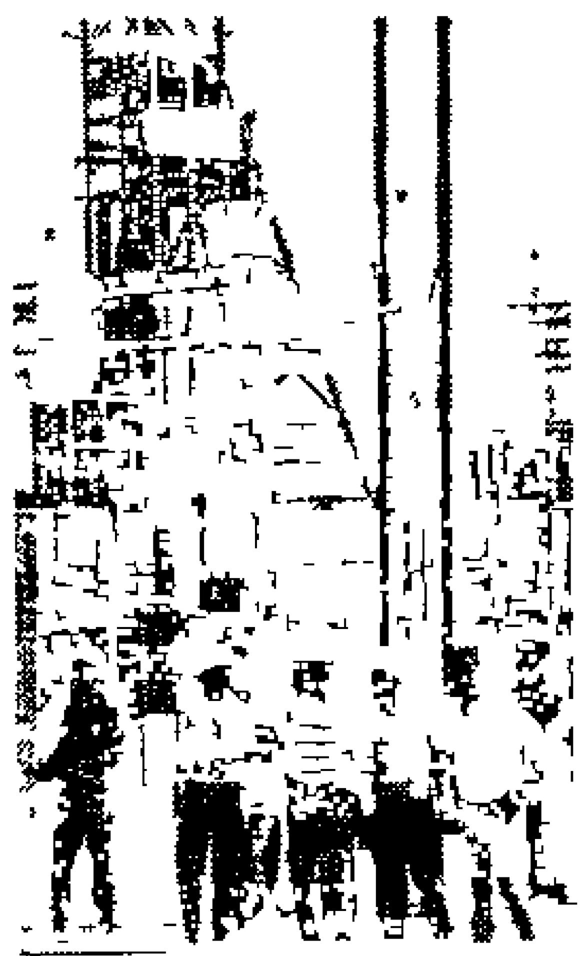
The Cabinet met on Monday to discuss the possibility of state help for Rand Mines' ERPM and Durban Roodepoort Deep whose listings were suspended from the stock exchange this month, but so far no announcement has been made

Of around 13 marginal mines, nine face closure if the gold price does not recover or if the Government does not dig deep into its pockets

Said chairman of the Gold and Platinum division of Rand Mines, Mr Clive Knobbs: "ERPM and DRD are being treated as urgent cases and I'm sure others will be considered in coming weeks

"Although we are hopeful that the Government will step in, if they don't we shall have to cut the slender thread which keeps ERPM alive "

A gold expert at Davis Borkum Hare — stockbrokers — explained: "The industry is waiting for the Government's move on this There is obviously no time for new legislation to be passed during this session — I believe relief will be on an ad hoc basis where each individual mine will be looked at on its merits



Jobs on the line.

"However, I don't see any panic decisions being made by companies to close mines overnight as once a mine is shut it would be extremely difficult and costly to re-open

"I do think mines should have lobbied a lot sooner for help rather than waiting until the last moment — ERPM has been losing money for the last four quarters so its not a new problem "

Davis Borkum Hare believes the price of gold has still not bottomed with various schools of thought predicting it will bottom at somewhere between 320-360 per ounce

Explained the spokesman "The next three months are going to be difficult but there is a limit to how much mines can cut

SA gold shares could be coming back in favour

Star 26/5/89

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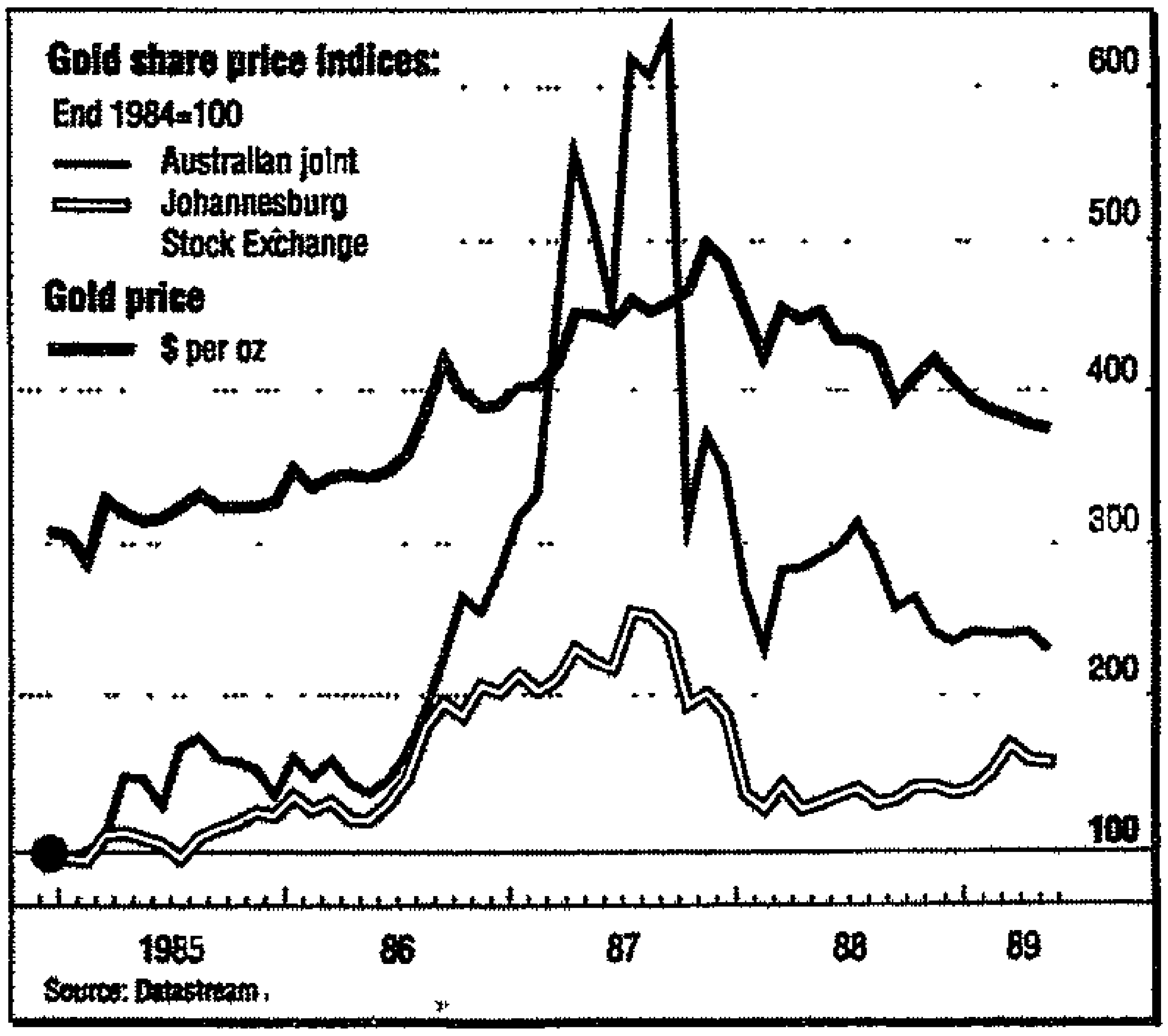
LONDON — Dropping like lead, gold has fallen from almost $500 an ounce in November 1987 to around $370 now One of the main reasons has been the proliferation of gold loans in the past three or four years

In these deals, a gold mine borrows the yellow stuff from a commercial bank which is holding it on behalf of an investor or central bank The goldminer then sells the borrowed metal for cash, which is used to develop a new mine.

The idea is that production from the new mine is used to repay the bank in gold when the loan falls due in three or four years' time The advantage for the mine is that gold loans carry a low, fixed interest rate (up to three percent), payable in either cash or gold Last year more than 20 companies arranged gold loans worth at least $5 billion.



Gold bugs argue that the depressing effect of gold loans on the metal's price will not last

Many gold mines took out the loans and mortgaged around 90 percent of their future production thus limiting the amount that will, in future, spill on to the open market The gold miners' heavy mortgaging of future production has also left them vulnerable to engineering and geological problems

Smaller and more speculative gold mines are notorious in North America for over-estimating the amount of gold they have either found or can extract Even large mines are prone to do this

So far this over-optimism has resulted in the default of only one gold loan — an $8 million Lloyds Bank deal for the Ketz River mine in the Yukon in Canada. But bankers are bracing themselves for more defaults. Canadian and North American deals look most likely to come unstuck

Bonuses

That could help the gold market in two ways Since the banks themselves have usually borrowed gold to lend to a duff mine, they will want to replace it by buying gold from the market to restore it to its original owner

Another bonus from problems with gold loans will take longer to come through The more defaults on the loans, the harder it will be for smaller North American mine companies to finance exploration and development of new gold mines

Their other main source of finance — speculative issues of shares on smaller stockmarkets such as Vancouver or Denver, usually aimed at private and gullible investors — has effectively been closed to them since the stockmarket crash in October 1987

The other reason that problems with gold loans could help the metal's price is more technical The companies that have taken out such loans may choose to repay them early For example, Newmont Mining borrowed and sold forward one million ounces of gold last year when the price was close to $450 an ounce.

By buying gold in the market now and using it to repay the loan, Newmont could lock in a profit of over $80 an ounce If the price of gold continues to fall, the temptation for Newmont and others to do so will be even stronger.

Overvalued

In the short term, many analysts think that the gold price will fall another $50 or so before bouncing back towards $400 again. Even at that price, shares in a lot of the newer producers in North America such as Homestake and Battle Mountain would look overvalued

Although these companies can produce gold for less than $400 an ounce, they will still not give investors a reasonable return If the price of gold falls, to say, $320 an ounce, these mines are barely covering their costs To make, say, a six percent return on their investment, the gold price would need to rise to (and stay at around) $1 000 an ounce

The most tempting gold shares appear to be the long-out-of-favour South African stocks American institutional investors who are susceptible to pressure from trustees have dumped these shares

As South Africa withdraws from Namibia and appears to be more conciliatory, these investors are begining to look at Johannesburg's mining shares again

Since the stockmarket crash in October 1987 some South African shares have fallen by almost 70 percent Until late last year these companies had been bailed out by the fall in the rand against the dollar Since their costs were in rands, any fall in the South African currency offset the lower price their gold fetched on the world market

Cost cutting

That is changing as the rand steadies against the dollar — but that is forcing companies to cut costs The mines' heaviest cost is labour Often South African mines provide subsidised accommodation, medical care and meals for their workers The cuts mean that companies such as Gencor are making conditions bleaker for the black workers just as South Africa's reputation in America is beginning to improve

The longer-term prospects for the gold price look duller Barring a crisis, either financial or political, in the next couple of years which sends panic-stricken investors into gold The price is unlikely to push much above $400

The trouble with gold is that it is never consumed Higher prices and shortages tempt Joe (and Josephine) Public to flog their cufflinks and jewellery The habit won't change — **The Economist**

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Star 26/5/89

Risk capital only way to save ERPM

By Trevor Walker

CAPE TOWN — The future of East Rand Proprietary (ERPM) and Durban Deep gold mines hung in the balance last night.

