MINING — GOLD

1990

~~JUNE~~ — ~~JULY~~

MAY — AUGUST

Analysts see De Beers moving control offshore

Star 1/5/90 ([redacted]) (214) ([redacted])

By Magnus Heystek, Finance Editor

Speculation surrounding De Beers and its pending international restructuring attracted all the attention on a generally lacklustre stock market yesterday as more than 146 000 shares, worth nearly R13 million traded hands with the share price moving up to close at R88,60,after trading higher than R89 at one stage.

De Beers chairman Mr Julian Ogilvie Thompson is due to make an important announcement tomorrow and will address local financial journalists via a closed television broadcast from London

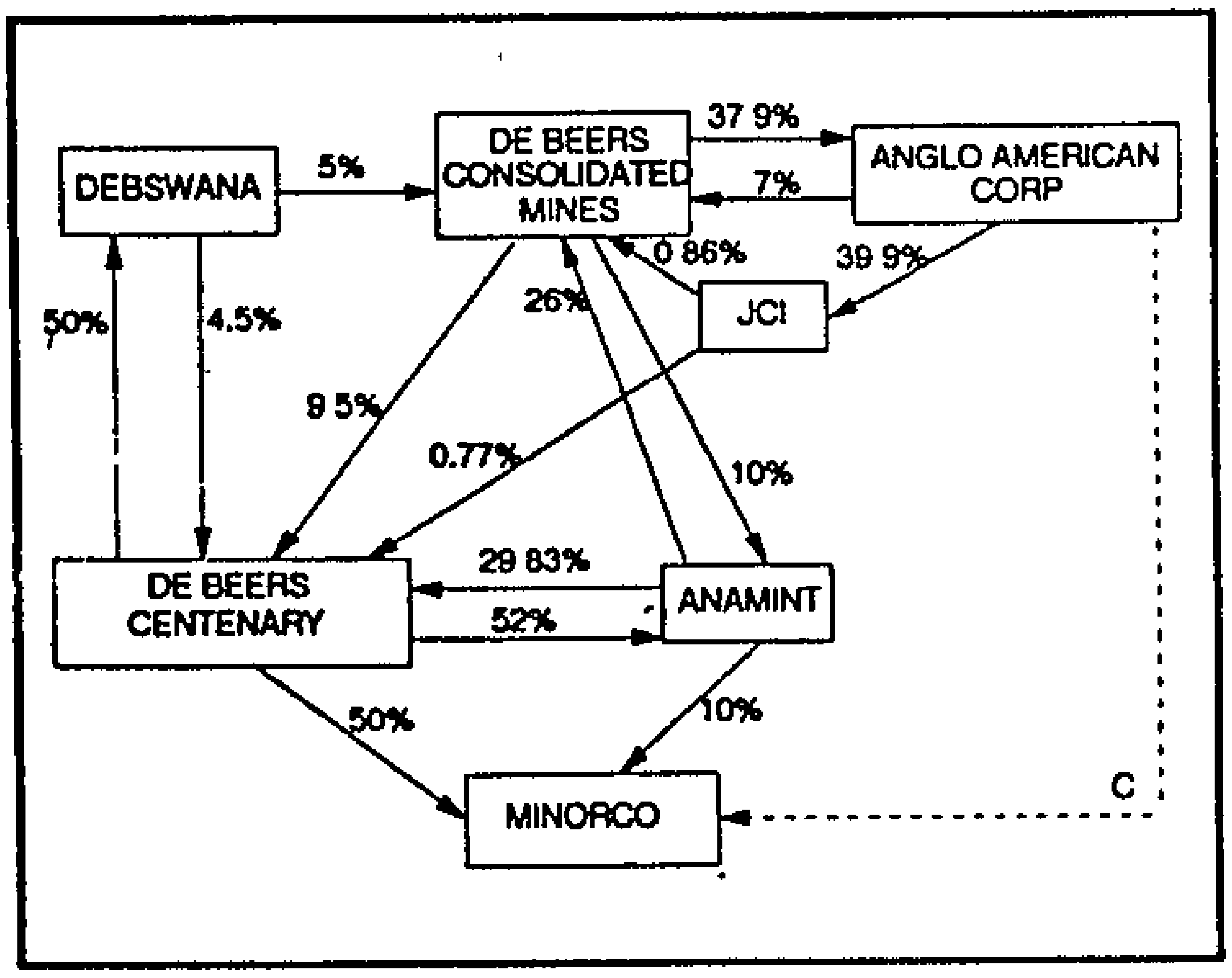
In addition to a major announcement concerning the restructuring of the worldwide interests of De Beers, analysts in some circles are expecting the De Beers shares to be split ten for one

Other analysts, who did not wish to be named, indicated that De Beers could be making an announcement of major importance, possibly concerning large-scale capital investments, both here and abroad

This could be the first in a series of steps that will unlock the true wealth of the companies in the Oppenheimer empire, which is currently trading at a vast discount to net asset value on international stock markets

Since De Beers announced the setting up of De Beers Centenary as an offshore company to house all of its international assets in February this year, the share price moved up strongly as international investors rerated the company on the basis of the new developments

However, some speculation is focused on De Beers uncoupling the link between De Beers and De Beers Centenary, as this will free American investors to take a stake in the Swiss company



Hypothetical restructuring of De Beers

Under the current terms of arrangement the two companies are traded as a stapled unit, which disqualifies American investors from investing in De Beers

Swiss-based

By unstapling the two companies, much along the same way as Rembrandt has listed Richemont in Luxembourg, De Beers Centenary will become a Swiss-based company, controlling the international assets of De Beers

In an in-depth analysis of De Beers Centenary by London-based stockbroking firm James Capel, it is speculated that the complex interlocking affairs of the Oppenheimer-empire are about to be restructured, which will mean a change of control from South Africa to Switzerland

In terms of the arrangement announced in February this year control of De Beers Centenary rests effectively with De Beers (9,5 percent direct holding), Anglo American (7 percent direct holding) and indirectly 26 percent through Anamint, which controls 23,5 percent

Other companies also involved in this maze include JCI, Minorco and Debswana But the ultimate control of the whole empire rests with De Beers and Anglo

At presentloss of control over either company, due to possible nationalisation, would bring about loss of control of the whole group or over at an unacceptably large portion of it

One way around this would be to move Anglo's foreign assets offshore, but this would still mean that control remained in South Africa

The key holding appears to be Anamint, effectively nothing more than a holding trust, but it does contain 26 percent of De Beers, 23,5 percent of De Beers Centenary, 18,5 percent of the Diamond Trading Company and 18,47 percent of the Diamond Purchasing and Trading Company

What would take De Beers Centenary and Minorco into permanently "safe" hands would, according to James Capel, be the following two-phase plan

Firstly, AAC would move Anamint to Switzerland Anamint would purchase Anglo's 6,3 percnt holding in De Beers Centenary De Beers Centenary would then purchase AAC's 52 percent holding in Anamint, which would leave Anamint with 29,8 percent of De Beers Centenary

$2 billion bill

Secondly, Anamint and De Beers Centenary would purchase the 39 percent of Minorco (held by AAC) which would put De Beers Centenary in control of Minorco, Anamint and Debswana.

This scheme of arrangement would pump some $2 billion into South Africa, to pay for the assets acquired, control of the Anglo empire will remain in the same hands but De Beers Centenary and Minorco would have the added benefit of being totally independent as far as future political developments in SA were concerned

Should, however, control or an unacceptable amount of control be lost over the South African assets, control of De Beers Centenary and Minorco would still remain with the existing management and those companies could develop independently of South Africa

The cost to finance this suggested deal, would be in the vicinity of $3 billion, which, even to De Beers with its cash pile of $1,6 billion would be too large to finance without recourse to international capital markets — one of the reasons mentioned by De Beers why it intended splitting its South African and international assets

Gold firms in quiet May Day trade

B\Day 2\5\90

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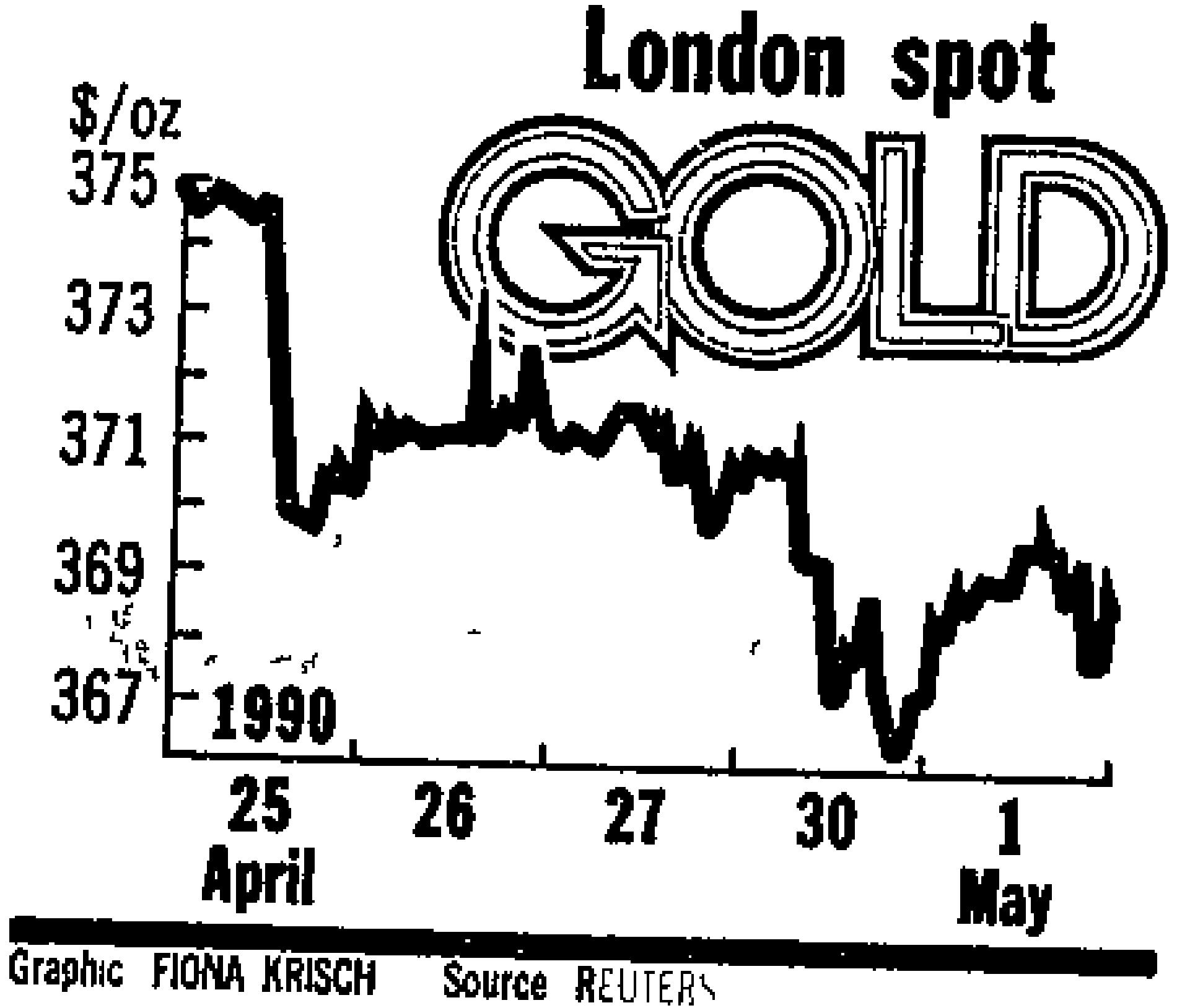
LIZ ROUSE

GOLD firmed slightly yesterday in quiet trading due to the May Day holiday closure of European precious metals markets.

The gold price was fixed quickly in London at $368,95 in the morning, slightly above Monday's close of $367,50 but barely changed from its opening of $368,80

London fixed the afternoon price at $369,50 after a prolonged session during which New York spot gold kept hitting $370 The metal closed later in New York at $370,25; up from Monday's close of $368,85.



Graphic FIONA KRISCH Source REUTERS

New York dealers described the rise as essentially a reflex rebound after Monday's sharp break. There was short-covering overnight and during the opening.

The white metals such as platinum appeared to be pulling gold up with them, dealers said.

Dealers said concerns about SA's ability to resolve labour conflicts may have had a positive impact on platinum metals

However, gold remained in a bear trend, most dealers said. Chart watchers saw support for cash gold at $365 and resistance at $372.