Informed sources at the Treasury said yesterday it was decided at Wednesday's Cabinet meeting that shareholders of the two mines would have to consider putting more money into the operations

Rand Mines director, Clive Knobbs, said, however, that a government source had indicated to the group yesterday that no decision would be taken until the future of the whole gold mining industry had been discussed

The mining house has already said it would close down the mines if no aid was forthcoming

Mike Brown, a gold analyst at stockbrokers Davis Borkum Hare, said that at today's gold price the mines were working well below breakeven and that in the case of ERPM the Government had already stood surety for loans of R300 million

He said the mines had moved into the red in the first quarter of last year

Sources said the Treasury saw itself as a preferential shareholder and if Rand Mines did close the mines, it was not inconceivable that they could be handed over to the Industrial Development Corporation.

They said the whole question of assistance to gold mines would have to be reconsidered and that this should not be undertaken on an ad-hoc basis.

Risk capital needed

ERPM, with its recent deep-level development, was practically sitting on a new mine and shareholder risk capital was needed, they said.

Mining analysts said it was clear that with the gold price falling in dollar terms and holding reasonably steady in rand terms, the Government was showing that state assistance was not a mere formality and that a further R200 million aid granted to ERPM could perhaps be better spent elsewhere

The closure of the two mines would have a devasting impact on the the mining towns of Roodepoort and Boksburg, but Rand Mines would attempt as far as possible to place the 21 000 workers left jobless within the industry and within the group itself

ERPM first started mining in 1883 and is one of SA's oldest and deepest mines

The mine recently began moving into new gold-bearing ore areas to the south of its existing operations and is set to mine at a depth of four kilometres.

Mining sources said yesterday that if the mines were to close, all the hundreds of kilometres of tunnelling underneath the old Witwatersrand gold reef would flood.

Once the water was allowed to fill the workings there was no possibility of re-opening the mines

The two mines produced just over 16 tons of gold last year and contributed about R100 million to foreign exchange receipts, Mr Brown said

The shares, capitalised at just over R200 million on the JSE, have been suspended, pending a request for government assistance

Gold mining crisis could 'ruin Operation Hunger'

Star 26/5/84 (214)

By Dawn Barkhuizen

The situation for Operation Hunger would become "totally unmanageable" if marginal gold mines collapsed as a result of the sliding gold price.

This was stated by Mrs Ina Perlman, Operation Hunger executive director, at a press conference in Johannesburg yesterday following her recent fund-raising campaign in Europe and America.

Describing rampant starvation and a situation that was deteriorating daily, Mrs Perlman said the organisation was being flooded by appeals for feeding by people who were increasingly at an alarmingly low level of health.

The R2,2 million raised on her recent overseas trip would not go far to alleviate the current situation which demanded "money, money, money as we have never needed it before".

Mrs Perlman said that should the marginal mines close the situation would become "utterly uncontainable".

"All over the country jobs are being lost at a terrifying rate and for every job lost as many as 10 people face destitution within three months."

She said the number of people currently wait-listed for feeding had escalated dramatically from the 200 000 wait-listed at the end of March.

"In East London this month alone 40 000 people have appealed for aid and in the Western Cape there were calls for assistance for 12 019," she said.

"In Pearston in the Eastern Cape, we had an urgent appeal this week by a local clinic sister for 860 children in one school — 400 of whom had active tuberculosis."

In some areas Operation Hunger workers were too afraid to even start counting the appeals for feeding, she said.

In Transkei, Operation Hunger had been forced to cut down even school feeding. The situation was particularly dire in the peri-urban and urban areas as thousands of jobless people added to mushrooming squatter populations.

This year the organisation was forced to cut its annual budget by R2 million and reduce the number of people being fed.

While self-help schemes had made thousands of people self sufficient, Mrs Perlman said it took time before these projects became viable and it was essential to feed those involved in the interim.

"Hungry or starving people cannot work. We have had urgent appeals for feeding from some of our new vegetable gardens where women were collapsing before 11 am."

With regard to corporate support for Operation Hunger, Mrs Perlman stressed that "we receive superb support from a small but faithful sector of the corporate sector which supports us not only in cash and kind, but also services".

She said: "Operation Hunger is not anticipating a drop in donations from the corporate sector because most of our large donors have indicated renewed support for this coming financial year."

ıy 26 1989

Action needed sooner — stockbroker

Govt says 'no' to aid for gold mines

Star 26/5/89 (214)

By Carol Midgley

The government is believed to have rejected a request by East Rand Proprietary (ERPM) and Durban Roodepoort Deep (DRD) for assistance in order to prevent closure of the two mines

While no official statement was made, informed sources at the Treasury said the Cabinet met on Wednesday to discuss the possibility of state help for the two mines, whose listings were suspended from the stock exchange this month

Of around 13 marginal mines, nine face closure if the gold price does not recover or if the Government does not dig deep into its pockets

Said Mr Clive Knobbs, chairman of Rand Mines, the owners of ERPM and DRD "ERPM and DRD are being treated as urgent cases and I'm sure others will be considered in coming weeks Although we are hopeful that the Government will step in, if they don't we shall have to cut the slender thread which keeps ERPM alive."

NO TIME

A gold expert at stockbrokers Davis Borkum Hare explained· "The industry is waiting for the Government's move on this. There is obviously no time for new legislation to be passed during this session — I believe relief will be on an ad hoc basis where each individual mine will be looked at on its merits.

"However, I don't see any panic decisions being made by companies to close mines overnight as once a mine is shut it would be extremely difficult and costly to re-open

"I do think mines should have lobbied a lot sooner for help rather than waiting until the last moment — ERPM has been losing money for the last year "

Davis Borkum Hare believe the price of gold has still not bottomed with various schools of thought predicting it will bottom at somewhere between $320 and $360 per ounce

When the mining industry entered its previous crisis in the late sixties, the Government introduced the Marginal Mines Act as state assistance but the act was dropped in 1985

Added the spokesman "The scheme worked very well and many mines were assisted, but I don't see the Government introducing a similar scheme now "

The gold price has shed $41 an ounce since January. Last year 10 000 workers were laid off and 46 000 lost in natural wastage.

The most seriously affected mines are ERPM, DRD, Western Areas, WR Cons, Wit Nigel, South Roodepoort, Grootvlei, Bracken and Harmony

● See Page 6 and Page 13.

Sentrachem still on steady turn-around

BDay 26/5/89

CHEMICAL company Sentrachem has continued its steady turn-around from losses made in 1985 with a 35% increase in earnings for the year to March

This growth is in line with expectations, although it is still measured from a relatively low base

Attributable earnings rose to R93,7m (R69,1m) and earnings a share were up to 81,1c (59,9c) a share A dividend of 25c (20c) a share was declared, covered 3,2 times

All divisions performed well, except for Specialities, which suffered an increase in the price of one of its main raw materials

Karbochem was still performing below profitability It had been affected by natural rubber prices Sentrachem MD Johan van der Walt was confident, however, of it breaking even this year

Exports showed significant improvements in several divisions

The Fedmis sale realised R230m, well above the R175m initially expected This helped the group redeem R100m preference shares, financing R200m capital expenditure and reducing gearing to 0,47 (0,64)

Van der Walt said Sentrachem had set a target for gearing of 0,40 for the current year and a dividend cover of at least three to assist with future capital expenditure plans

About R200m would be spent on capital expenditure this year

The group would consolidate Safripol — in which it had management control — into

ZILLA EFRAT

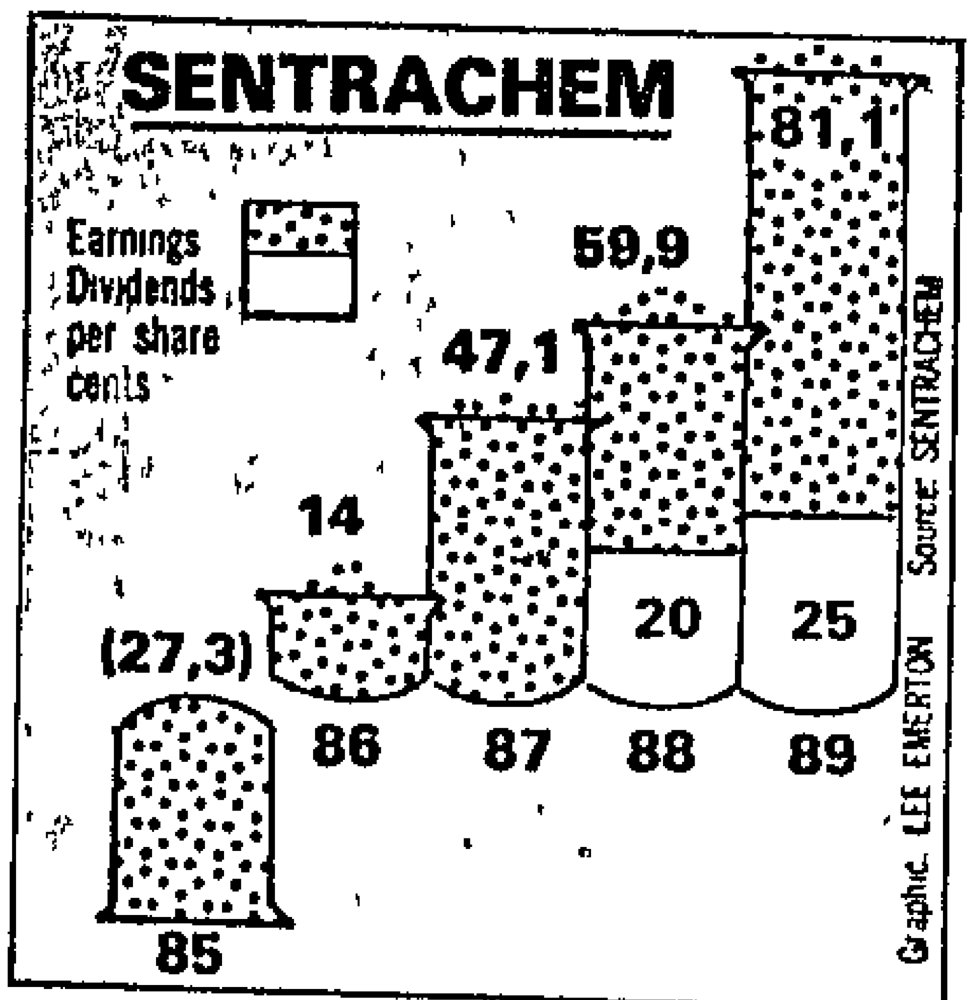
its results in the future.