De Beers stocks up as the market softens

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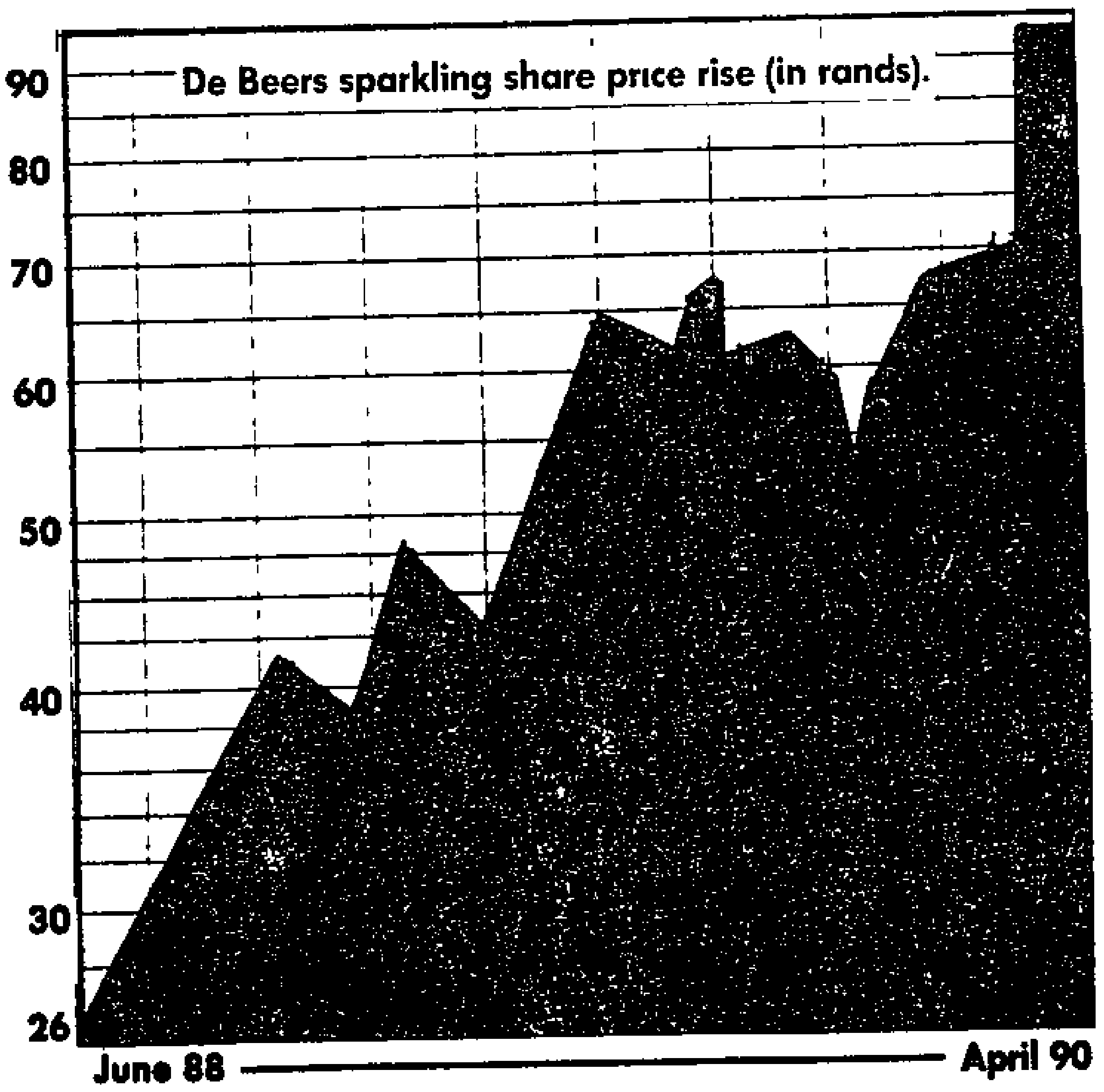
De Beers sparkling share price rise (in rands).

By Neil Behrmann

LONDON — World retail diamond sales rose four percent to a record 54 million pieces or 14,9 million carats worth $39 billion last year, said the chairman of De Beers Julian Ogilvie Thompson yesterday

And to promote diamond sales this year, the advertising budget of De Beers will be $130 million, he said

After "three exceptional years of double-digit increases, however, the growth in sales slowed to a more normal rate"

Expressed in dollars the overall increase came to 4 percent, but most of the slackening was attributable to the strengthening of the US currency

Measured in local currency terms, the rise was 8 percent, compared with 10 percent in 1988 Growth was particularly strong in Europe and also Japan, where sales were boosted by a reduction in sales tax on jewellery costing more than 37 500 yen (R640) Growth in the United States, still the largest market for polished diamonds, was modest

Mr Ogilvie Thompson said at a London press conference that so far high international interest rates this year had not affected demand for diamonds

Executives of De Beers confirmed that sales of high priced diamond jewellery of $5000 a piece or more had not been dented by punitive real interest rates Turnover of cheaper jewellery, notably pieces of $500 or less, however had been hit by higher interest rates

Wealthier consumers earning higher income on their capital could afford to buy more diamonds, added a marketing executive of the company, but other income groups are tailing back purchases of luxury goods

On average, however, consumer demand for diamonds continues to "grow both at a rate and in a regional pattern that is similar to last year"

"The mood in the cutting centres as well as the retail trade generally is positive," said Mr Ogilvie Thompson

He added that the diamond market had readily absorbed De Beers' March price increase of 5,5 percent Sights in March and April were satisfactory

He did caution, however that there was an increase in diamond stocks at the cutting centres, although "by historic standards their inventories are low in relation to sales"

De Beers' diamond sales slipped by 2 percent to $4,09 billion last year — despite a diamond price rise of 15,5 percent in March 1989 — because of the slower growth in retail turnover

The reason is that retailers had less need to raise stocks, says Mr Ogilvie Thompson

De Beers thus had to withhold diamonds to support the rough market and in consequences its own stocks rose by $473 million last year The proportion of De Beers' stocks to turnover rose to 56 percent from 50 percent in 1988, but it is small when compared with 168 percent in 1984

Moreover, if the market worsened, De Beers Centenary has the power to increase borrowings markedly, said Mr Ogilvie Thompson

Events in the gold and platinum markets indicate that demand could wane, despite the enthusiasm of De Beers executives Nevertheless, the diamond trade is sufficiently strong to withstand any downturn in the cycle

Even though rough diamond stocks have risen at cutting centres, said Mr Ogilvie Thompson, the increase was financed largely by the trade's own capital rather than by bank borrowings.

"This is a healthy sign," he said

Mr Ogilvie Thompson stressed that the company had no intention to de-link De Beers Centenary from De Beers Consolidated. It is incorrect to speculate that the units will be de-stapled, he said.

In response to a question how the group would react if a bank held the stapled units and offered investors depositary receipts of De Beers Centenary, he said, however, that the group would be powerless to prevent an effective unstapling by outsiders.

He also denied that Anglo American would be following the De Beers' route of putting its foreign interests into a separate company based overseas.

"Anglo American was basically a South African company and there was no compelling reason for it to separate its foreign interests from its local interests," Mr Ogilvie Thompson said.

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ERPM

Douglas's ginger

The saga of ERPM's drift towards closure is becoming increasingly peculiar according to some of Rand Mines' critics. They say the mining group has scrounged around its subsidiaries for the cash needed to keep the stricken gold mine afloat, basing their views on the coincidence of timing between in-group cash mobilisation and ERPM's funding needs

Last April, Witbank Colliery's wholly owned Douglas Colliery invested R30m in redeemable pref shares newly issued by Rand Mines (Mining & Services) The prefs carry interest at 65% of prime and, as they are redeemable, are to all intents and purposes debt rather than equity

Mining & Services (M&S) is wholly owned by Rand Mines and was formed during Rand Mines' merger with TCL some years back And, though one of its principal functions is to provide secretarial and engineering services to group mines, it also owns aeroplanes and cars and is expanding various other investments On March 29 1989, it increased its authorised share capital by R100m by creating 500 000 red pref shares of R200 apiece Six days later, 150 000 red prefs worth R30m were issued to Douglas It is not clear if any were issued to other companies controlled by Rand Mines

Why should Douglas want to invest R30m in a service company owned by its ultimate parent? Johann Jacobs, Witbank's finance director, says he initiated the transaction last year as he needed to invest some of the R86m cash resources held by Douglas at the end of financial 1988. Dividends on the prefs, at 65% of prime, represented a more attractive after-tax yield to Douglas than placing the cash on call, Jacobs says And he is backed by Rand Mines chairman, Dammy Watt, who says the after-tax yield is at least as good as that available on NCDs then

That is all very well, the critics counter But R30m was a material sum as it represented 80% of Witbank's R37,4m of net current assets at the end of financial 1988. At that stage, Witbank's other subsidiaries had net current liabilities of R48,6m — the difference between Douglas's cash and Witbank's net current assets

They go on to argue that Rand Mines' needs seem clear to an outsider It was busy financing the cost of following its Barplats rights and was also heavily involved in funding ERPM's continuing losses and capital spending And they conclude that Douglas's (or Witbank's) R30m was effectively used to help Rand Mines sustain a faltering ERPM

Watt disagrees, maintaining the R30m is not a loan but an investment which can be sold at any time And he rejects the view that the deal has uncanny parallels with the Lefkochrysos/Cons Modder financing deal, when Loucas Pouroulis used R72m of Lefko's development capital to shore up a loss-making Cons Modder The transaction was

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done with the approval of Douglas's board unlike the Lefko/Cons Modder deal, Watt points out

When it took over Lefko, Rand Mines quickly obliged Pouroulis to reverse his unorthodox financing arrangments, held back part of the payment due on the Lefko acquisition and did not stand in the way of charges being brought against Pouroulis and his Lefko co-directors for Companies Act contraventions

Still, the deal has its irony Within months, Witbank itself was scrambling for cash to finance its share of the acquisition of the Middelburg export colliery from divesting BP.

Jim Jones

Package to save EPRM's gold mine

Own Correspondent Cape Times 4/5/90

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JOHANNESBURG — A financial aid package to rescue ERPM's gold mine from possible closure or judicial management had been presented to government in the past week, Mineral and Energy Affairs director-general Lourens Englebrecht said yesterday

He said government suggestions on the proposal were being considered by ERPM, which has not yet notified government of its views A decision was expected shortly

The mine's total debt exceeds R300m and at the current rand gold price, it cannot survive without aid

Between 1978 and 1987 ERPM received more than R136m in various forms of government aid.

ERPM reportedly received more than R136m in government aid between 1978 and 1987

A board of directors' decision to put the mine under judicial management early last month was put on hold in the hope of getting government assistance

ERPM shares have risen 14% since Monday in thin JSE trading

Yesterday the share improved by 50c to close at R12,50 in two deals totalling 500 shares

The shares were traded at R10 a week ago

INDEPENDENT GOLD MINES

Profits undermined

Tight trading conditions in the gold market took their toll on the independents last quarter, leaving analysts wondering how long some can continue without the same backing as the majors While about half increased their gold yields, most suffered lower after-tax profits

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The **Southgo** mines probably fared the best **West Wits** saw a modest rise in its grade which, together with well-controlled costs, resulted in a 25% hike in the unit operating profit to R8,78/t milled (R7,04/t)

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The mine was among the few to increase its after-tax profit in March, as the higher operating margin and a much higher mill throughput ensured the profit rose sharply to R3,6m (R2,3m)

Knights, the dump retreatment operation, felt the squeeze with its operating profit cut to R4,23/t milled (R4,99/t) despite costs being reasonably well contained The efforts to maintain a positive cash flow through the control of capex and use of loan finance have paid off with after-tax profits of R3,1m (R3,6m) and capex of R500 000 (R300 000)

After two successive quarters of declining costs, **Nigel** saw a slight increase in the March quarter to R100,33/t milled (R99,98/t), while the recovery grade dipped further to 3,26 g/t (3,46 g/t) It is getting to be repetitive to say that the Goldam dump project saved the financial position but it contributed R1,86m (R1,76m) of the R2,5m (R2,6m) operating profit The agreement, which Nigel has reached regarding the management from April 1 of neighbouring Sub-Nigel, should benefit both producers

Sub-Nigel, which closed its milling plant in the December quarter, saw the benefit in March. While the yield was down slightly, unit costs fell dramatically to R96,64/t milled (R115,07/t) Production was also raised, adding to the improved profitability

Without the R7,6m extraordinary write-off of mining rights and titles, **Cengold's** published R519 000 loss for the quarter was only slightly larger than December's R472 000. But this mine still seems to be battling No sooner did it get its yield back up to previous levels at 3,03g/t (2,11 g/t) than the tonnage milled dived to 8 487 t from 13 483 t pushing unit costs way up On the dump side, things were no better Unit costs rose by 73% resulting in a loss of R15,82/t milled.

Gazgold improved its recovery grade but gold production was affected by civil disturbances in the homeland For the second successive quarter, the operating profit almost halved, falling in March to R235 066 (R461 130)

Lindum Reefs is having trouble opening old, comparatively high-grade areas at the Stubbs shaft This led to a lower-than-expected grade which compounded the rise in costs and pushed the mine into the red. A R371 000 loss was recorded after December's maiden operating profit of R783 000

The recovery grade at **Rand Leases** bounced back to 2,58 g/t (2,3 g/t), to aid working costs, and the sale of the Bantjies dump brought in R832 000 to prop up cash flow The mine's future is seriously threatened by interest on the R24,3m debt burden

After good performance in December, **Eersteling** slumped in March as the yield collapsed to 3,4 g/t (4,44 g/t). Gold production was sharply down despite a higher milling rate Still, the mine just broke even with a working profit of R10 000 (R1,02m) and, after repaying debt with the proceeds of last year's rights issue, interest payments have fallen away.

Primrose saw a 30% rise in its operating profit to R404 000 (R312 000) on the back of higher throughput and a reduction in unit costs — a remarkable achievement in view of the fact that the yield was lower at 5,68 g/t (6,06 g/t) The option to convert from trial mining to the tribute agreement in the Simmer & Jack section has been extended and management has until June to decide.

Osprey has not escaped the fate of most smaller producers. The yield fell to 1,68 g/t (2,79 g/t) and the retreatment of slimes is discontinued while the milling circuit is modified The reduction in working costs was insufficient to aid the mine which ended up with a R79 082 loss for the quarter from December's R460 430 profit. *Gillian Findlay*

GOLD QUARTERLIES

	Gold														Profit		
	Produced kg		Working cost R/kg	$/oz*†		Cost incl Capex R/kg	$/oz*†		Revenue R/kg	$/oz†	Milled 000 t*		Recovery g/t*		Gold R'000	Uranium & other R'000	♣EPS(c) Mar
INDEPENDENT																	
Cengold§	32,2	(32,6)	43 744	531	(519)	46 043	559	(560)	32 571	395	20	(19)	1 6	(1,7)	−360	♠−159	♠−2,5
Eersteling	137,28	(160,00)	33 699	409	(320)	38 491	467	(344)	33 040	401	40	(36)	3,4	(4,4)	−90	100	−0,8
Gazgold	59,66	(64,27)	29 195	354	(300)	59 671	724	(564)	33 135	402	48	(51)	1,2	(1,3)	235	—	−3 1
Knights	330	(355)	22 448	272	(241)	23 848	289	(252)	33 387	405	858	(886)	0 4	(0,4)	3 622	−550	3,3
Lindum Reefs	213,649	(226,658)	35 764	434	(365)	36 771	446	(396)	33 082	401	91	(101)	2,4	(2 3)	−573	202	−3,2
Nigel	369	(327)	26 569	322	(297)	79 076	959	(340)	33 420	405	580	(580)	0,6	(0,6)	2 628	−739	−11,8
Osprey	29,42	(48,97)	35 980	436	(276)	46 569	565	(337)	32 866	399	17	(18)	1,7	(2,7)	−92	13	−1,2
Primrose	136	(124)	30 537	370	(363)	44 235	637	(594)	33 507	406	24	(20)	5,7	(6,1)	404	−160	−13,4
Rand Leases	166,28	(169,63)	49 161	596	(626)	49 629	602	(645)	33 430	406	61	(74)	2,6	(2,3)	−2 457	−183	−22,9
Sub Nigel	180,0	(161,7)	26 846	326	(362)	27 422	333	(382)	32 967	400	50	(43)	3,6	(3 8)	1 102	−265	2,8
West Wits	572	(474)	27 161	329	(329)	27 926	339	(368)	33 192	403	397	(345)	1,4	(1,4)	3 449	130	3,5

* Figures in parentheses refer to previous quarter † Calculated at R1=$0,39 when dollar figure not given by mine § Quarter ended February 1990 (Previous = November 1989) ♣ Earnings after tax and capital expenditure ♠ Excludes amount written off mining rights and titles

ERPM considering govt aid package

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MANDY JEAN WOODS

A FINANCIAL aid package to rescue ERPM's gold mine from possible closure or judicial management had been presented to government in the past week, Mineral and Energy Affairs director-general Lourens Englebrecht said yesterday. B\Day 4\5\90

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Gold mine capex of R17bn 'unlikely to reverse decline'

B Day 4/5/90

RIAAN SMIT

PROJECTED capex of R17,5bn by gold mines over the next five years will probably not be sufficient to reverse the decline in SA's gold production, which seems set to fall to around 550 tons a year, Frankel Kruger analyst Mike Brown said yesterday.

In a paper presented at the 1990 Capital Expenditure Prospects Conference at Mintek he said it would appear that a muted third-wave of new gold mine expansion would get under way during the next five years

This prediction even allowed for some caution created by the current gold price and the long lead time associated with new-generation mines

Exports

Capex on gold mining has fallen relative to spending on other mining projects over the past five years. This would seem to indicate the strong drive towards export diversification in SA, Brown said

A total of R12,2bn in real terms was spent by gold producers over the last five years compared with a total all-mining capex of R21bn

He said five years ago gold accounted for 45% of SA's export earnings, but the figure now stood at 28%.

Almost half the R17,5bn is forecast to be spent in 1993/4, reflecting the development of new mines, he said

New mines he called "near certainties" are Anglo American's Moab (at a total capex of about R2,5bn in 1989 terms spent from 1991 to JCI's South Deep (R1,8bn to R2bn between 1991 and 1996), and Anglovaal's Sun Prospect (R2,5bn between 1991 and 1997)

Brown said among the extensions to existing mines was South Brand, south of Anglo's Freegold and incorporating Jonkersrust and Du Preez Leger, which awaited a satisfactory mining lease and tax treatment Capex was about R650m in 1989 terms, but this might be put off by two to three years

Another project was the extension to the Beatrix No 3 Shaft which would cost about R700m Drilling had been completed and feasibility studies would be finalised by Gengold this year, Brown said

A third extension was the one to the Doornkop 2 new shaft system at JCI's Randfontein at a cost of R665m over the next six or seven years. The new system would replace production from the Cooke 1 and 2 shafts when their output started to decline in 1996/7, he said.

He warned that, apart from traditional factors influencing the establishment of new mines such as the future path of commodity prices, supply and demand fundamentals for individual minerals, and the course of the international and domestic economy, mining houses also had to base decisions on other impalpable factors

These ranged from uncertainties about the future political dispensation in SA to the related questions of impending economic structures, labour practices, and availability of capital, Brown said

Gold mining 'not ideal' for nationalisation

BDay 4/5/90

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RIAAN SMIT

THE gold mining industry was not an ideal candidate for nationalisation, Frankel Kruger analyst Mike Brown said yesterday at the 1990 Capital Expenditure Prospects Conference

He said gold mines accounted for only 9% of GNP

But Reserve Bank statistics show gold's contribution to economic activity, as measured by GDP, peaked at 41% in the early 1960s, thereafter declining until the end-1970s when it stabilised at about 20% By 1988 its contribution had fallen to 14%

Brown said gold mines' taxed profit before dividend payments was R1,8bn in 1988

Current statistics indicated 11 of the 46 major gold mines were producing gold at more than R1 000 an ounce (working costs only), while a further eight were producing at more than R950 an ounce Including capital costs would put more than half the industry in a marginal cost situation

ARGUS 4/5/90 (214)

ECONOMY

Nationalising gold mines given poor prospects

By Jabulani Sikhakhane

JOHANNESBURG — Nationalising gold mines to gain control of dividend income has few positive attractions as total dividends paid by gold mines in 1989 amounted to only R2,2 billion or 2,7 percent of current State expenditure

9 percent of GDP

Mr Mike Brown, an economic consultant at Frankel Kruger and Vinderine, said in Randburg yesterday that in its present state the gold mining industry held little attraction for nationalisation

Gold mines now account for only about 9 percent of gross national product and their after-tax profits (before dividend payments) in 1988 amounted to R1,81 billion

The equivalent figure for other private business entreprises was R26,7 billion and this meant the gold mining industry accounted for only 6,8 percent of total private business returns

Mr Brown added the development of gold mines at a cost of between R1 billion to more than R3 billion with lead-times of five to 10 years, slow paybacks thereafter and high possibility of reefs not meeting projected grades, were not risks the Fiscus should expect taxpayers to bear

High-risk ventures required the risk/reward profile of venture capitalists rather than the State with its more pressing near-term social and economic obligations, he said

"The market capitalisation of South African gold shares is approximately R60 billion The cost of paying compensation to existing shareholders in order to lay claim to a dividend flow of about R2 billion a year would scarcely seem worth while"

Retaliation

Mr Brown added about 20 percent of South African gold shares were still in the hands of foreign investors Nationalising their assets would invite retaliation through seizure of South African assets abroad and would terminate chances of fresh foreign investment

Amgold could pay R750m into Moab

B Day 8/5/90 **Business Day Reporter** (214)

AMGOLD, Anglo American's investment arm, could face a bill of R750m for the funding of its share in the proposed new Moab gold mine near Klerksdorp

In a special report by stockbroker Davis Borkum Hare's Trixie Ingram, Moab's after-tax cost is estimated at about R1,25bn

"We estimate that, conservatively, Amgold holds approximately 60% of the mineral rights to this area," says Ingram "Anglo American Corporation has concluded that the project would be viable as an extension of Vaal Reefs . .

"We anticipate the project will be approved by the appropriate authorities as an extension to the Vaal Reefs lease, thus allowing all capital costs associated with the exploitation of Moab to be written off against Vaal Reefs' profits as incurred."

Ingram considers various financing possibilities for Moab, arguing that to accommodate all parties "a special class of deferred share might be issued"

Recently announced "safe haven" rules — allowing investors to dispose of listed shares held for 10 years or more without any tax liability — augured well for Amgold The sale of such shares as Blyvooruitzicht (R21m), St Helena (R73m), Kinross (R6m) and Harmony (R25m) could fund the project.

Ingram concludes that the Moab venture "should prove extremely positive for Amgold It is anticipated that the proposed new mine will offer attractive grades, averaging around 10g/t."

‘Close unprofitable mines’

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RIAAN SMIT

IF GOLD mines produced gold at a loss for extended periods, producers were subsidising the gold price and consideration should be given to mothballing these mines, Gengold MD Gary Maude said yesterday

In an interview he said if gold was produced at a cost of R34 000 and could be sold for only R31 500, money would obviously have to be found to keep operations going This money was usually drawn from retained earnings

B/Day 8/5/90

When retained earnings were used up, the next step was to borrow money

Because producers were willing to borrow money to keep operating in the hope that the rand gold price would rise, the market perceived no need for the price to rise, he said.

Gengold's policy was that if a mine made a loss for three consecutive months, serious consideration would be given to mothballing or closing it

A static rand gold price and rising costs due to inflation have shrunk the operating margins of mines alarmingly since 1987

Chamber of Mines president Kennedy Maxwell recently warned that if the gold price averaged R33 400/kg ($400/oz at R2,60 a dollar) this year, 15 of the chamber's 31 members would produce gold at a loss by July.

The gold price has been around $370/oz (R30 900/kg at R2,60 a dollar) from mid-March after reaching $420/oz earlier in the year

Maxwell said if capex was included in these calculations, the number of mines with production costs exceeding the predicted gold price would rise to 18

During the 1980s SA gold mines moved from being the lowest cost producers in the world to the highest

40% of gold now mined at a loss

Star 8/5/90 (214)

By Sven Lunsche

As much as 40 percent of South Africa's total gold production is currently being produced at a loss

This is the warning issued by Nedbank's chief economist Edward Osborn, who argues that up to R7,3 billion in foreign exchange earnings is in jeopardy in a full year if inflation continues to push up costs.

"The country has been continually depreciating its currency in order to neutralise inflation and declining productivity at the mines and other export industries without actually addressing the underlying problems.

"The process has been feeding upon itself," Mr Osborn says, writing in the latest edition of Nedbank's Guide to the Economy

"It can be brought to a halt only at the expense of export incomes and real wages of those employed in export industries, unless the dollar gold price recovers, which would allow the exchange rate of the rand and domestic working costs to stabilise."

Looking at the root of the problem Mr Osborn comments the authorities are constantly being faced with the dilemma of a trade-off between a currency depreciation and a profit attenuation.

"It boils down to a choice of either protecting export industries at the expense of induced inflation through rising import prices, or bringing to a halt one of the main determinants of inflation — the depreciating rand — at the expense of the profitability of the export industries"

The choice, according to Mr Osborn, has gone in favour of protecting the export industries

This, he argues, is not only a compelling explanation of the recent fall in the rand but is far from addressing the underlying problem faced by export industries in general, and the gold mines in particular.

The recorded inflation of working costs at the mines over the December quarter 1989 was 15,7 percent, which means that all mines with working costs in excess of R904 per ounce are in danger of having their working profit eliminated — unless the rand gold price rises.