The group's turnover, including shares in associates, increased 18% to R1,8bn (R1,5bn) Van der Walt said figures were not comparable with the previous year, which included the disposed of Fedmis If Fedmis was excluded, turnover rose 39%

Turnover was stronger in the second half, benefiting from NCP, Agrihold and the salt operations' strong performances as well as additional acquisitions

The group targeted to increase pretax profits — up 42% to R148,8m (R104,6m) — 50% Van der Walt said the change in

□ To Page 2



Cabinet mum on mine closures plea

24

CHRIS CAIRNCROSS

CAPE TOWN — The Cabinet is not yet prepared to officially indicate how it intends responding to urgent requests for more government assistance to prevent the summary closure of Rand Mines' two ailing gold producers, East Rand Proprietary Mines (ERPM) and Durban Roodepoort Deep (DRD)

It is understood the request was discussed at Wednesday morning's Cabinet meeting and at meetings between Finance Department officials and mining industry representatives at meetings in Cape Town yesterday BDay 26/5/89

No official announcement was forthcoming as Business Day went to press, and no official was prepared to make himself available to indicate what transpired at yesterday's "last ditch" meeting

However, reliable sources in Cape Town indicated there was little merit in further subsidising two mines which were patently uneconomic

It was further stressed that neither ERPM or DRD were major mines in terms of the quantities of gold produced, and in considering any application for assistance, priority should be given to distinguishing between their short-term problems and their medium- to long-term potential

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RAND MINES

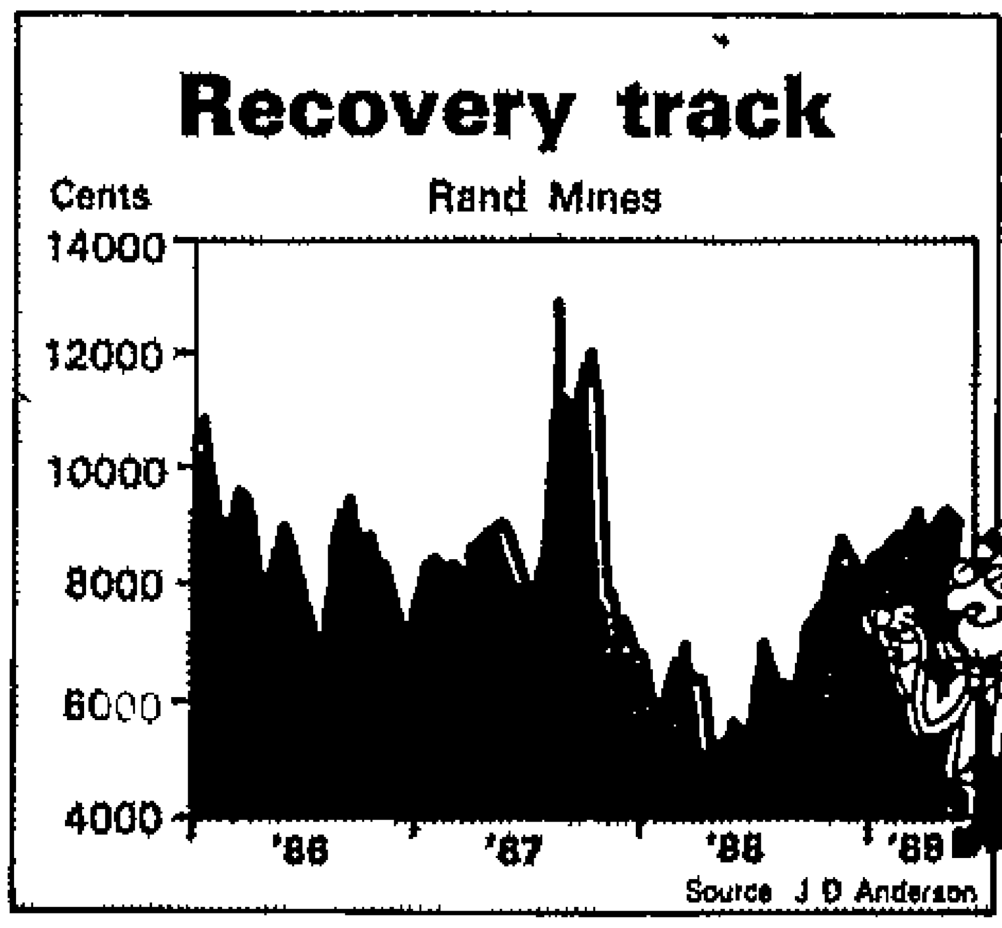
(214) Fmail 26/5/89.

Facing the hard facts

■ Closing the marginal gold mines will not hurt the mining house financially

The closure of marginal gold mines ERPM and Durban Roodepoort Deep would have profound social and economic consequences for Boksburg and Roodepoort. The livelihoods of these towns are centred on the mines — from the shopkeepers already battered by a consumer boycott to the homeland dependants of the migrant workers who stand to lose their jobs. Yet such action would have virtually no effect on the fortunes of parent mining house Rand Mines. On the contrary.

The harsh reality is that the investment community would take a more favourable view of the group should it close these mines down. The general market feeling is that Rand Mines is over-exposed to these high-risk marginal mines. ERPM last paid a dividend in 1981, while Durban Deep paid a small dividend in 1985-1986.



Closure would remove a potential cash drain — because then Rand Mines would have decided against pouring good money after bad to keep them going. That is a harsh assessment, but the prolonged profitability crunch on the marginal gold mines is re-establishing an economic fact of life — that operations which cannot make the grade *should* be closed down.

Gencor, the mining house which runs the greatest number of marginal mines, has taken this line and Rand Mines appears to be following suit. The house is negotiating with government for financial help to save the two mines — but the clear message is if these approaches are unsuccessful, the mines will be closed. A decision from Pretoria is expected this week.

Mines normally have economic lives of between 25 and 30 years and both ERPM and Durban Deep have been going for more than 80. A general criticism of Rand Mines is that the house allowed its exploration efforts to slip, which meant it did not find and develop new, replacement gold mines.

A specific criticism is that the house was too optimistic on the chances of keeping ERPM going, as it badly overestimated the gold prices to be received. Action taken to close down the older sections of the mine came too late.

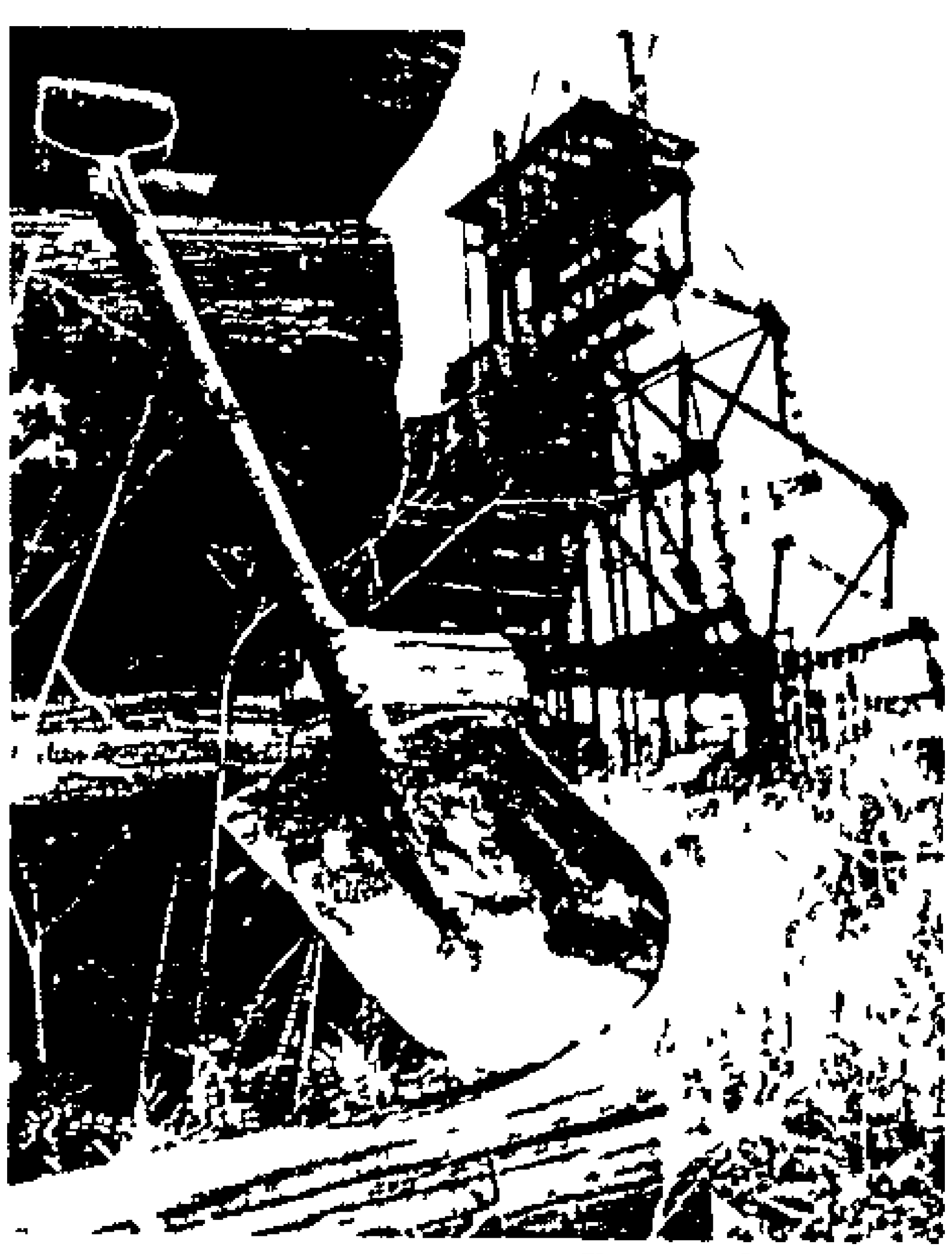
This is rejected by Rand Mines chairman Dammy Watt, who says ERPM is in a unique position. It has the potential to be rejuvenated into a mine with a completely new economic lifespan unlike other marginal mines running out of ore reserves. For this reason, Rand Mines' perseverance on the project was justified. He says Rand Mines was aware of the need to cut back on costs in response to the changing gold price situation, pointing to the series of retrenchments which have taken place at ERPM over the past 18 months.

Rand Mines' plan was to keep ERPM's existing operations going while it undertook a project to open up high-grade ore reserves from the Far East Vertical Shaft (FEVS), located in the Boksburg suburb of Sunward Park.

A rights issue to raise R50m was held in 1986 and that, plus R20m in State assistance and a borrowing facility of R200m at an interest rate subsidised by government, were considered enough to get the FEVS into operation.

Plans were to raise ore production from 2,8 Mt/year to 4 Mt/year by 1990, of which 50% would be sourced from the FEVS. Recovery grade was forecast to improve to 4,5 g/t from 3,6 g/t by 1989, so that gold production would rise from 10,3 t in 1986 to 17,6 t in 1989.