At the December quarter's working costs and the current inflation rate of these costs, Mr Osborn estimates that 17,8 percent of total production, excluding capital expenditure, is in jeopardy of being at a loss this year. Including capex this figure moves up to 40 percent and affects 17 of the country's gold mines

"To put it in the context of balance of payments, R3,2 billion or R7,3 billion of foreign exchange earnings in a full year are in jeopardy, excluding and including capex respectively," he concludes

● Genmin MD Gary Maude reportedly said yesterday that if gold mines produced at a loss for extended periods, producers were subsidising the gold price and consideration should be given to mothballing these mines

Black illusions about SA's wealth

Argus 8/5/90 (214)

By KENNEDY MAXWELL, President of the Chamber of Mines

THE South African mining industry welcomes Mr Cyril Ramaphosa's proclamation of 1990 as the Year for Justice, Democracy and Peace on the mines

It agrees with the general secretary of the National Union of Mineworkers when he mentions the social and economic damage done by apartheid, especially to black people

And, yes, it agrees that a new ray of hope has emerged, that resolution of conflicts through peaceful means is "the new international norm of our time '

Assumptions

Regrettably, that course is not served by the emotional tenor and sweeping assumptions that colour some of Mr Ramaphosa s recently expressed views on the mining industry

The first and most dangerous assumption, because it ingites unrealistic expectations that cannot be fulfilled, is that South Africa is a wealthy country, and that a fairer division of its wealth would ensure prosperity for all

The hard fact of the matter is that this is not a wealthy country, that if all personal wealth were pooled and equally divided, most whites and many blacks — including the majority of his union members — would lose, but the gain spread among the masses would be minimal

Resources

And those with the skills which generate wealth and create employment would take those skills elsewhere — leaving behind a further improverished country

The answer is not to rob the rich but to uplift the poor A look at the wealthy nations of the world will indicate that a country's most valuable asset is not its mineral or other natural resources but its human resources The only way to increase wealth, or the size of the cake to be divided, is by greater productivity and economic growth

Education

South Africa has one of the lowest productivity rates in the world, and part of the reason for this has been inferior black education under the apartheid system — exacerbated by the township dictum of "liberation before education"

Mr Ramaphosa refers indirectly to the changes in Eastern Europe, where socialism has so dramatically failed, and then proposes that failed system — including nationalisation — for South Africa He does not say how nationalisation of the mines is going to be achieved or how it will create more wealth, but it is worth looking at some facts

Revenue

During 1989

☐ 33 percent of the revenue earned from gold sales was paid in wages

☐ 39 percent was paid to suppliers of stores, materials and services required to produce the gold

☐ 15 percent was spent on capital expenditure items to keep the mines going

☐ 8 percent went to taxation and lease payments

☐ That left 5 percent for the shareholders which meant that they earned 3,2 percent return on the market capitalisation of all the gold mines Hardly profiteering!

How would Mr Ramaphosa propose to rearrange these figures? How would he compensate shareholders if the industry was nationalised? How would he retain the confidence of local and international investors without whom new mines will not be opened up to create more jobs and more wealth?

It is patently absurd to write off the economic contribution of the mining industry with the comment that it has enriched only a tiny minority

Some R7 000 000 000 was paid out to 513 000 employees in the gold and coal mining companies during 1989 and two thirds of all foreign currency earned by exports came from the mining industry

It has given birth to whole towns to educational and medical institutions, dams, roads and railways It is the backbone of the economy

At the same time, the eighties have not been good for South African gold mining During this decade inflation has seen our mines move from being the lowest cost producer of gold in the world to the highest

Since 1980 real annual profits have fallen every year, and the fall in the price of the metal means that by July half the mines will be operating at a loss

Efficiency

What is needed now if further improvement in productivity and efficiency, not political rhetoric which provocatively seeks to place the Chamber of Mines and "the apartheid State" in the same camp

The mining industry fully supports peaceful moves toward the creation of a non-racial democratic post apartheid society Its opposition to apartheid has been expressed frequently and effecively through representations to win full and equal trade union rights for all employees irrespective of race, through successful efforts to secure the abolition of the "scheduled person ' definition from the statute books, scrapping statutory job reservation and through numerous other motivations including the scrapping of the Group Areas Act

Restrictions

The industry has also initiated legal action against government and conservative unions over the training of coloured winding engine drivers the segregation of change houses retrictions on the number of people employed with blasting licences (which could restrict the entry of blacks into jobs requiring this certificate) and on the admission of qualified blacks, Asians and coloured people to the Mine Employees Pension Fund

When Mr Ramaphosa wilfully confuses recruitment with abduction employment with slavery and hostels with prisons, when he makes totally unfounded allegations about workers being denied the right to organize themselves or elect their own representatives, then he mocks the peace he proclaims

Aspirations

The government has conceded that apartheid is doomed What is now at stake is what is to take its place, and how

Only if we work together constructively will we be able to match our common aspirations of building a prosperous nation in which democracy and an equitable distribution of wealth is fully realised

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B/Day 9/5/90

Committee probes ailing gold mines

CAPE TOWN — Deputy Finance Minister Org Marais had been appointed chairman of an inter-departmental committee looking into the problem of marginal gold mines and the low gold price, Deputy Mineral and Energy Affairs Minister Piet Welgemoed said yesterday

Its report was nearing completion and it was hoped the Cabinet would be offered broad guidelines

The Chamber of Mines had identified 13 marginal mines To this he added another five mines not affiliated to the chamber .

The legislation on aid to gold mines had been scrapped by the Cabinet in 1968, and any future aid would have to be on an ad hoc basis, taking into account the characteristics of each mine, he said

"We must make a very clear distinction between those that will be viable with aid and those that are at the end of their lives" — Sapa

ERPM tenders its dumps

Star 10/5/90 [illegible] (214)

Finance Staff

ERPM, the Rand Mines gold mine which is threatened with closure, is launching a tender for its surface dumps to wipe out its R300 million debt, it was reported today.

Estimates say the dumps contain gold worth R800 million and could also help ERPM in proceeding with plans to develop the mine's Far East vertical shaft.

A mine spokesman reportedly stated that ERPM was also considering selling its freehold and residential land, which could realise substantial amounts.

ERPM is now partially government controlled as the government took a stake in the mine after it guaranteed a R220 million loan facility last year The final decision on the tender for the dumps, which contain about 25 000 kg of gold, therefore rests with the state.

The mine is tendering the dumps as it does not have the finance to refine them. The tender document was issued in April and offers close on May 25.

Major relief would also come from a higher gold price, but at its current level of R900 per ounce, ERPM is mining at a loss of over R400 per ounce.

The mine used up the R300 million loan facilities provided through the previous rescue package in the March quarter, but nevertheless reported a loss of R23 million over the three months

ERPM looks to its dumps for salvation

BDay 10/5/90

(214)

BARRY SERGEANT

IN A bid to stave off bankruptcy, East Rand Proprietary Mines (ERPM) has launched a tender for its surface dumps, which are estimated to contain gold worth R800m.

An ERPM spokesman says it is seeking cash from the dumps to wipe out its R300m debt. If successful, the tender will also enable ERPM to proceed with plans to rejuvenate the mine via the Far East Vertical Shaft

It is not possible to estimate what offer will win, analysts say, nor how much ERPM is likely to raise.

ERPM wants to equip its Far East Vertical Shaft, where it believes its future lies.

A mine spokesman says it is also considering selling portions of its freehold and residential land in the Boksburg area, which could realise "substantial amounts"

The final decision on the tender rests with government as ERPM is semi-government controlled, the spokesman says.

In terms of the government loan agreement, government has the right to dispose of any ERPM-owned assets. ERPM is managed by Rand Mines but the majority of its shareholders (about 60%) are foreign

With its costs of production at R1 320/ounce, ERPM is stricken at the current gold price of about R900/ounce For some time various new funding arrangements have been under discussion with government

By the end of the March quarter ERPM had exhausted R300m in loan facilities, R220m a government guaranteed loan.

ERPM says it is tendering the dumps as it does not have the capital to refine them. Currently the dumps are not bonded in terms of any of ERPM's debt facilities. The older dumps contain 0,7g/t, and the newer ones 0,3g/t, giving an average of 0,5g/t, or about 25 000kg of gold.

About rejuvenating the mine, the spokesman says "There is a distinct change in the grade at the Far East Vertical Shaft

"But in this shaft grades are far more erratic than usual. We are very optimistic that the head grade should improve."

The mine still has to equip the Far East Vertical Primary Shaft from the service level down to a depth of about 1 800m, at an estimated cost of about R4m. To complete the ice plant, the biggest in the world, R3m is required

ERPM stresses that the outcome of the tender depends on discussions with government and creditors.

The dumps tender document was issued on April 17. The tender is sealed and offers close on May 25.

☐ ERPM cannot survive at the current rand gold price. It last paid tax in 1980 and a dividend in 1981. Since the '80s, its grade has fallen from 4,95g/t to 2,23g/t

Of 41 established gold mines, ERPM ranked 41st on the list of cost of production for March 1990, at R1 320/ounce (excluding capital expenditure)

ERPM's biggest annual loss so far was posted in 1987 at R200m Quarterly losses started shrinking after a R52m loss in the March 1988 quarter, falling to a loss of R11m in the September 1989 quarter This low point was reversed in the December 1989 quarter with a R14m loss, followed by a R23m loss in the March 1990 quarter.

Minorco SA plans to invest its $2bn 'cash mountain' within three years

LONDON — Minorco SA plans to spend most of its $2bn cash mountain on mining and processing acquisitions within three years, chairman Julian Ogilvie Thompson said.

North America was the preferred area for expansion

"We would see ourselves investing the bulk of our cash within two to three years," he said in an interview

North America was prime location for mining opportunities while Europe was mainly for processing businesses.

There were no discussions in progress at the moment, but "that does not mean to say there couldn't be something very soon", he said.

Minorco boosted cash-holdings to $2,5bn last year when it sold its stake in Consolidated Gold Fields to Hanson for $1,6bn. Minorco sold its 29% shareholding after it failed to gain control of ConsGold in an eight-month takeover battle. Hanson later acquired ConsGold in an agreed deal

Ogilvie Thompson said Minorco no longer planned to acquire passive minority investments except for strategic purposes. The $705m acquisition of Freeport-McMoran Gold, renamed Independence Mining, provided a strong base for US expansion.

Analysts said Luxembourg-based Minorco may have paid too much for Freeport. US base metal companies were trading at five to six times earnings, compared with 17 times for Freeport, a gold mining group

Ogilvie Thompson said critics of the acquisition had focused on last year's results rather than Freeport's present and future cash flow

"We expect to produce 300 000 ounces of gold this year and we are encouraged by the way drilling is going," he said.

Minorco's interest in the US was highlighted this week by the formation of Minorco (USA) as a holding company of Minorco's future North American investments

Analysts believed the timing of Minorco's acquisition strategy would be strongly influenced by interest rates.

Rob Weinberg, director of broker James Capel's mining department said "With money fetching the sort of rates it does, one has to question at what stage one puts it into the market through acquisitions

"Almost any investment in the short term must, by definition, represent a diminution of earnings."

Most of Minorco's cash is invested in dollar-denominated instruments, currently yielding 9% to 10%

Ogilvie Thompson said with present high interest rates, Minorco did not have to invest too rapidly "Our money earns its keep" — Reuter

VOGELS F|M 11/5/90 (214)

Losing steam

Activities. *Investment and share dealing company*
Control: *GFSA beneficially holds 49%, New Wits beneficially holds 21%*
Chairman· *B R van Rooyen*
Capital structure: *18,4m ords of 2,5c Market capitalisation R119m*
Share market: *Price 645c Yields 9,3% on dividend, 17,7% on earnings, PE ratio, 5,7, cover, 1,9 12-month high, 790c, low, 490c Trading volume last quarter, 230 000 shares*

Year to Dec 31	**'86**	**'87**	**'88**	**'89**
Investments				
Listed (Rm)	49,7	45,8	33,3	46,7
Unlisted (Rm)	38,4	34,5	73,3	102,2
Performance				
Taxed profit (Rm)	8,0	6,9	12,2	21,4
Earnings (c)	43	38	66	114
Dividends (c)	30	30	40	60
Net worth (c)	516	448	593	878

As chairman Basil van Rooyen aptly describes it, "1989 was an exceptional year for base metals " Vogels thus enjoyed its second consecutive year of bonus earnings, but the growth phase appears to be over

More than 80% of 1989's pre-tax profit came from the base metal interests, principally O'okiep Copper and Zinc Corp, with a small contribution from the 1% stake in Black Mountain The 1988 sale of the holdings in Duiker, Impala, Palamin and Samancor to increase the stake in O'okiep paid off in 1989, though the gains may be short-lived

Thanks to a high copper price in the first half of last year, O'okiep saw a 34% rise in sales revenue but costs increased at an alarming rate of 67% and after-tax profit was 13% lower — which raises concerns about the future The copper producer nonetheless reduced cover and lifted its dividend by 67%

Zinc Corp was the star performer, with an after-tax profit surge of 168% on the back of sharply higher zinc prices, the dividend was raised by 150% Rooiberg Tin, on the other hand, saw a near halving of its payout and is in danger of closing Third most important contributor is G F Coal, whose 1989 payout rose 19% With a steady coal market, growth came from the generally weaker rand