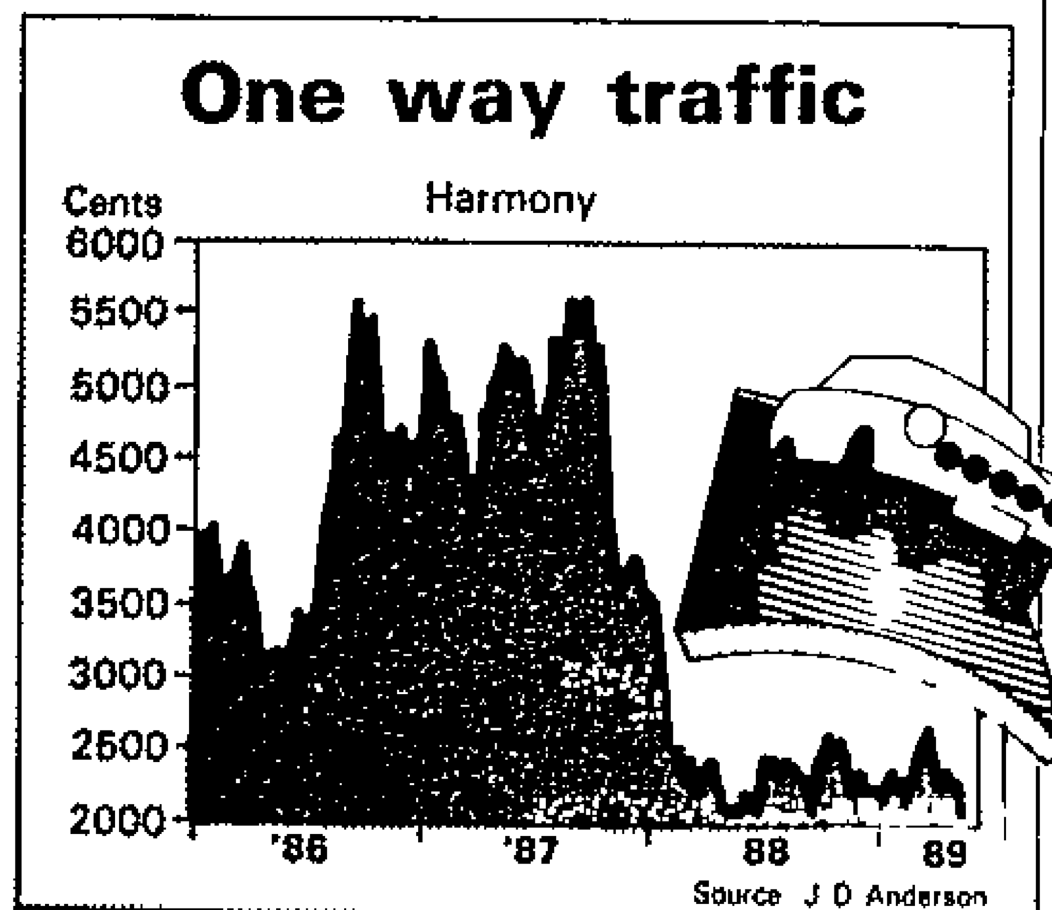
It didn't work out because the gold price never matched Rand Mines' expectations. It also took nine months longer than expected to get production going from the FEVS, while the existing workings were plagued by problems related to their great depth. ERPM is the second deepest gold mine in the world after Western Deep Levels.



Dying mine ... Pretoria must count the social cost

Average yield for 1988 was virtually unchanged from 1986 levels, while tonnage milled dropped to 2,2 Mt. Gold production was just 9 t against the forecast of 14,8 t and production for 1989 has been revised to 8,5 t.

As a result, ERPM was forced late last year into a programme of radical change — shutting down virtually the entire old workings by keeping only those shafts making a profit in operation. This, according to analysts, should have been done a lot sooner. A second rights issue was held in 1988 and an attempted financial restructuring earlier this year to convert the mine's loans to redeemable preference shares was hit by tax ruling changes.



Rand Mines has a poor image with a number of JSE analysts, who feel its management has often failed to be farsighted enough. "There has been a tendency to sit back and allow things to happen instead of climbing in and making developments take place. Sitting back and expecting the rand to fall to provide a gold price of more than R34 000/kg, instead of doing what Gencor did and acting to cut losses, is one example," says a JSE analyst.

Another widely held viewpoint is that the recent spurt of activity on the vanadium and platinum fronts was the result of pressure from major shareholder Barlow Rand on Rand Mines' management to get cracking. Watt rejects this, saying the group has been transformed since the Barlows takeover in 1972 through a steady stream of developments. He attributes many of the house's problems to the consequences of decisions taken more than 50 years ago and to its structure before the Barlows takeover.

Watt says Rand Mines slipped up badly in the Thirties when it failed to acquire mineral rights holdings when the other mining houses were tying up gold fields like the West Wits line and the Orange Free State and also taking up rights to areas like the Potchefstroom gap where the current exploration boom is taking place

Yet, since then, opportunities have presented themselves, such as Selection Trust's discovery of what became Gencor's Oryx gold mine and JCI's acquisition of the rights which formed the H J Joel mine Deputy chairman Allen Sealey says the group had to allocate priorities to its exploration efforts and, up to about five years ago, the top priority was to build up coal reserves Emphasis has now swung to gold and platinum

Watt feels Rand Mines' development until the Barlows takeover had been stifled to an extent by the nature of the shareholdings in the group, with Anglo American holding 32% Leadership was uncertain and the group's attempts to diversify into platinum and vanadium were hampered

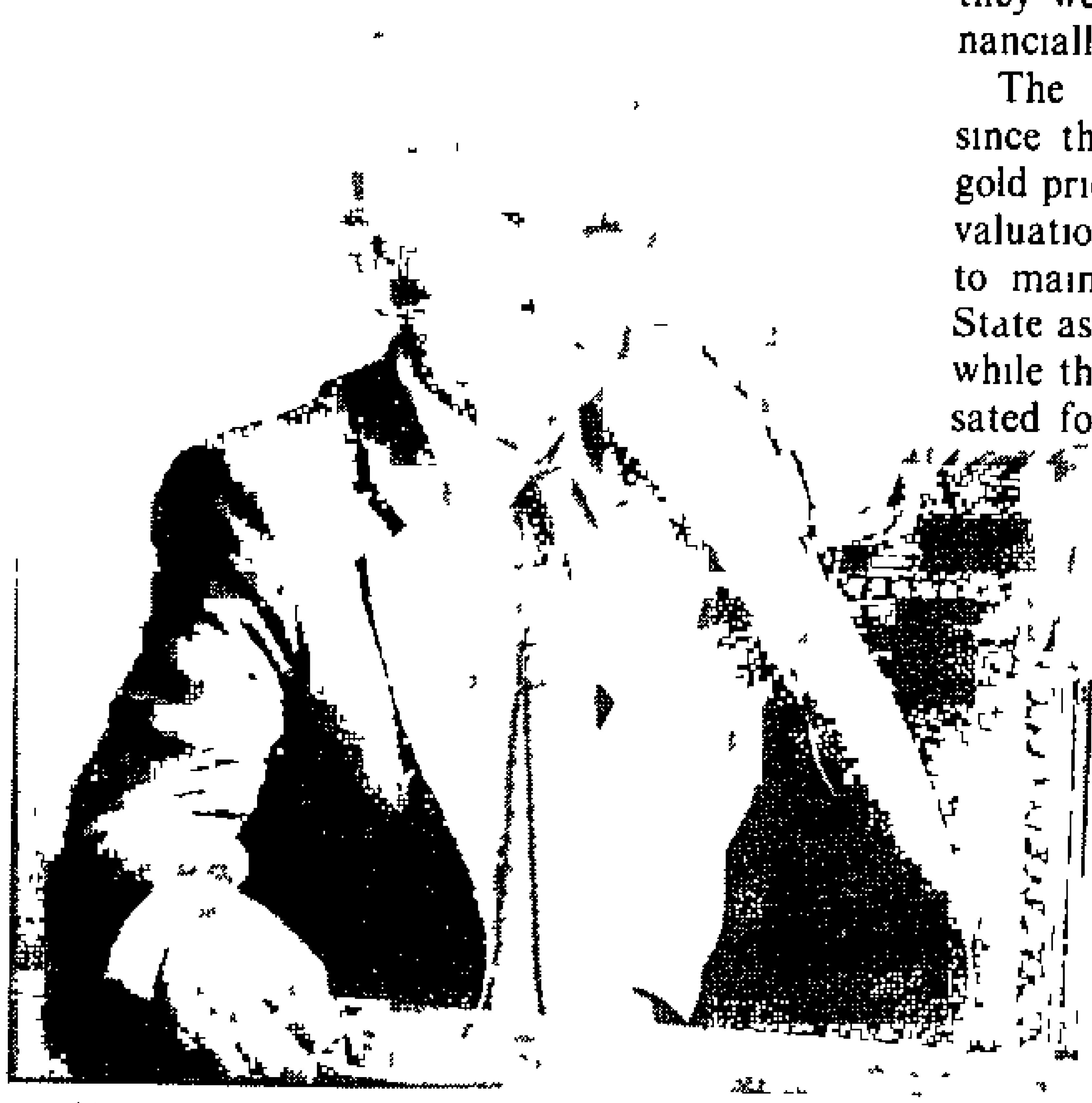
He points out that Rand Mines was the pioneer in areas such as ferrochrome and the development of the low ash coal export market The ferrochrome business was taken over by Barlows which developed it into Middelburg Steel and Alloys, but Rand Mines' efforts in coal from the early Seventies have paid off handsomely Coal contributed 54% of the group's attributable profit of R164,5m for the year to September In addition, the group has developed the three plants recovering gold from sand and slimes dams on its old mine properties, which contributed 10,7% of attributable profits last year

Bottom-line must be that the group is in a position to cope easily with the loss of ERPM and Durban Deep, while attributable profits continue to grow steadily, rising 39% for the six months to March Watt says the worst-case situation is that the book value of the investments would be written off against reserves, which are more than adequate for the purpose

The house will also lose income from management fees, but Sealey says fee income will be generated by the new projects now under way — like Barplats, Barbrook and Vansa A key feature of the interim results for the six months to March was the doubling of exploration expenditure to R10,6m (previous comparable six months, R5,2m) while exploration expenditure for the financial year to September totalled R14,8m

Sealey says the higher levels of exploration expenditure will be maintained and that Rand Mines has a number of ventures looking for various minerals under way in different areas, but he will not disclose details

A major project remains the drilling work south of the Central Witwatersrand where Watt reported encouraging borehole results earlier this year He says more results will be released before the end of the financial year However, the reefs are deep and any possible development is still well into the future



Deputy chairman Sealey . . . putting the emphasis on coal

Of concern to analysts is the fate of the house's flagship gold mine, Harmony Though a huge operation, milling nearly 10 Mt of ore annually, it is marginal because of its low grade — 3,05 g/t for the March quarter They feel, however, that while losing Harmony would be more traumatic than losing ERPM and Durban Deep, the group could still cope with it

The mine is financially borderline with its gold production cost estimated at R31 600/kg compared with current gold prices of about R32 000/kg Watt acknowledges the seriousness of the mine's situation but says there is scope for cutting costs at the mine while maintaining output at present levels

That bears out comment by one gold analyst who feels working costs on most gold mines could be cut by up to 20% by removing the fat that has been allowed to accumulate on the operations since 1970, when they were last seriously squeezed financially

The mines have been cushioned since then by either a strong dollar gold price, State assistance or the devaluation of the rand, allowing them to maintain their revenues Formal State assistance ended four years ago while the rand has not fully compensated for the lower dollar gold price for the past 18 months

Watt will not comment on what Rand Mines is trying to negotiate for its marginals A decision by government to help out rests on such factors as the social consequences of closing the mines, political factors, the effect on the economy and loss of foreign exchange

While assistance could be provided on an ad hoc basis, analysts feel the government is so strapped for cash it is unlikely to listen overmuch to mining industry arguments which are based on long-term rewards for short-term sacrifices in State revenue

One leverage point Rand Mines may have is that the government has guaranteed R220m of ERPM's loans and is liable to cough up to the banks if the mine closes down ERPM's total borrowings had reached R318m at the end of March and the interest payments are killing the company despite the government's partial subsidy of the interest

Brendan Ryan

MINORCO (214) mail 26/5/89

Strategies beyond 'defeat'

Investors await Minorco's next acquisition targets — but CGF remains in play

Action in the Consolidated Gold Fields (CGF) struggle with Minorco is far from over. The day after Minorco announced it would allow the bid for CGF to lapse, there were few signs of triumph at the target's elegant headquarters near St James Square in London (*Fox* May 19). "It's the end of Act 1," said Gerry Grimstone, of J Henry Schroder Wagg, CGF's merchant bank advisers. Now for Act 2.

In practice, the next moves are awaited on three stages: the CGF boardroom this week (May 26), Minorco's boardroom in Luxembourg in mid-June, and the US Court of Appeals for the Second Circuit. The first two events have whipped up a speculative froth about the futures of CGF chairman Rudolph Agnew and Minorco chief executive Sir Michael Edwardes.

Rumours about an unhappy encounter with Gold Fields of SA's (GFSA) representative Robin Plumbridge have flitted around London — but the most likely change is that Agnew will (as he now favours) hand over the CE role and remain chairman. CGF's performance targets pledged to shareholders during the defence — 20% compound earnings growth for the next three years or a £6 special cash dividend if it fails — will require a lot of hard work with the gold price in the doldrums and slowing economies in the US and Britain which bode ill for the quarrying and concrete businesses.

"Gold Fields is never going to be the same again," wrote Agnew to shareholders, which is true whatever way Minorco deals with its 29,9% stake. Agnew reacted to questions about a possible sale of CGF's 38% residual holding in GFSA by saying this would result from a "commercial decision," but conceded that politics can influence commerce. For CGF's defence did more than anything else to highlight its investments in SA, posing problems in those American states with statutory policies against dealing with "supporters of apartheid."

It remains to be seen whether, as Minorco claimed, CGF shot itself in the foot with its campaign against the bid because of De Beers' and Anglo's shareholder dominance. But there were reports in London this week that CGF has been selling out of its portfolio — 600 000 Driefontein, 500 000 Kloof and 400 000 Amgold being among the biggest disposals. This went against CGF's own annual review *Gold 1989* which was moderately sanguine: "The possibility of a substantial fall in price is limited by the continued high levels of demand in the Far East, while any significant upward movement could be expected to be moderated by accelerated selling by producers in the form of forward sales and additional gold loans." The reported disposals, however, were viewed as having more to do with the impending year-end on June 30 and the £30m costs of defending the Minorco bid than a strategic decision about bullion or SA.

Post-mortem analysis of what went wrong with the bid has largely come from CGF, apart from answering specifics Minorco is looking forward and regards itself as far from dead. The London Takeover Panel emerges with little credit. Minorco challenged CGF's frustrating US court action at the outset in October and later in March. But in Catch-22 style the panel decided frustrating action could not be construed until it proved successful — which it did when Minorco gained enough acceptances to give it nearly 55%, a majority which CGF refused to accept as grounds for withdrawing its own suit. And its ruling that CGF must withdraw the action or seek approval of shareholders played into Agnew's hands. The panel had no jurisdiction over Newmont in its separate anti-trust injunction because it was not legally controlled by CGF. Agnew and his board gambled on District Judge Michael Mukasey throwing out Minorco's appeal against the Newmont injunction and dropped their action so that the bid ran out of time.

The Takeover Panel's argument was that so long as Minorco was appealing in the US, it had nothing to rule about because CGF might lose. But in the end it effectively bolted the door after the horse had fled, and relieved CGF advisers happily admitted that if the panel's judgment had been made in March, their whole strategy would have had to be different. Indeed Agnew followed up his comment that Minorco's bid was "the most unnecessary of all time," by telling the *Sunday Telegraph*: "This was the most winnable bid in history."

Minorco, however, has not gone away. It will continue to appeal against Mukasey's orders for as long as Newmont maintains the action. "We can't walk away as a defendant. We want to clear the anti-trust injunction off the slate," said Keith Irons, Minorco's spokesman.

For as long as Minorco has the injunction against its name the US could be virtually off-limits in terms of acquisition activity.

It remains to be seen whether the Appeals Court overrules Mukasey who has stuck stubbornly to his guns in saying that only a full trial — which, with appeals, would be an extended process — can determine the merits of Newmont's claim that cum-CGF and its "influential," if not legally controlling interest, the Anglo group would control 32,3% of the non-communist world gold market. That was notwithstanding inconsistencies in Newmont's previous definitions of the market.

In his May 16 order, Mukasey said: "In testimony to Congress in October 1987, Richard B Leather, Newmont's executive vice-president, argued that a world gold market including scrap and official government sources was more appropriate in determining whether monopolisation was a possibility. In *this court*, however, Newmont has maintained the proper definition should exclude those sources. That market definition was accepted by the Court of Appeals. Reconsideration of that issue is proper only at trial."

Mukasey also rejected Minorco's request that as CGF had pulled back its action, Newmont could not allege anti-trust injury from the GFSA or Renison (Australia) interests. Nor would he consider a "hold separate order" which would ban Minorco from exercising any control over Newmont and make it subject to the US courts — pending sale of the CGF holding.

His reasoning was that even without Newmont, the Minorco-CGF combination would command 30,2% of the gold market. So it would still exceed the 30% figure which the US Supreme Court in 1963 found "to trigger the presumption of illegality. Thus Newmont has standing as an independent competitor to allege that the resulting combination would substantially lessen competition and injure it." Only "hold separate orders" in respect of Renison, GFSA and Newmont might "solve the anti-trust problems here" — but that would raise the question of court enforcement and detection.

As the judge noted earlier on the Anglo group's SA domicile beyond his jurisdiction: "Where would I send the sheriff?"

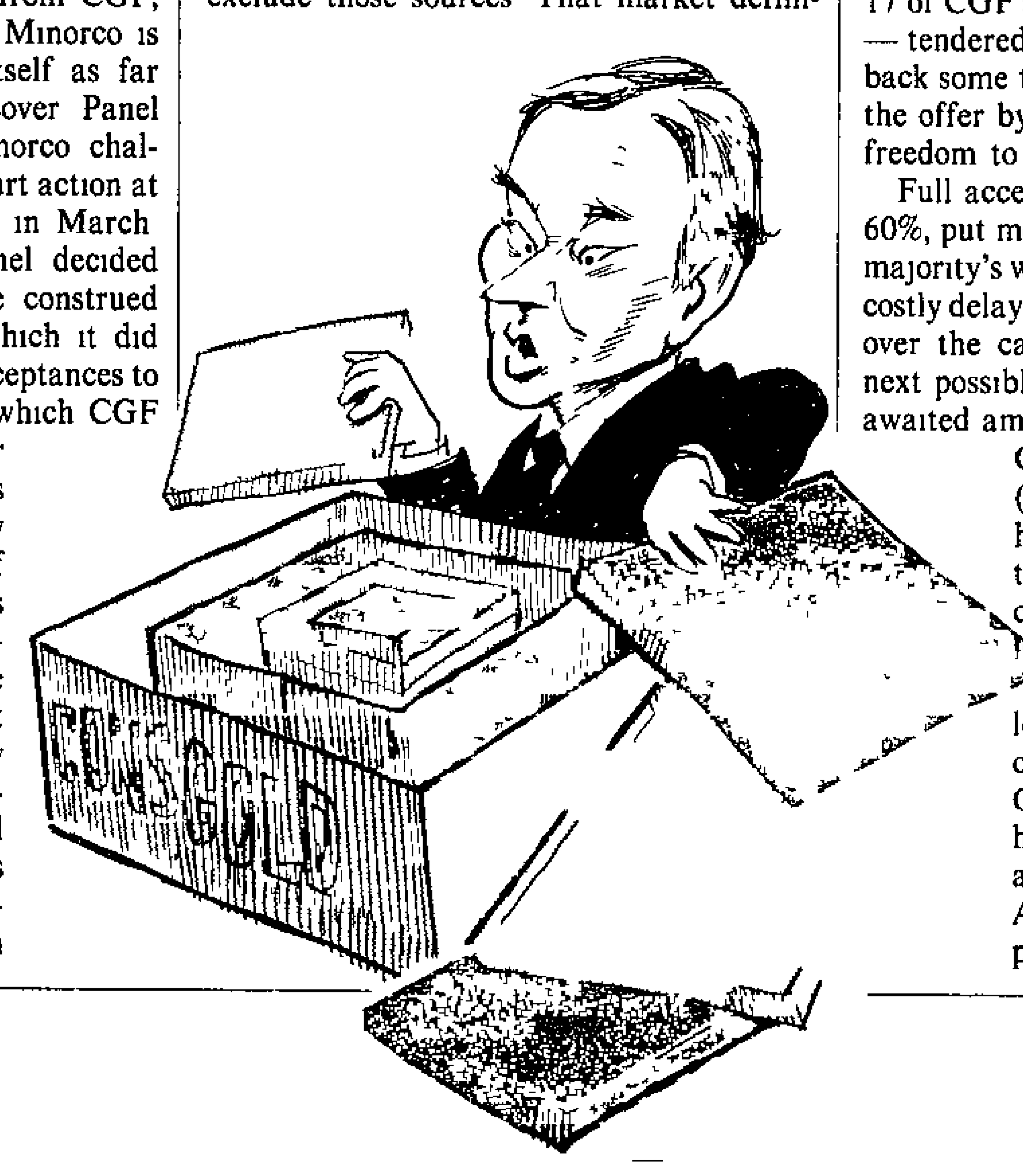
This kind of thinking is less than promising for Minorco's appeal — especially if, as Mukasey appears to have done, the judges give the benefit of any shadow of doubt to an anti-trust complainant.

Having won the arguments before a range of other investigative bodies — from the US Justice Department to the Trade Commission, the UK Monopolies & Mergers Commission and the European Commission — Minorco was, in its view, beaten by a technicality. The group refutes the City's common contention that another 50p on the £15,50 per share bid would have made any difference, and Mukasey's order bears this out. For some accepting shareholders — among 17 of CGF's 30 major institutional investors — tendered only part of their stock, holding back some to avoid being wholly locked into the offer by the US court and to retain the freedom to sell on the market.

Full acceptance would have given it over 60%, put more pressure on CGF to heed the majority's wishes and obviated the need for a costly delay while the Takeover Panel mulled over the case. Outside the US, Minorco's next possible move in vitalising its assets is awaited amid predictable rumours. Charter Consolidated, Johnson Matthey (preceded by the sale of Engelhard Metals in the US) are top of the list, and even Phelps Dodge cropped up on a surge of buying last week.

Minorco's magazines are well-loaded: the £1,4bn three-year credit line was not linked to the CGF deal and the year-end cash holding lifts the immediately available amount to nearly £2bn. And CGF is still very much in play.