With Vogels' earnings up by 73%, the board used the opportunity to strengthen the balance sheet, bringing cash and short-term funds up to R7,8m The group will need to spend about R12m to follow its Northam rights

F|M 11/5/90 (214)

Directors are confident the dividend will at least be held, though the outlook is far from exciting The copper price is off its peaks but will probably hold up well for the rest of the year The zinc market is expected to remain in balance this year but that price, too, is off the boil

With tin in the doldrums, this leaves on the base metal side, only lead Its price is performing well but the group has only limited exposure Add to this the funds required for the Northam rights issue and we are unlikely to see much growth from Vogels in 1990 The only hope would be for a collapse in the rand-dollar exchange rate Despite the high yield, there are more exciting shares available

Gillian Findlay

Vermaas gem mine sold to SouthWits

Business Times Reporter (214)

PRECIOUS stones have joined the portfolio of noble metals at SouthWits

It has bought the Shenandoah diamond mine near Lichtenburg, which is expected to contribute profits from next year, says the company's 1990 report. S/Times 13/5/90

The mine was part of the liquidated estate of Albert Vermaas It was valued independently at R12-million, and SouthWits paid R4-million in cash and shares for it

SouthWits is considering listing a company to raise funds for its Potgietersrust nickel-copper platinum venture

Options over certain West Rand and Bothaville gold prospects were not renewed, but the percentage of gold in the exploration portfolio remains at 50% Coal accounts for 30% and platinum and diamonds 20%

A joint venture to explore the Stoffberg platinum area was agreed on with Rand Mines A royalty agreement was reached for Frigate to develop SouthWits' coal rights

SouthWits also won a tender to prospect for coal and allied minerals south of Middelburg

SouthWits floated South Murch in the past year Located in the north-eastern Transvaal, South Murch will recover gold from dumps and virgin sources A 5 000-ton-a-month carbon-in-pulp plant is being commissioned A milling rate of 2 000 tons a month should be achieved in June

SouthWits shares are 110c and the options 55c South Murch shares are 20c and its options 10c

Down the drain he went

S|Times 13/5/90

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SEVERAL shareholders in De Kaap Gold Mining have reacted to managing director Peter de Jager's replies to questions about the company's insolvency

A Pretoria reader paid R3 each for his shares in spite of having seen a warning in Business Times in 1985 An advertisement in a daily newspaper induced him to pay R300 for 100 shares

He added 50 shares after reading De Kaap's 1986 Investors News, which painted a glowing picture and offered a preferential issue of shares to existing members one for two at R3, when they were claimed to be worth R5

The investor discovered that "Mr De Jager purchased his vast amount of shares at a price of 10c each" The investor wrote off his R450 and potential dividend income to experience and rejected further pleas for money

Mr De Jager claims that De Kaap's assets far exceed its liabilities

The Pretoria shareholder proposes that if any assets are left, they should be distributed to investors pro rata to the amount paid for the shares

For example, someone who paid 300c for shares should get 30 times the amount received by those who paid in 10c, and so on

The idea might seem poetically just, but the execution could be difficult, principally because the Companies Act does not permit it

Share certificates do not bear the purchase price, only the par value

A primary issue of shares means that the amount paid by an investor accrues to shareholders' funds in the company's balance sheet But secondary trade is where existing shares are sold by a shareholder The amount paid by the new investor would not accrue to shareholders' funds, but to the account of the seller

Whether investors boosted shareholders' funds or enriched existing shareholders might not be evident from the share certificates Secondary trade would be impossible to undo if it were legally struck

But the suggestion underlines the naivete of investors who were persuaded to part with money for the promise of riches The dream of fortune lingers on long even as the reality of loss dawns on them

R45m lost after drop in gold output

(214)

RIAAN SMIT

REDUCED gold output in April compared with March resulted in a potential forex loss of about R45m B Day 16/5/90

Output for April dropped by 45 867oz to 1,56-million oz, compared with March output of 1,60-million oz, the Chamber of Mines said yesterday

But although output for the first four months of the year was down to 6,32-million oz from 6,44-million oz in the same period last year, SA could earn about R73m more so far this year because of a higher average rand-gold price

The average rand-gold price now, after gold has traded around $370/oz for the past two months, is more or less the same as that of a year ago, statistics in analyst Ed Hern Rudolph's Quarterly Gold Review show

Gold traded at an average of $384,25 (R980,73) in April last year

Based on March quarter production figures, SA will produce about 550 tons of gold this year — down from about 610 tons produced last year

Anglo ambiguity

(214,

GOLDSTRIKE — THE OPPENHEIMER EMPIRE IN CRISIS *by Bill Jamieson (Random Century, 252pp, R59,95)*

FM 18/5/90

It is all too easy to dismiss Bill Jamieson's analysis of what he styles "the Oppenheimer empire's crisis" as short-sighted simply because it failed to anticipate Minorco's latest US acquisitions and De Beers' separation of its SA and non-SA interests Easy, but narrow

Jamieson, one of London's leading financial journalists, looks at the Anglo group through critical international eyes not awed (as local commentators often are) by the group's dominance of SA's private sector and the Oppenheimer family's wealth and influence His precise dissection of Minorco's frustrated bid for Cons Gold becomes a case study for many of the problems facing the Anglo group in a fast-changing world

This is no pedantic hagiography *Goldstrike* ignores the extraneous and merely sets the stage for its central theme by drawing together the threads of events which influenced the outcome of Minorco's bid So there is precious little discussion of Ernest Oppenheimer's role in developing the East Rand goldfield and nothing on the group's move into South America

Rather, it concentrates on critical events such as De Beers' wartime reluctance to help the US to establish a strategic stock of industrial diamonds That reluctance continues to sour De Beers' relations with the US regulatory authorities and became central to the New York district court ruling by Judge Michael Mukasey which finally stopped Minorco's bid

Jamieson is painstaking in his reporting of the Minorco-Cons Gold bid — painstaking, but brisk And though his prejudices (or journalistic licence) intrude from time to time, Jamieson uses the wrangle over Cons Gold to develop an effective critique of Anglo

Goldstrike makes no bones about its author's belief that, while Anglo might have benefited from tight family control in its formative years, that family link is now restrictive The family connection, *Goldstrike* argues, has led to control and ownership of assets being valued above all else Jamieson underscores this concept by disclosing that key group executives are not paid by Anglo or De Beers in SA but from the Oppenheimer family's private funds abroad

That, Jamieson argues, ties executives to the family rather than the corporation He also postulates that loyalty to family blinkered the men lined up against the street-fighting skills of a Rudolph Agnew using every trick to defend his corporate empire

Sir Ernest and Lady Oppenheimer . . . family shackles

Why, throughout the Cons Gold battle, did Anglo's men not express pride in the group's SA heritage and make nothing of the group's reputation for being one of this country's most progressive employers? They are questions which remain unanswered, in public at any rate

Of course SA's hothouse investment climate contrasts sharply with England's openness and a patriarchy might be appropriate here But SA is changing fast and *Goldstrike*'s questioning of our largest corporation's "crisis" comes at a useful time

Jim Jones

Jericho to Entebbe

HEROES OF ISRAEL: Profiles of Jewish Courage *by Chaim Herzog (Weidenfeld & Nicholson, 295pp, R69,99)*

Books inspired by national pride and fanned by patriotism are always open to suspicion, which is as it should be If ethnic heroism is to be written about, let it at least be done by an outsider, the perils of tribal one-upmanship are ever present

However, it's different in this case Chaim Herzog is neither a flag-waver nor a self-seeking politician, but a man who has been there from the time modern Israel was created until the present day He has been a true barometer of Israeli history over the past 42 years, his radio talks and his commentaries, particularly during wartime, have made him justly famous throughout the world for his astute and honest analyses

In this book, Herzog is only mildly guilty of the sin of pride As an historian, he has chosen 16 episodes from Israel's past — ancient and modern — which, to him, represent much of what is noble and heroic in her centuries of struggle against the invaders, tyrants and oppressors who have sought to destroy her It's a pretty long range, from Joshua's big moment in Jericho to the spectacular raid on Entebbe

He has chosen them with great care From the *Old Testament*, which is Jewish history, especially the books of Judges and Kings, he has selected some significant figures like Deborah the prophetess, Samson the mighty and, naturally, David the nation-builder Moving forward, we find Judah the Maccabee and Bar Kochba, who, without the active help of the Lord God, took on the entire Roman Empire and suffered the consequences It was always the fate of Jewish freedom fighters to take on only odds which were overwhelming

But it is when Herzog moves into the modern era that the men and women become alive The characters of antiquity have become legendary and we are unable to judge them from any familiar standpoint It is another matter with the moderns — like David Ben-Gurion, Israel's first PM, or Yigal Allon, the intrepid leader of the Palmach

All in all, we must agree with Herzog's assessments Men like Ben-Gurion, Joseph Trumpeldor, members of the Nili spy ring, Dov Gruner and the Yom Kippur defenders were all people of great personal courage whose activities undoubtedly helped to bring the State of Israel into being and to preserve it

There are those about whom there is no dispute Hannah Szenes, for example, was a heroine in the classic mould She parachuted into Hungary during World War 2, was captured and tortured to reveal her secret radio code which she steadfastly refused to do In the end, disdaining to ask for clemency, she faced a Nazi firing squad

The ghetto fighters of Warsaw in 1943 wrote an episode which was, in the author's words, "beyond bravery" The epic of the raid into Uganda to rescue the hostages is still fresh in our memory

There may be debate about those who have been left out Israel has had other noteworthy heroes But the exploits of these make fascinating reading, linked as they are to the very history of the country and the people Herzog is an excellent narrator and his book carries some fine photographic material

Joe Podbrey

Analysts paint gloomy picture for gold shares

BDay 18/5/90

LIZ ROUSE

GOLD shares will look greatly over-priced when gold producers declare their June dividends, mining analysts say

There may be some dividend smoothing, but the picture is not rosy

March quarterly results were disappointing

Year-on-year working costs have increased on average by 13,5% to R812 an ounce Capex has dropped from 12,84% of total costs to 11,84% since March 1989 But gold shares are at November 1989 levels

Of the top 20 mines, including Southvaal, only three have good dividend prospects — Blyvooruitzicht, Buffelsfontein and Grootvlei, which have virtually no-capex ,

Doornfontein, Durban Deep, ERPM, Libanon (possibly) and Western Areas are expected to pass dividends in June Elandsrand could maintain payment but opinion is divided about Randfontein Analysts' projections are based on an average rand-gold price of R990/R1 000

As for Anglo's gold producers, projections are that Elandsrand could pay an interim between 35c and 40c (40c), Southvaal 195c-220c (275c), Vaal Reefs 600c-645c (800c) and Western Deep 150c-200c (260c)

Projections for GFSA's gold producer's finals are Deelkraal 25c-35c (50c), Doorns will pass payment, Driefontein 65c-100c (120c), and Kloof 40c-50c (65c)

Most analysts said Libanon would pass its final dividendbut one said it could pay 10c There is doubt over Venterspost's payment as income from Chemwes falls away, but between 20c-30c (35c) is estimated

Projections for Genmin gold mines are Buffelsfontein's final dividend 275c-325c (375c), and interim payments from Grootvlei 15c-30c (previous interim was 5c and final 30c), St Helena 140c-170c (160c), Stilfontein 40c-60c (200c) and, West Rand Cons 40c (the 1989 interim was passed but a 40c final declared in December 1989)

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Surprise

Rand Mines's Blyvooruitzicht's final is projected at 40c-60c (35c) The group's Durban Deep and ERPM are in trouble

Anglovaal's ET Cons is expected to pay a final of between 180c and 210c, Harties' final is projected at 70c-80c (100c), but Village might surprise the market which is projecting a final of 17c Last year's total distribution was 30,5c

JCI's Randfontein could pay a final of 50c-65c (90c), but nothing is expected from Western Areas

Lesotho, is the top
in the country.
istian mission runs
ity.

dunsa. The unit
ct of the critical

the Pilansberg
conservation.

Fields, is the first facility of its kind to be established with private sector funding.

Education seen as the key to conservation

BDay 18/5/90 /214

CONSERVATION and the environment are emerging as another focus of CSR spending

Gold Fields, a company not known for its social expenditure, says it has made a major contribution to conservation efforts in SA

Spokesman Michael de Kock says the Gold Fields Foundation (GFF) has established 10 environmental education centres and is involved in a first — the Kangwane Game Rangers' College, due to be opened this month.

The environmental education centres, dotted around SA, are a response to the Gold Fields' view that education is the key to conservation and the only way to change the attitude toward the environment

Schoolchildren are regularly bussed to these centres and put through programmes on environmental education.

The courses are designed to be geographically relevant. For example, the programmes at Cape Point differ substantially to those at the Pilanesberg

GFF's environmental programmes are devised in close co-operation with the SA Nature Foundation (SANF)

The Kangwane Game Rangers' College is designed to train blacks who do not have formal education in conservation skills

"We have to get blacks into conservation structures," says De Kock

The college facilities are designed to provide students with the skills to advance up the ladder.