John Cavill



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THE GOLD PRICE

Bitter short-term medicine

Reserve Bank governor Gerhard de Kock saying there's no need to "panic" about the gold price is reminiscent of Judge Harms saying we mustn't get "hysterical" over corruption The fact is that a gold price stuck around US$360/oz — if it doesn't fall further — is the worst economic news for SA since the debt standstill, almost four years ago, and has major implications for both short- and long-term policies

Certainly one needn't take scare stories of "300 000 jobs at risk" too seriously That will never be allowed to happen But preventing it will not be painless, or cost-free

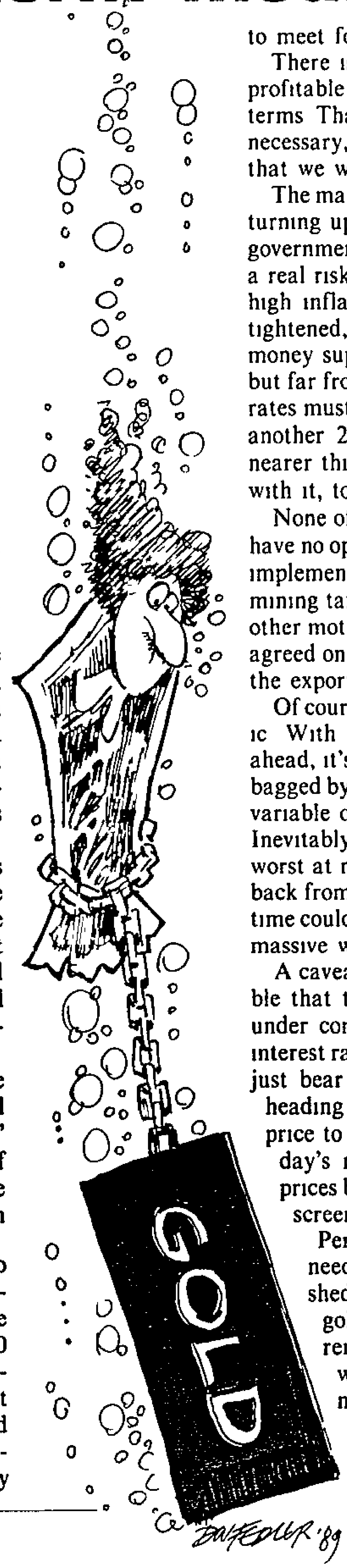
As we have pointed out before, in a world that largely accepts the discipline of real interest rates, and where inflation, even if picking up again, is no longer the threat it was when Opec ran riot in the mid-Seventies, gold has lost much of its traditional hedge attraction Remember, too, that it is still 10 times the price at which it was pegged for 30-odd years· much of the subsequent appreciation simply represents a delayed adjustment to changes in relative prices.

Briefly, there is no reason to believe that the price of gold will continue to rise in real terms, though like any commodity it will fluctuate both upwards and downwards in response to market demand The gold mining industry still has a much longer life expectancy than anybody predicted 20 years ago, but its life is nevertheless finite, like that of North Sea oil

It is no consolation that Britain has done as little to prepare for life after North Sea oil as we have for life after gold; or that much of what we have done has been misguided — spending vast sums subsidising "infant" industries that will never grow up, inflationary monetary and fiscal policies, and the whole liturgy of Pretoria's economic incompetence.

A stable real gold price doesn't really change our economic priorities, but underlines the need to encourage sound economic growth ("sound" being the operative word) and containment of inflation Bluntly, we will no longer be able, as we have for 15 years or so, to rely on a golden windfall to bail us out

Prescriptions for the short term are not so simple, as they have to balance long-term requirements with the need to avoid plunging the economy into recession At the very least, a $360 gold price reduces the chances of the "soft landing" economists were hoping for At the worst, it jeopardises up to 300 000 jobs — with social and economic consequences too ghastly to contemplate — the balance of payments, and our ability to meet foreign debt repayment obligations



There is only one way to keep the gold mines profitable it is to sustain the gold price in rand terms That means letting the rand fall as far as is necessary, a process with considerable other costs that we will just have to try to contain

The main cost is the impact on inflation, already turning up and unlikely to be checked by any of government's economic packages to date We face a real risk of stagflation low (or no) growth and high inflation Monetary policy simply must be tightened, the modest improvement in the April money supply figures (see ***Economy***) is welcome, but far from enough The corollary is that interest rates must be allowed to rise, too The prospect of another 25% prime rate has come significantly nearer this week If that brings business failures with it, tough; it's the lesser evil

None of this is going to be comfortable, but we have no option Medium-term, we can hasten the implementations of the Marais Committee (on mining tax), get on with deregulation, and all the other motherhood-&-apple pie reforms everyone's agreed on Short-term, we simply have to preserve the export earnings and jobs of the gold mines

Of course, the implications are not only economic With a rocky four months of electioneering ahead, it's ironic that government has been sandbagged by (as we said last week!) the one economic variable over which it has absolutely no control Inevitably, blue-collar workers are among those worst at risk, belt-fastening will deter any switch back from the CP to the NP At another level, the time could not be worse for black miners to present massive wage demands

A caveat is needed however unlikely, it's possible that the Group of Seven will get the dollar under control again, with consequent effects on interest rates and the gold price (see ***Markets***) But just bear in mind that, with domestic inflation heading back up again, a recovery in the gold price to $370 or $380 is small beer And Tuesday's rally in gold, which pulled JSE share prices back up with it, is so far only a blip on the screen

Perhaps most important of all is that we need a basic change in mind-set We must shed the comfortable, lazy idea that a high gold price is good, a low gold price bad, and remember that gold is just a commodity whose price is bound to fluctuate It may not be just coincidence that our economic performance was far better when the gold price was fixed than it has been since the mid-Seventies ■

2/4

Govt refuses Rand Mines request for assistance

By BRUCE WILLAN

THE decision by the Ministry of Finance to refuse Rand Mines's request for State assistance for ERPM and Durban Deep is indicative of the government's attitude towards the private sector and taxpayers

Gold, for a long time has been the backbone of the economy of this country and provided much needed wealth to develop the infrastructure and personal wealth of SA.

In past years, marginal mines have benefited from State assistance at the expense of the taxpayer, which includes the profitable mines

However, the government has always seen it fit to take more and more from taxpayers, companies and traders when it has over-extended its budget

But, when part of the income source starts failing due to circumstances beyond its control — in this case the lower price of gold and escalating costs — the authorities are not prepared to dip into their pockets to lend a helping hand.

While I am sympathetic towards the crisis the government faces right now in terms of the debt standstill, diminishing reserves and a declining currency, Finance Minister Barend du Plessis made a provision in his Budget of some R1bn in a contingency fund for emergencies.

Diagonal Digest

By BRUCE WILLAN

It would be prudent of the authorities, especially in an election year, to assist both these mines, preventing possible closure and leaving many people without jobs.

Understandably, a major percentage of these miners have no vote under the current system, but what of those who do

Not only are ERPM and Durban Deep facing this threat, but there are several other mines as well

I doubt very much if there are enough jobs available in the industry to take care of those who might be retrenched

Added to this, investor confidence in the SA economy would be diminished quite considerably not only by local investors but also European (the French have long favoured ERPM even though it has remained close to going under for some time)

Rand Mines has another route it can take to alleviate the problem — have a rights issue — which is very unlikely or it can borrow money

The latter will place a greater strain on the mine in the long term and investors will wait some time before any return is realized

Also, why should marginal mines suffer when farmers (they also are in business to make profits) can claim against tax for a multitude of items and get assistance from the government at the same time due to droughts and natural disasters

Is it a case of double standards being applied?

Gold price

THE latest rally in the gold price may just surprise us and stay around for some time — enough to push gold shares higher.

But, my feeling is that the US economy has just started to crack and the latest GNP figures show that credit inflation is beginning to rear its ugly head

Already Japan and the UK have raised interest rates to stem the outflow of capital caused by the strong dollar

Both countries have indicated there is a chance that further increases are possible and could even be initiated as early as next week.

This leaves Germany, France and Switzerland to follow

In broad terms when interest rates begin to go up, gold and shares are neglected and drift down, a sure indication to sell and hold interest bearing investments such as government bonds or quasi government stocks

But, this being an election year for SA, our rates have already gone up and according to analysts it is unlikely that interest rates will be raised before the outcome is known

It is more than likely, should things work out as the authorities have planned, there may even be a lowering of rates just before the election

However, I do not subscribe to this as the rate of inflation creeps up and the rand falls the situation becomes worse for all of us

As for the share market no clear trend has developed over the past few weeks and it would be difficult to forecast what could happen over the short term

Clearly the long-term trend of gold in rand terms is down, yet overall the returns on investment on the JSE continue to outstrip inflation

The best philosophy, to my mind, would to concentrate investments in sectors which are non-cyclical such as food, bearing in mind the debt structure of such companies and looking towards the more sanction-proof- and diversified companies

Also there are a few groups which are growing into well-structured companies with clearly demarkated areas of interest.

One such company is Tollgate.

However, a measure of caution should be added when looking at these diversified groups.

Take careful note of the various interests under its control, are they relatively sanction free, not affected by internal boycots, what sort of debt equity ratios does the group have, is it involved in growth areas.

These are just a few pointers which may indicate whether a company is likely to survive a severe economic downturn which seems to be around the corner

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RICHARD ROLFE in LONDON

All so good, yet so bad for gold

IT might not have seemed like it at the time, but last year was a dramatic one for gold

George Milling-Stanley, principal author of Consolidated Gold Fields' annual survey of the market says in its 23rd edition "The general perception that 1988 was a quiet year in the gold market could not be further from the truth"

It sounds a bit like "great year for gold, pity about the price", which averaged $437 against $447 in 1987 In real terms, gold was at its lowest since 1979 and the outlook for 1989, which is averaging $389 so far, looks even more depressing

RECORD

Mr Milling-Stanley's sense of dramatic developments in the gold market last year reflects the shift of demand to the Far East, record production and the stunning demand for jewellery, the industry's mainstay

Strong growth from the "sunrise" gold-mining regions — the US, Australia and Canada — lifted world output to 1 538 tons, the highest ever The SA proportion slipped from 70% in 1980 to little more than 40% last year

That results partly from lower SA production, but the more significant factor is the development of mines elsewhere in the world For example, Australian gold output shot up from 17 tons in 1980 to 152 tons last year

Cons Gold doubts whether the rise in non-SA output of gold will prove sustainable at recent rates, but suggests it will continue to rise

Shearson Lehman, the only other group whose research rivals Cons Gold's, is bolder about its projections It sees US gold output rising to 289 tons in 1991 (from a base of 198 tons last year, against Cons Gold's figure of 205 tons)

Shearson estimates that 1991 world gold production will be 1 824 tons, up from 1 497 last year, SA accounting for 637 tons So on this analysis, SA will represent 35% of the total

The fact that few figures related to gold are beyond dispute is shown by the divergences between Shearson and Cons Gold To take only one more example, Cons Gold puts last year's Australian output at 152 tons and Shearson thinks it was 125 tons

Figures on the demand side are even less reliable So we may never know whether, as Cons Gold says, offtake by Mexican dentists fell from 200 000kg to 100 000kg last year

PROFITABLE

On the subject of costs, Cons Gold makes a strong case that gold mining remains highly profitable in most cases, even at this week's level of $360 — the lowest in three years

Worldwide costs of gold production were $249 an ounce last year, up from $236 in 1987 But subtracting SA from the equation, costs in the rest of the non-communist world rose only from $207 to $214

SA costs rose from $259 to $275 According to Mr Milling-Stanley, 20% of non-communist world output is now unprofitable, most of it in SA Since 1972, real (adjusted for inflation) cash costs an ounce in SA have risen by a factor of three

"The devaluation of the rand has been insufficient to offset the effect of rising costs," says Mr Milling-Stanley

POSITIVE

A phenomenal rise in jewellery demand was the main feature of the year All factors were positive for a surge in jewellery purchases around the world

With prosperous times continuing, real incomes rose There was a falling gold price in most leading currencies and an absence of the price volatility which has scared buyers away in the past

The result was a 30% rise in jewellery offtake to 1 484 tons, absorbing nearly all newly mined output and about 80% of all the conventional supplies of gold coming on the market

Indications are that demand will be even better in 1989

LOSSES

The picture so far gold output is at a record level, but so is jewellery demand Indeed, allowing for other sources of demand — electronics, coins and the rest — supply and demand are almost in balance at about 1 850 tons

Beyond that, identified hoarding of gold bars in the East soared to a record 473 tons A big slice of it was bought by Chinese to take into the People's Republic Taiwanese, now allowed to visit the PRC, buy gold in Hong Kong in transit for their relatives Returning home, they buy more for themselves because it is cheaper in Hong Kong

I asked Mr Milling-Stanley how Taiwanese and other buyers of gold had done last year The reply is that they are showing losses of $60 to $70 an oz and an even bigger loss in New Taiwanese dollars, which have risen against the US unit

He says they do not mind because they have long-term objectives, and there is no sign yet that their unrealised losses have deterred them from gold purchases Amen, the Chamber of Mines will say to that

Viewing the gold market as a whole, if it is all so good, why is it so bad? The assumption in the Cons Gold analysis is that last year's burgeoning demand, over and above production, was met by gold loans and forward sales

These factors, essentially, screwed up what would otherwise have been a vintage year for gold

UNRELIABLE

Mr Milling-Stanley says gold loans and forward sales are excluded from Cons Gold's analysis because of the unreliability of the figures, but both had a profound influence

"They represented by far the largest element in the additional supply of more than 450 tons which was required over and above the gold drawn from conventional sources in order to satisfy the exceptionally high demand," says the report

There were, Mr Milling-Stanley suggests, 200 tons of gold loans, 200 tons of forward sales and about 68 tons of net disinvestment by investors outside the East

Specifically, he thinks the Swiss may be questioning their old rule of thumb that clients must hold 5% of the value of their portfolios in gold That is bad news from "one of the staunchest supporters of gold as an investment"

CONFIDENT

The only comfort to be taken from this Swiss shift, mirrored by a low level of gold involvement among other Western investors, is that once sentiment swings back towards gold, as it will do one day, "there is potentially an enormous amount of money which could be transferred into gold investment"

However, no such change in sentiment is anywhere to be seen at the present

Mr Milling-Stanley says, Far East demand continues to run above last year's Singapore's imports are up by 60%, Japan's by 44% and Hong Kong's by 20% Largely for this reason he is confident that "the possibility of any substantial fall in price is limited"

His summing up is that for the next two or three years, the gold price will range between $350 and $500

The case for dying mines

S/Times 28/5/89 (214)

Business Times Reporter

THE Cabinet's refusal to grant aid to Durban Deep and ERPM gold mines this week is not final It wants more time to consider the pros and cons

The arguments for State aid are

- SA needs the R500-million of foreign exchange that their gold sales earn
- It would be folly to allow underground workings bought at hideous capital cost to be flooded, only to see the gold price recovering in six months If SA can make uneconomic, strategic investments such as Mossgas, why not in the most important, most sanctions-proof industry?
- Boksburg, Roodepoort and the economies of neighbouring countries depend on the income of more than 20 000 miners employed on the two mines Their direct dependants number more than 100 000
- If the mines close, neighbouring mines would be flooded

The counter-arguments are the free market one that companies that cannot swim should sink, that if the State saves the mines, why should mining houses profit when and if they recover?

But the biggest concern of opponents of State aid is that if it is given to these two mines, why not to the other 15 hovering on the brink of losses? In that scenario State aid could run to a few hundred million rands

Gencor seeks a record R1,5bn

S/Times 28/5/89 (214)

GENERAL Mining Union Corporation (Gencor), SA's No 2 mining house, is coming to the stock market with the biggest rights issue in JSE history.

By David Carte

The fast-growing, highly rated mining house decided at a board meeting on Friday to ask shareholders for about R1 500-million.

It will offer 20 new shares for every 100 in issue at a price still to be determined. It will probably be at a small discount to the market price of R86

Mossgas

Executive chairman Derek Keys says "We do not have any particular projects in mind The Mobil acquisition is already financed.

"We believe that Gencor should not come to the market with a rights issue more than every four or five years — and it's always best to look for finance when you don't need it."

Gencor recently bought Mobil SA at a cost said to be about R600-million cash It also plans many other projects.

It is managing the Mossgas project and has the right to acquire 30% of it in two years

New gold mines, such as Oryx, Karee Platinum and possibly the Poplar mine could need more millions

Gencor is also expected to announce the go-ahead of its torbanite shale-oil project, expected to cost more than R1-billion.

Other companies in Gencor, such as Impala Platinum, Samancor and possibly Sappi and Malbak, could also hold rights issues, necessitating more cash in Gencor's coffers

'Controlling' shareholder Federale Mynbou is supporting the offer and will itself hold a 22-for-100 rights issue. It will be supported by major holders Sanlam and Rembrandt.

Sanlam, with 52% of Fedmyn, will kick in roughly R450-million and Rembrandt about R250-million.

Richard Stuart, analyst at Martin & Co, lead broker to the issue, says the time is right for Gencor to use its paper to build its balance sheet for the next generation of projects

"All parts of the group are working well and management under Derek Keys seems to have called all the plays right recently Not surprisingly, Gencor enjoys strong shareholder loyalty.

"Mr Keys has demonstrated that if you give him money, he adds value People like to give him money because he knows what to do with it."

Mr Stuart says institutions will not balk at the idea of rights issues every four or five years, provided Gencor has good projects

Cooling

The weak rand is expected to boost the gold, coal and platinum mines, as well as Sappi, Samancor and Richards Bay Minerals, so things look good for Gencor in spite of the cooling SA economy

An institutional fund manager outside the Sanlam group says Gencor is laying impressive building blocks.

It is diversifying out of gold into other minerals and energy The industrial turnaround in Malbak is convincing enough for him to support the issue'

Gencor's move is the second in what is expected to be a spate of rights issues. Brokers and institutions say rights issues plus the privatisation of Iscor could absorb up to R8-billion in the next year

On the one hand, companies are eager to tap unprecedented institutional liquidity One estimate is that R23-billion is available.

On the other hand, many mines are being worked out and the time has come for new ones to be sunk. There are numerous promising prospects in gold, coal, platinum and diamonds.

Rainbow

Rembrandt company Hunt Leuchars & Hepburn has announced an issue to fund its R750-million Rainbow Chicken subsidiary.

Iscor is expected to be capitalised at R3-billion when it comes to the market, although probably only half of this amount will be tapped.

Other mining houses expected to come to the market soon are Gold Fields of SA and Anglovaal

GFSA has indicated to parent Cons Gold the need for

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CARTE BLANCHE

Datakor cashes in on quitters

By David Carte, BUSINESS TIMES Editor

Datakor's acquisition last year of American computer major Unisys has paid off handsomely

Sales of SA's No 2 computer company leapt by 245% to R362-million and taxed profit by 135% to R20-million in the year to March.

The group was able to service the 60 million new shares it issued for Unisys and earnings rose by 12% to 17,3c (1988 — 15,4c) A final dividend of 4,5c has been declared, making 7c for the year

The result only meets forecasts made at the time of the takeover It is nevertheless a pleasant surprise to a market expecting the worst after disappointing results from some rival computer companies

"One of the unseen benefits of disinvestment," says chairman Nic Frangos, "is that it has put SA managements on an accelerated learning curve I don't think anywhere in the world are business people learning so much so quickly It's misguided for people to leave SA The opportunities here are unparalleled"

Mr Frangos admits that multinationals continue to dominate computers worldwide and takes considerable comfort from Datakor's continuing links with Unisys

Mr Frangos says rationalisation benefits still to be realised will push the company to greater heights next year in spite of a fast-cooling economy, the lower rand and higher interest rates.

He is looking for sales of R500-million in the current year Orders in the past six

ers dominated hardware and software choice Now customers have closed the knowledge gap They know better than any supplier what they need to serve their customers — and they demand flexibility.

"Suppliers no longer dominate the purchase decision We can offer a variety of open systems."

Datakor has made a particular drive on banks All but one of the large banks is on its Timeplex system Unidata has 57 main-

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From Page 1

S/Times 28/5/89

Gencor (214)

more cash to fund projects totalling more than R1,5-billion One of GFSA's big projects is its proposed Northam platinum mine

Anglovaal needs money to fund a new mine at Bothaville Its participation with associate Middle Wits in De Beers' Venetia diamond project may also require more money

Waltons and First National Bank are also expected to come to the market for money in the next year

An institutional fund manager quips "The ducks are quacking and companies are doubtless going to feed them with plenty of paper"

The romance of SA's oldest mine

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ARGUS 29/5/89

By MELANIE GOSLING

THE East Rand Proprietary Mine (ERPM), whose fate is in the balance due to inflation and the falling gold price, is South Africa's oldest gold mine and for years has been regarded as one of the Reef's miracles

HISTORY

Just two years ago, on the eve of Boksburg's centenary, Rand Mines announced plans for a R300 000 project to develop ERPM which, they said, would extend the life of the 96-year-old gold mine by a further 50 years It would create another 7 000 jobs; earn foreign exchange of at least R26-billion and produce 850 tons of gold in the next half century

The crisis facing ERPM and sister "marginal" mine Durban Roodepoort Deep could mark the end of a venture which started when the Witwatersrand was rolling grass and bushes with a mass of shanties, claims and diggings

A P Cartwright, in The Corner House, quotes a letter from a J B Taylor written in 1888 "Two years ago not a hole had been made and there was no habitation anywhere on the Main Reef The district was populated by a few hundred farmers who owned nothing but the land they lived on

"Today we have a town consisting of 3 000 houses and a population of at least 17 000 inhabitants In two years, upwards of five million pounds sterling have been invested in stocks, shares, building and mining concerns"

The gold rush was on From these first, small scratchings in the ground, ERPM was born

Small claims formed into companies and in time companies joined together In 1889 six companies were floated New Blue Sky, Cinderella, Agnes Munro, Driefontein, St Angelo and New Coet These six East Rand mines, with about 3 700 claims, were brought together under the umbrella of ERPM Ltd in 1893, "a company which had an authorised capital of £12 500 000 and in which all the major groups in the Rand had an interest"

Gencor: No plans to shut mines

Cape Times 29/5/89

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Own Correspondent

JOHANNESBURG — Gencor had tried to structure its gold mines to weather a low gold price scenario, and there were no plans to shut down any of its marginal mines, senior consulting engineer Kobus Olivier said on Friday

A number of Gencor-administered mines, including West Rand Cons, Stilfontein, Bracken and Marievale fall into the "marginal" category

"Our policy is to try to run our mines profitably When necessary, we scale down operations," said Olivier