Gold Fields' philosophy is based on the idea that nature conservation is dependent on economic development and industrialisation

People must become dependent on employment rather than on the environment for their food You cannot talk conservation to someone who is starving He has no choice but to use the environment — wildlife to eat, trees as fuel — to survive, says De Kock

Therefore, GFF self-help and educational projects are also a form of support for conservation

-Day nearing for nbattled ERPM

S/Times 20/5/90

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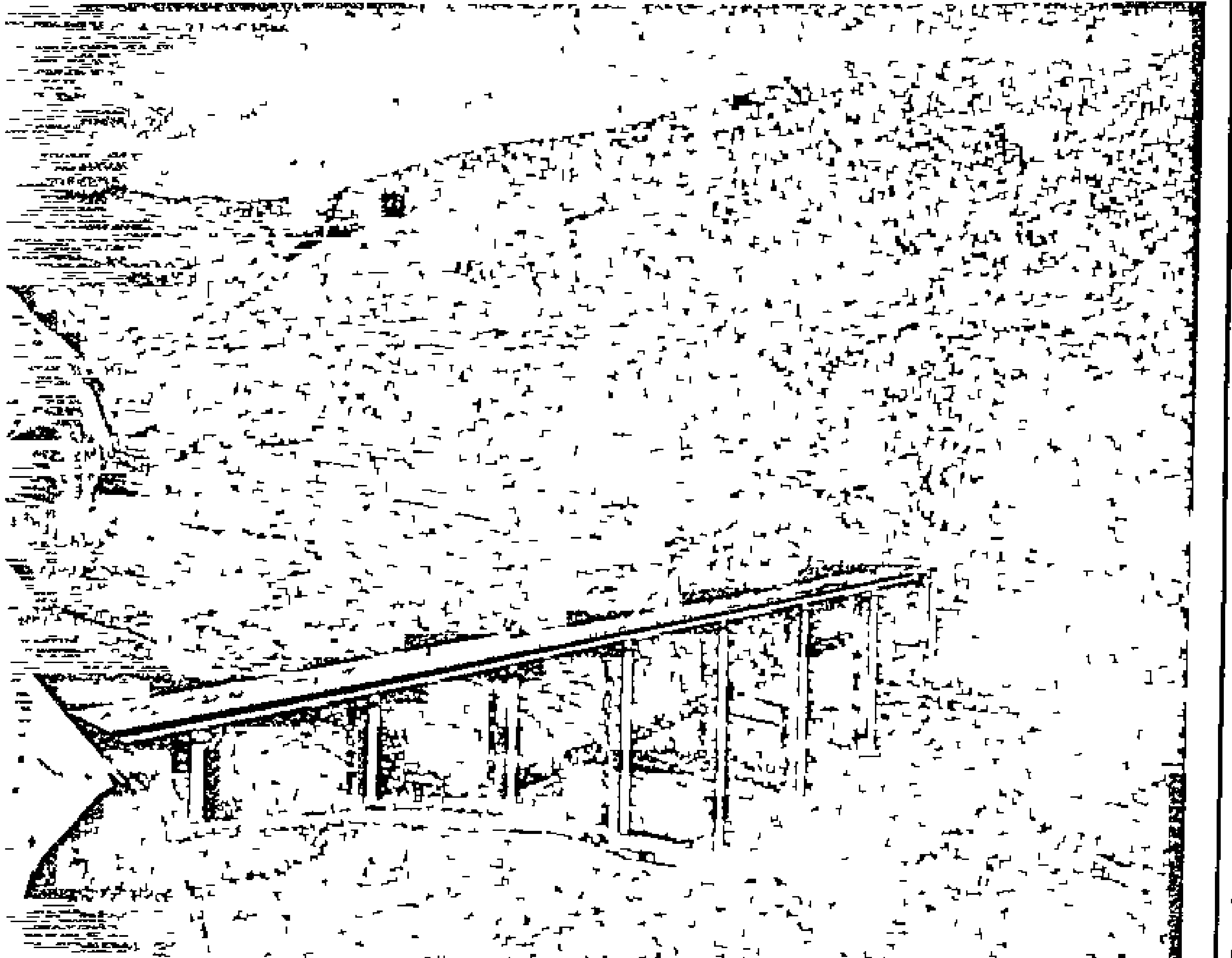

THE Cabinet will decide the fate of Boksburg's marginal mega-mine, East Rand Proprietary Mines, in the next fortnight

By David Carte

Chairman Clive Knobbs says there are four options

- The State can assist with a third rescue package
- ERPM can be placed under judicial management
- The mine can be mothballed and pumped dry at a cost of R20-million a year
- ERPM can be declared insolvent and liquidated

At stake are R300-million in loans to ERPM 10 000 jobs directly and many more indirectly and production of 6,5 tons of gold worth $100-million a year

ERPM has already cut staff numbers by 8 000 and gold production by 1,5 tons a year

Barlow Rand chief executive Warren Clewlow tells Business Times that ERPM stands alone against its creditors

It is an associate company, not a subsidiary, of Rand Mines and of Barlows Neither Rand Mines nor Barlows will pick up its debts

Mr Knobbs says the Government, banks and Rand Mines have agreed on proposals which must be approved by the Cabinet

The newest rescue package would involve "a little more" funding, leniency on interest, reducing staff and concentrating on highest-grade areas.

Criticism

Mr Knobbs believes the plan will enable the mine to break even until grade and/or the rand gold price improve

Judicial management would entail the Supreme Court's appointing a manager and granting a moratorium on debt repayments and interest while ERPM tries to mine its way out of trouble

ERPM owes a consortium of banks R220-million The loans are guaranteed by the State which is subsidising interest costs ERPM also owes First National Bank an unsecured R60-million and Rand Mines R20-million Total debt is R300-million

Mr Knobbs estimates realiseable assets at R100-million, suggesting creditors in a liquidation can expect only 33c in the rand

Bitter

Rand Mines has faced criticism over its management of the mine Some analysts claim it has not properly implemented the 1987 and 1989 rescue proposals and others say its projections were unrealistic

Mr Knobbs rejects the suggestions as the wisdom of hindsight"

A bitter Loucas Pouroulis, who lost his Lefko platinum mine to Rand Mines, asks how ERPM could have been given a R60-million unsecured loan by First National Bank when the bank would not lend his Golden Dumps funds to keep Lefko

Mr Pouroulis has enlisted the aid of controversial lobbyist Horace Sammell to fight Rand Mines

Willo Stear, the consultant who estimated ERPM s ore reserves, says Rand Mines gave the impression that his estimates were incorrect

Mr Knobbs says they were accurate But ore grades are inconsistent around the average estimate At present they are below the average

Whether the State should continue to support ERPM is hotly debated Free marketers say the mine should be allowed to close

Those favouring State aid argue that once closed ERPM could never be reopened Its large ore reserve would be lost and unreachable should the gold price break out of the R900-R1 100 an ounce band in which it has been stuck for three years

In addition if ERPM is flooded, neighbouring mines are likely also to be inundated Historically, State aid has turned out to be a good investment Rand Mines' rescue actions on other marginal mines, such as Harmony, Durban Deep and Blyvooruitzicht have paid off

Miners at ERPM are paid a good deal less than on other mines

The financial director of an unconnected company says ' The State s exposure of a maximum R220-million is cheap at the price For that, it has had four years of gold production worth nearly R1-billion in foreign exchange

Multiplier

Half of the mine s costs every year have gone to wages That s R100-million and more every year on which PAYE would have been levied Supplies and stores have been subjected to GST

ERPM probably netted the Exchequer R30-million a year Meanwhile 10 000 18 000 people with at least 50 000 60 000 dependants have been employed Then there is the multiplier effect of the mine and the miners spending '

Mining analysts say the Government encouraged Rand Mines to keep ERPM open partly for its gold revenue and partly to retain jobs in a Conservative Party stronghold

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Zimbabwe gags Anglo economist

S/Times

20/5/90

By Don Jacobs

ZIMBABWE business is dismayed by the silencing of a private-sector economist through covert pressure from the nation's Reserve Bank

John Robertson, chief economist for Anglo American subsidiary RAL Merchant Bank, was forced to cancel a speech on long-overdue trade liberalisation after Reserve Bank Governor Kombo Moyana threatened to withdraw vital daily co-operation from RAL managing director Ray Feltoe

Reserve Bank foreign-exchange investigators visited RAL's premises in an apparent intimidatory gesture

Outspoken Mr Robertson, a nephew of crusading Rhodesian editor Malcolm Smith who defied Ian Smith's censorship in the 1960s, angered the authorities with his calls for overhaul of exchange-rate mechanisms.

Unsubtle

RAL placed advertisements in Zimbabwean newspapers dissociating itself from Mr Robertson's remarks

The business community was disappointed that a subsidiary of Anglo American had capitulated to establishment attempts to stifle dissent even before the promulgation of a one-party state

"This offers little hope in the future for the small man if Anglo refuses to fight such tactics," says one businessman

Rather than silencing dissidents through direct censorship, President Mugabe s Zanu (PF) will, it is feared, suppress them by unsubtle pressure through its bureaucracy, or its parastatal business empire

Former Chief Justice Enoch Dumbutshena has called President Mugabe's planned planned one-party state a violation of the human right of free association

"The joy of life is that you can differ from your brother, sister or neighbour and still remain friends I have never understood why it is desirable to have one political view," says the 70-year-old lawyer, who was refused permission to continue in office by President Mugabe

Chief Justice Dumbutshena was at the centre of a constitutional crisis when he found that Zanu (PF) parliamentarians had tried to manipulate rules on contempt of the House to muzzle former Rhodesian Prime Minister Ian Smith

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Bully for brokers

By Julie Walker

THE value of shares traded on the JSE rose to almost R24-billion in the year to February 1990 — bringing jolly for stockbrokers

S/Times 20/5/90

This value is 5,5% of the JSE's market capitalisation Last year it was only 3,7% of a much lower market capitalisation. The average in recent years has been close to 4,5%

More than R24-million was paid out in dividends and interest from all listed securities, says the JSE annual report. About half was interest payments on Government stock and debentures

Five years ago the total was R11-million, dividends accounting for the lion's share of returns to shareholders In 1986 the amount of dividends paid by gold shares topped that from industrials, but the trend has changed Industrial dividends outpaced gold by about a third

Only four sector indices showed declines — investment trusts, electronics, fishing and steel Electronics shed almost 17% Star performer was beverages, hotels and leisure, up 70% Food, tobacco and match also featured

Nearly R13-billion was raised in new equity-related issues, rising to R30-billion including loan stock.

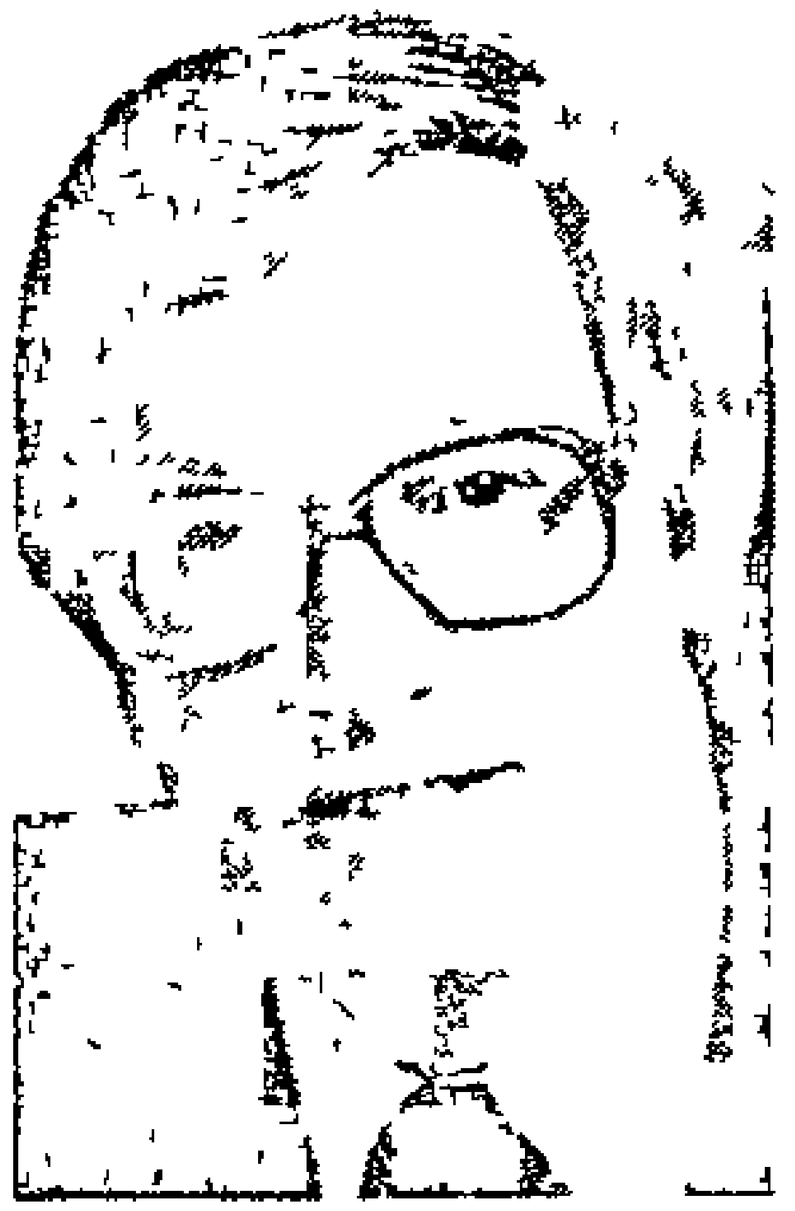
The highlights include the first privatisation listing, the first venture capital listings, and the lifting of the ban on advertising by stockbrokers