Gencor has laid off nearly 10 000 miners since the beginning of 1988

He believed Gencor had been succeeding in its efforts to maintain its mines' profitability But, he added, "we are watching the situation, particularly the gold price We do not expect to be able to rely on the exchange rate or government assistance"

The NUM declined to comment on the situation facing ERPM and Durban Roodepoort Deep until it had received communication from management clarifying plans for the two mines

Last week an NUM spokesman said the union saw no point in subsidizing mines which had reached the end of their natural lives

However, they expected management to anticipate such eventualities well in advance, and to ensure that employees of mines forced to close down could be relocated to other mines

Council of Mining Unions spokesmen were unavailable for comment

However, last week director Ben Nicholson also said mines, or individual shafts, which could no longer operate profitably should be mothballed He believed certain operations at ERPM were still profitable

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Gencor not planning closures

ALAN FINE

GENCOR had tried to structure its gold mines to weather a low gold price scenario, and there were no plans to shut down any of its marginal mines, senior consulting engineer Kobus Olivier said at the weekend

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"Our policy is to try to run our mines profitably When necessary, we scale down operations," said Olivier Gencor has laid off nearly 10 000 miners since the beginning of 1988

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The NUM declined to comment on the situation facing ERPM and Durban Roodepoort Deep until it had received communication from management

Last week a NUM spokesman said the union saw no point in subsidising mines which had reached the end of their natural lives

However, they expected management to anticipate such eventualities well in advance, and to ensure that employees of mines forced to close down could be relocated to other mines

Council of Mining Unions spokesmen were unavailable for comment However, director Ben Nicholson said last week mines which could no longer operate profitably should be mothballed

ERPM decision is 'needed now'

B/Day 29/5/89 (214)

Business Day Reporter

A DECISION on the future of Boksburg gold producer ERPM was needed within days not weeks, Rand Mines director Clive Knobbs said yesterday

He said the mine was running at unsustainable losses and needed urgent assistance to keep it going until the new sub-vertical shaft could be brought into production in four or five months' time

If the gold price moved favourably during this period, the expansion would amount almost to a new mine in which gold production would increase from 8,8 tons to 18,6 tons in 1993

Capital expenditure on the new section of the mine had almost been completed and it was, therefore, critical to maintain operations until the mining of the richer grades could begin

● See Page 3

Some mining analysts believed, however, that Rand Mines' gold price assumptions for the viability of the new mine were too high at the time of the restructuring of its debt and the changes made to the mine blueprint At present levels, the rand-gold price is 15% lower than the R34 300/kg upon which assumptions were based

Knobbs said too much had been made of the Treasury's reported reluctance to recommend assistance on the grounds that it was strapped for funds ERPM had been receiving special government assistance for the past three years government furnished the guarantees for the mine's R220m capex programme

"ERPM, whatever government says, is a special case It is not as though this is a fresh request for assistance, as was the case for Durban Roodepoort Deep When government agreed to guarantee the funds required to develop the expansion programme in the far east section of the mine, it made an investment in the property The question now is whether it is prepared to protect that investment"

In the Rand Mines group, Durban Deep had moved onto the group's "critical list", while Harmony, in the Free State, had moved close to the danger line

Since 1982, Durban Deep has had to rely on government handouts almost every year, and received a R2,1m rescue in the 1988/89 financial year

ERPM and Durban Deep together produced 29% of Rand Mines' 67 tons of gold during the last five quarters and accounted for 3% of SA's 759 tons of gold during that time The two mines spent R122m on capital expenditure and R723m on keeping the mines running over the same period

Neither Finance Minister Barend du Plessis nor his deputy, Org Marais, could be reached yesterday to establish government's response to the appeal for assistance Although the Cabinet did discuss the question at a meeting last week, a firm decision was postponed until the survival

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ERPM decision

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prospects of all marginal gold producers could be established

This seems to confirm the Cabinet faces awkward policy decisions on the future of marginal producers To turn off the life support systems of two mines employing 20 000 people on purely economic considerations would seem to be the obvious thing to do, but the step is perceived by members of government to be fraught with social and political danger

Opinion of the possible effects of the closure of the mines remains divided among industries which supply them

Larger national suppliers to mining houses were unperturbed by the threat of closure, saying ERPM and Durban Roodepoort represented a small fraction of the total mining supply market

They said both mines had been cutting back on expenditure during the past four years and their closure would not affect major suppliers to any great extent

According to informed estimates, there are at least 14 mines in a survival mode, but in addition to vulnerable mines, there are any number of sections and shafts of otherwise seemingly viable properties that are under threat of closure

Decision on mines needed 'within days'

By Sven Lunsche

Rand Mines has urged the Government to make a decision as soon as possible on whether or not to provide assistance to the two troubled RM gold mines, East Rand Proprietary (ERPM) and Durban Roodepoort Deep (DRD)

In advertisements placed today, Rand Mines confirmed that financial aid was necessary to keep the mines operating

"An early improvement in the gold price to levels which would enable these mines to operate profitably is not foreseen," the statement said

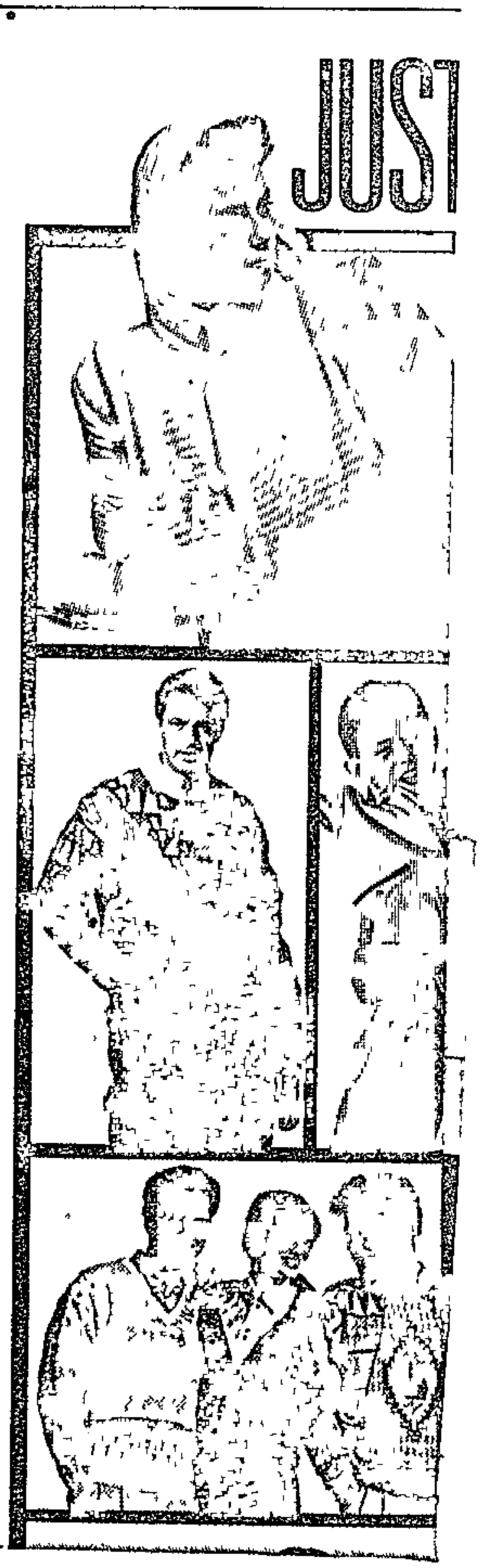
DELAY

Last week, the Government indicated that it would delay the decision until the future of all South Africa's marginal gold mines had been discussed

After urgent requests by Rand Mines, a meeting between Deputy Minister of Economic Affairs and Technology Mr George Bartlett and Rand Mines representatives was convened at the weekend

Rand Mines director Mr Clive Knobbs reportedly stressed that a decision was needed within days not weeks, as ERPM needed assistance until a new shaft could be brought into production in five months' time

This expansion would allow the mine to lift production by more than 100 percent in 1993



Stw 30/5/89

Decision on Rand Mines 'needed soon'

(ut) By Sven Lunsche

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Govt delays decision on ERPM

B/Day 20/5/89

(214)

CHRIS CAIRNCROSS

CAPE TOWN — Government continues to delay making any formal announcement on whether it intends to provide urgent additional state aid to Rand Mines's ailing gold producer ERPM

The decision apparently rested now with Deputy Economic Affairs and Technology Minister George Bartlett, who could not be contacted last night

Deputy Finance Minister Org Marais said the finance department had already made its own decision as to whether finance was available to temporarily rescue ERPM, but had left the final decision in Bartlett's hands

He confirmed further urgent talks between government, Rand Mines and mining industry representatives had been held at the weekend in an attempt to thrash out a decision on ERPM's fate

Marais said it was a 24-hour crisis situation and any decision would be limited to ERPM That decision should not be viewed as setting a precedent for other marginal mines

Marais said the plight of other low-grade gold producers had become the subject of a separate investigation by a committee chaired by Frans le Roux

Mining industry sources said yesterday they believed social and political implications of a pending closure were probably responsible for holding up official pronouncements

MINING

ARGUS 31/5/89

Decision on ERPM closure by weekend

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By TREVOR WALKER
Business Staff

IF the government does not step in and give some form of assistance, however it is packaged, the management of one of the country's oldest gold mines East Rand Proprietary (ERPM) "will have no alternative but to close the mine," chairman Mr Clive Knobbs said

He said a decision on closing the mine would have to be made in the next few days

The mine is running at a loss as a result of the sharp fall in the gold price and the company has asked the government for further assistance to enable it to weather the downturn until it is able to begin to benefit from the its drive into new areas of deep level development to the south of its existing works

However, the mine acounts for less than two percent of the country's total gold output and government officials have said that it was not for the Exchequer to become involved in ventures of such a high risk capital nature

Mr Warren Clewlow, vice chairman and chief executive of Barlow Rand, the controlling shareholder of Rand Mines, said "I do not think from a group point of view we will put money into ERPM now"

Stock market analysts noted that ERPM has the curious distinction of having the highest number of foreign shareholders of any South African gold mine It has been a traditional gold investment for many French and Belgian shareholders and having been called on for two previous infusions of funds by way of rights issues, they are not expected to help the mine in its latest crisis

Shareholders in Europe and the US hold about 60 percent of the equity of the mine

Government sources said the whole question of State assistance to marginal mines would have once again to be reviewed

The State assistance scheme was terminated some years ago and if some form of assistance had to be reinstated this would have to be studied in depth

Mr Knobbs said "the closure of ERPM would open a whole new season" as far as the marginal mines were concerned and ultimately there was an element of politics in the decision as to whether bridging finance should be forthcoming or not

Deputy Minister of Economic Affairs Mr George Bartlett, who has been landed with the problem, met a delegation from the mines last Thursday and on Friday made certain proposals to the Minister of Economic Affairs and Technology, Mr Danie Steyn and the Deputy Minister of Finance, Dr Org Marais

During the weekend he held more discussions in Cape Town and a plan of action was compiled This was put to Finance Minister Mr Barend du Plessis on Monday morning and to Rand mines the same day Mr Bartlett says he is still awaiting the mining group's decision on the plan

Mr Knobbs said today that they had replied to Mr Bartlett's proposals and the final decision as to whether Rand Mines closed the mine or not hinged on the reply they received from Mr Bartlett