DIAGONAL STREET

GFSA lifts the lid on Northam

S/Times 20/5/90 (214)

NORTHAM'S third rights offer — planned from the outset — prompted my visiting managing director Alan Wright



ALAN WRIGHT . billions not millions

Mr Wright is an executive director of Gold Fields of SA, which manages the developing bushveld platinum mine GFSA is not renowned for baring all but the New South Africa has evidently got into Fox Street too Mr Wright gave solid replies and even volunteered information

MINOR

On announcing Northam in 1986, GFSA became the first mining house in modern times to encroach on the domain of ICI's Rusplats and Gencor s Impala

Others have followed suit — Rand Mines is establishing a mine at Kennedy's Vale as well as assuming control of the ill-fated Lefkochrysos

Impala and Rusplats have also announced expansion plans, and minor players are coming into the picture So it has become the fashion to compare new ventures Northam looks the part

The mine s depth and the total lack of infrastructure at the outset contribute to the long lead time Full production will be achieved in 1993, six years after its flotation

The cost was forecast at R559-million in 1986 money terms Mr Wright says the new forecast for the completed project is R1,24-billion in current money

"Those billions roll out like millions used to," he says

The present rights offer will raise R625-million Members will be offered one share for every one held at a take-up price of R22 The market price is at a R5 premium to the pitch price.

Johnson Matthey, which markets Rusplats' output, expects a blitz in supply in 1993 Mr Wright points out one or two holes in that argument

The shortfall in the supply of platinum in recent years has been met by investor selling This is a finite supply The other factor has been Soviet selling

Russia is not paying its bills as promptly as it used to and the conclusion is that it is strapped for cash, having sold all the family silver and other precious metals

If these two sources of supply are dwindling, and demand for autocatalysts grows as expected, platinum's prospects look good.

HAPPIER

Northam's 250 000 oz a year will comprise only 7% of the forecast world output from 1993 Mr Wright says that there is plenty of interest from would-be agents Buyers are always happier with an additional source of supply

Recycling of autocatalysts to recover the platinum is unlikely to make major waves in the supply equation — each autocatalyst has only 1,5 grams of precious metal. Cost-efficient recovery requires high technology and a platinum price of more than $500 an ounce

On the demand side, economic slowdown in America will lead to fewer cars being produced But this should be offset by new measures in Europe where all vehicles will need a catalyst on the exhaust.

Every platinum producer claims that his working costs — closely guarded secrets — fall into the lowest quartile of the industry Northam is no exception Mr Wright agrees that Northam's depth will contribute to higher costs, but the grade will more than compensate

Northam's cost of mining a head grade of 10 grams a ton would have to be twice that of a mine whose grade is only 5g/t to achieve the same level of profitability

The reef at Northam is expected to hold good

Potholes occur in platinum reef in contrast to the faults arising in gold mining GFSA is competent at deep-level gold mining, and Mr Wright does not expect the potholes to cause problems

A pothole can reach up to 1 000 metres across, but the floor is usually higher in precious metal content The pot-holes will be mined through New methods always attract sceptics — some analysts believe the potholes could cause trouble

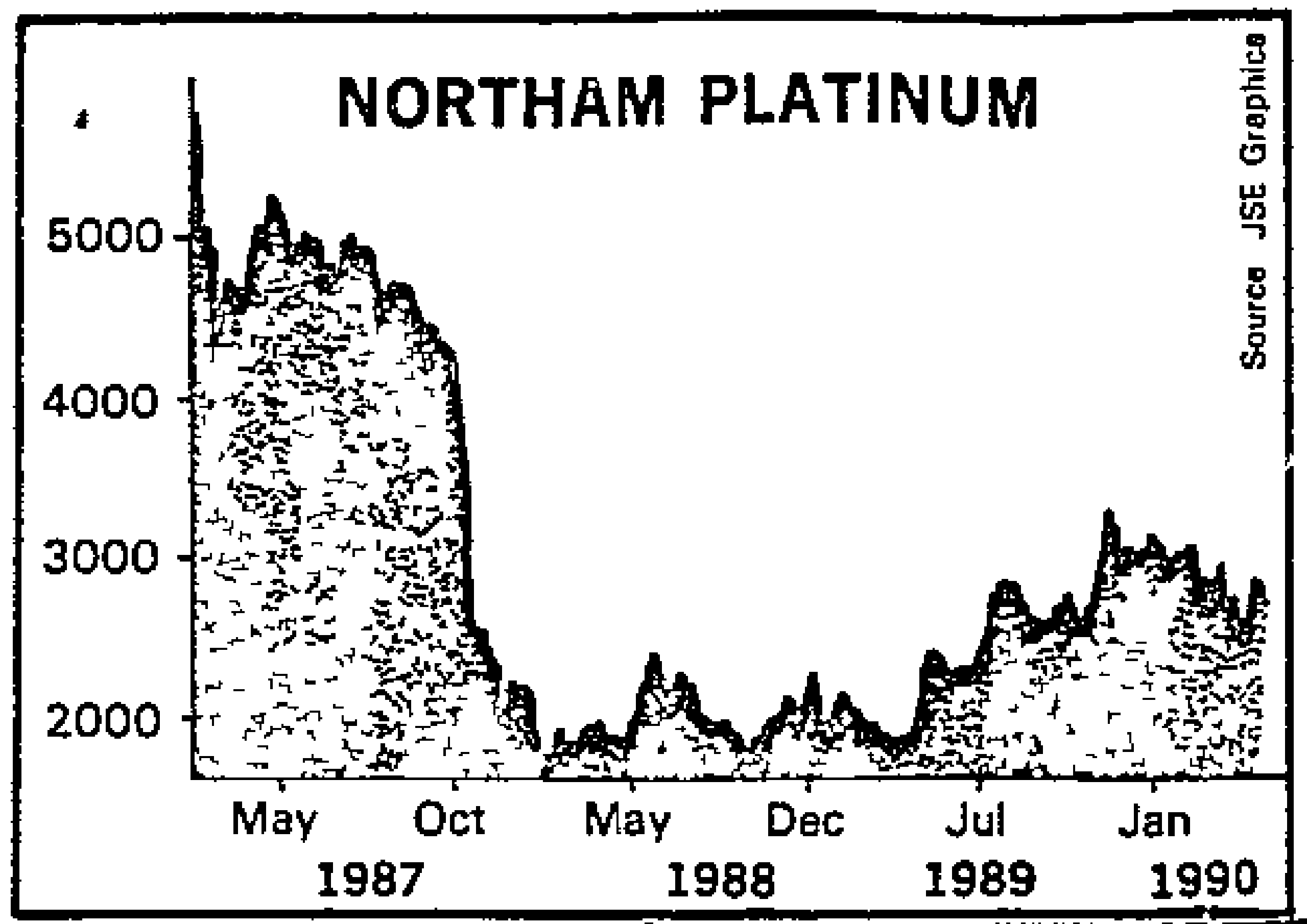
Northam should intersect reef by the end of this year, and the first metal should be sold early in 1992 Full production will be reached in the year to June 1993

A concentrator, smelter and base-metal refinery are under construction, but the precious metals will be recovered under a toll-refining agreement with Heraeus in Germany Heraeus will help GFSA to build its own refinery in SA when the time is ripe

HANSON

GFSA owns 60,4% of Northam — it used to hold more than 75% Consolidated Gold Fields — which owned 48% of GFSA at the time Northam was launched — held 12%, and followed its rights at the last issue of shares

Since the Hanson takeover, the Cons Gold stake has been sold A new name on the share register is 81 Main Street Nominees — also known as the Old Mutual — with 6,8%



NORTHAM PLATINUM

Source JSE Graphics

No 5 f
Old M

S/Times 20/5/90

BLACK investors make up a quarter of Old Mutual's 250 000 holders of unit trusts

This is disclosed as the insurer launches yet another fund — made up of specialist industrial equities — hard on the heels of the new gold and last year's income funds

This brings the group s tally to five — the same number as arch-rival Sanlam Sanlam has the only other industrial fund although it has a few mining counters

The Old Mutual's products suit the season Last year interest rates were rising, so an income fund was launched In January this year, the gold price was running, so forward with the gold fund Now gold is dead or dormant, and along comes an industrial fund

The fund's manager, Adrian Allardice, says the JSE is not overpriced in the long term and weakness in the

(214)

BDay 21/5/90.

The battle to end them all

GOLDSTRIKE, by Bill Jamieson (Random Century, R59,95)

DURING the 1980s Anglo's net asset value rose by 22% a year, yet by 1989 its shares traded at a discount of between 28% and 35% to the asset worth of the company

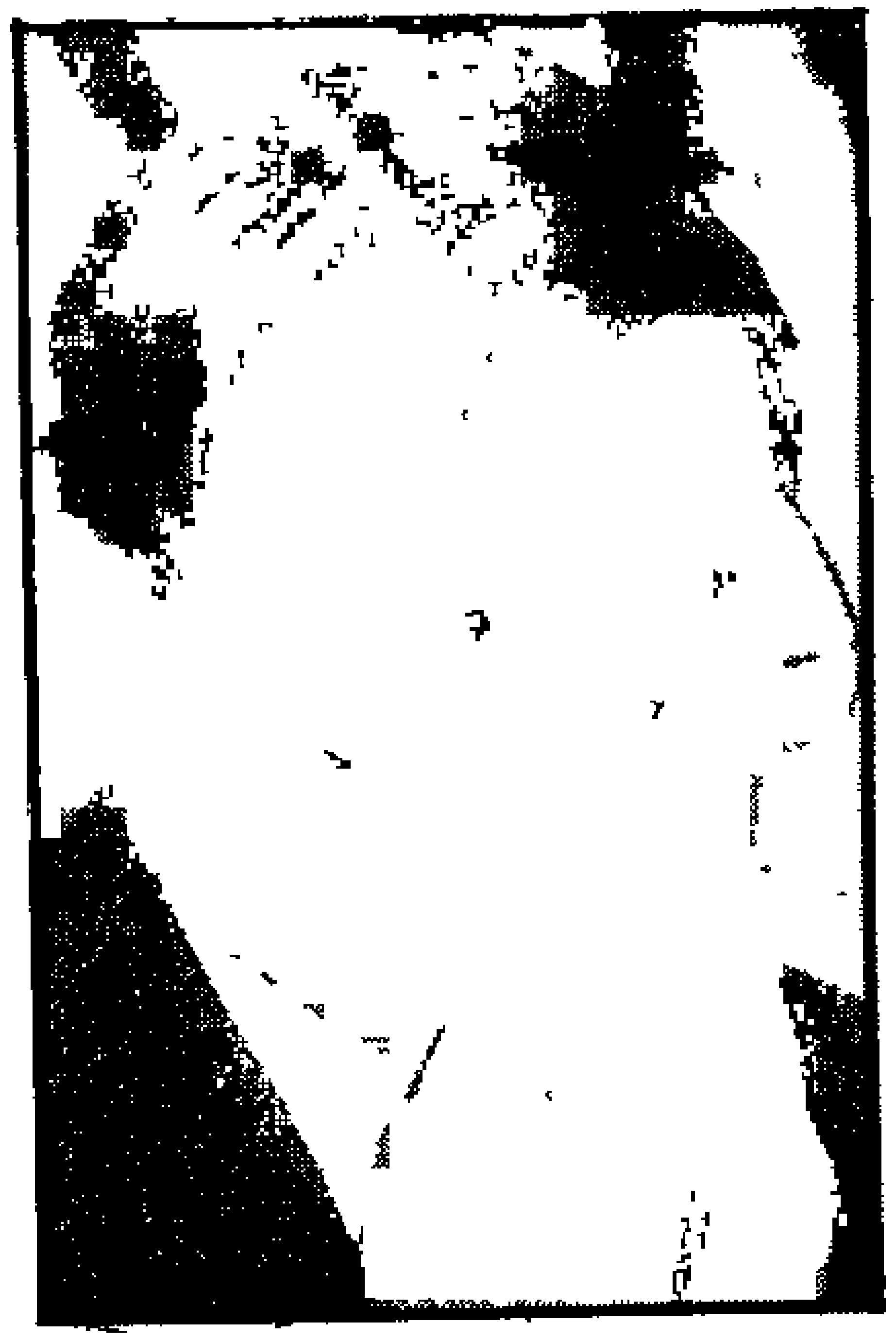
Against this background of declining influence in the world mining economy, Anglo moved vigorously in 1988, using its offshore arm Minorco to attempt the takeover of Consolidated Gold Fields (ConsGold)

The world's largest mining company wanted to take over the world's second largest mining company, the resulting battle turning out to be Britain's biggest, costliest, loudest, longest and fiercest

Financial journalist Bill Jamieson, the deputy city editor of the Sunday Telegraph, tells this story, and tells it well

He captures the scale of the attempted takeover, the complicated legal process the battle followed, the larger-than-life personalities, plus a host of interesting anecdotes which provided colour for the epic battle Along the way he develops a critique of Anglo, the Oppenheimer mining and industrial empire, which Jamieson argues is in a state of crisis

While the book is refreshingly free from the snide comment sometimes included in books on Anglo, the company does not fare well in Jamieson's account, particularly in the way it approached the takeover (its public relations were, for instance, awful) and in its overall strategic management (the company has a family agenda and a corporate agenda, and the two are mixed up, says a line in the book)



☐ EDWARDES

While Minorco had launched a £3bn bid for ConsGold, it had no operating record, and seemed to come from nowhere A company employing 30 people was launching a bid for a company employing 14 000 Minorco's key men, including Sir Michael Edwardes, had been appointed the day before the bid was launched

Jamieson says that even a phone call to Minorco in the early days of the bid created a sinister impression The response was never a bright "Minorco, good morning", but instead the number was whispered in furtive tones

It was like trying to penetrate some dubious and exclusive club, he writes

Of course Minorco had not come from nowhere, and it did have substantial backing and a track record in Anglo, but Anglo, perhaps for understandable political reasons, decided to play down its parental role in the takeover to the extent that it promised to reduce its interest in Minorco, and promised its offshore arm independence

This, says Jamieson, was a mistake. Instead of playing down the SA connections, Anglo and Minorco should have been upfront here, and argued from proven success in managing large mining operations, plus well-known opposition to apartheid

Minorco director Hank Slack admitted as much later, saying "denying Anglo was the biggest mistake we made"

☐ AGNEW

But despite the mistakes made by Anglo and Minorco in their bid, they did manage to persuade 54,8% of the shareholders to vote for the takeover They were finally frustrated in their attempt by technicalities caused by time delays in the American courts because they were unable to declare their offer unconditional within the prescribed time period

But ConsGold's chairman Rudolph Agnew had won a hollow victory At the victory party (held at the London Zoo) he was already announcing the terms of the Hanson takeover of ConsGold

The 100-year-old company was soon to be stripped apart and sold off, in separate pieces

ConsGold headquarters in London was closed, and in a final irony since Agnew had mounted his defence on a strong anti-SA theme, the archives were boxed up and shipped to associate GFSA in Johannesburg

Since the book was written, the De Beers part of the Oppenheimer empire has moved to get a better market rating of its assets by deciding to staple De Beers shares with De Beers Centenary The move has led to a substantial re-rating of the share, but not without a political cost

Here is the crisis the empire faces shareholder criticism if it does not act to maximise its business interests, political criticism if it does

KEVIN DAVIE

West's gold production hit record in '89 — report

(214)

B/Day 22/5/90

RIAAN SMIT

WESTERN world gold mining production reached a new record last year, but was matched by fabrication demand which also rose to a new high, according to Gold Fields Mineral Services' 1990 review of the industry released yesterday.

Mine production in the Western world increased by 7% to a record level of 1 653 tons. The main growth came from mines in North America and Australia, with production generally falling elsewhere, including SA.

However, growth in production slowed down compared with 1988, almost certainly heralding the beginning of the end of the rapid expansion in mine output seen during the 1980s.

Compared with the 1980s, when the market had to digest a 72% growth in mining output, it could settle on a plateau in the early 1990s, the report said.

The reasons for this were:

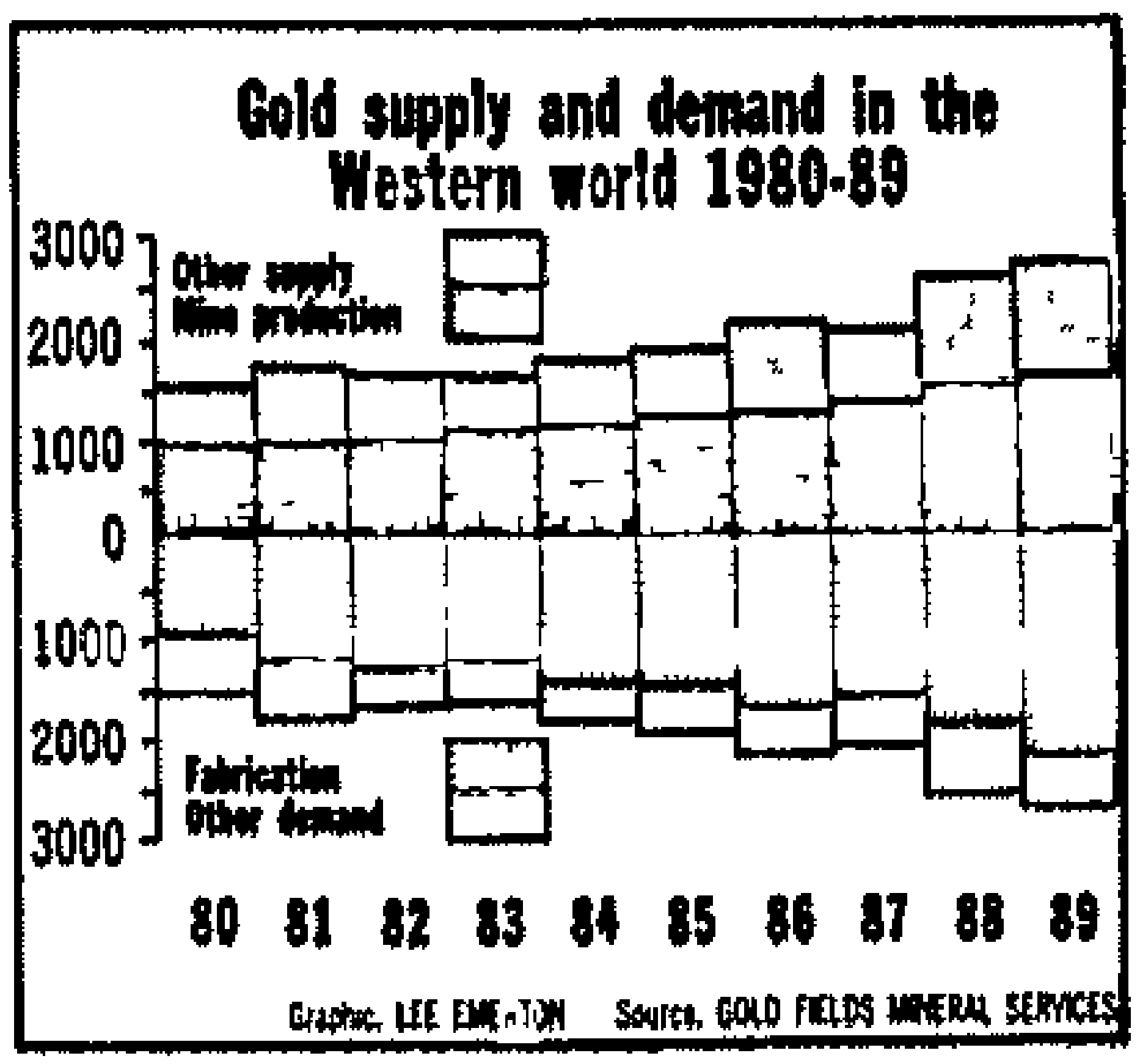
☐ Gold loans and forward sales, while remaining an essential part of the mining industry's financing, were unlikely to provide the level of accelerated supplies seen in 1988,

☐ There seemed little prospect of Soviet Union production increasing in the next few years — in view of the present economic crisis — even if discussions about joint ventures with Western mining companies (so far abortive) were successful,

☐ Central banks would continue to debate the role of gold in their reserves, but net selling on the scale of 1989 — 225 tons, the highest level since since 1979 — was unlikely this year There had been evidence of central bank buying after the price fall in March.

☐ The scale of disinvestment seen in Europe during 1988 and the first half of 1989 was unlikely to be repeated. Portfolio holdings of gold were already at extremely low levels.

☐ Relatively little scrap was being generated at prices under $400/oz and recycling should remain close to the present low level of around 300 tons.


Gold supply and demand in the Western world 1980-89

Graphic, LEE EME-TON   Source, GOLD FIELDS MINERAL SERVICES

"Thus, in the absence of exceptional communist sales, the record (overall) supply level of 1989 (2 723 tons, up 4% from 1988) is unlikely to be repeated in the immediate future Indeed, overall supply could decline in the early 1990s"

Set against this supply scenario, fabrication demand remained remarkably strong, the report said

By April 1990, kilo-bar orders for the Middle East and Far East at European refineries were exceeding immediate capacity.

Italian gold imports for jewellery manufacturers were also ahead of early 1989 levels.

But it warned while the remarkable growth in jewellery consumption in the last three years could not be expected to continue at the same high rate in the face of weakening consumer spending, jewellery fabrication would remain the cornerstone of the gold market.

Physical bar hoarding might also not reach such high levels in 1990, it said The liquidity squeeze in Brazil under President Collor's austerity programme would limit physical investment there.

In the Far East, Japan and Taiwan could also absorb less for physical investment, although in Japan's case this could be offset by purchases in London by insurance companies.

Certain New York financial institution money/gold lent

*19 Mr L F STOFBERG asked the Minister of Finance † Hansard 22/5/90

(1) Whether the South African Government and/or the South African Reserve Bank lent money or gold to a certain New York financial institution, the name of which has been furnished to the Minister's Department for the purpose of his reply, if so, what (a) are the details of the loan and (b) is the name of the institution concerned,

(2) whether this loan has been repaid, if not,

(3) whether appropriate security has been provided by this financial institution,

(4) whether the institution concerned is solvent, if not, what are the relevant details? B1065E

The MINISTER OF FINANCE

(1) No

(2), (3) and (4) fall away

*20 Mr C W Eglin — Foreign Affairs [Question standing over]

ERPM gold mine: financial package

*21 Mr G C ENGEL asked the Minister of Mineral and Energy Affairs and Public Enterprises 214

(1) (a) What is the financial quantum of the Government's financial package provided to the ERPM gold mine and (b) what are the conditions and securities related to the facilities advanced,

(2) whether, in the event of default, the Government will be compelled to hounour its guarantees, if not what securities will the Government rely on,

(3) whether similar packages are to be offered to mines under financial stress in the future, if so, on what basis?

Hansard 22/5/90 B1067E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES

(1) (a) The financial quantum of the Government's financial package provided to ERPM gold mine is as follows Hansard 22/5/90

(i) *Interest subsidy on Government guaranteed loans of R220 million*

The Government undertook to subsidise the interest payments up to a maximum of 10 per cent above 7% (that is between 7% and 17%) payable on Government guaranteed loans totalling R200 million from January 1987 up to 31 December 1992 This loan guarantee was increased to R220 million on 18 October 1988 which may lead to a maximum annual interest subsidy of R22 million 214

(ii) *State assistance for the pumping of water*

In terms of the guide-lines of a cabinet decision in 1963, ERPM received nearly R26 million during the period 1977 up to September 1988 in State assistance for pumping water originating from closed down neighbouring mines which inflow threatened the mine with closure within 5 years

ERPM is still threatened with closure within 5 years as a result of the inflow of water originating from closed down neighbouring mines and the following pumping assistance was rendered as from 1 April 1989 for the 1989/1990 fiscal year

(a) *Pumping subsidy* An annual subsidy, initially R8 million, in respect of current costs incurred to pump water

(b) *Pumping loan* An annual loan, for which R10 million was initially provided, in respect of operation and maintenance costs of the infrastructure of the shafts where pumping activity takes place

(iii) *Government guarantee for deferred interest payments*

As from 1 July 1989 up to 31 December 1992 ERPM is allowed to defer and capitalise that portion of the interest which is payable by it in respect of the government guaranteed loan up to a maximum amount of R67 million

The Government undertook to guarantee this deferred interest, but will not subsidise interest payments thereon whilst ERPM must repay the deferred interest in three equal amounts during 1993, 1994 and 1995

(b) A notarial executed agreement between the Government and ERPM, dated 14 December 1989, contain the conditions and securities relating to the financial facilities provided to ERPM

Since Rand Mines Limited (RML), First National Bank (FNB) and the Consortium banks (Consortium) hold interests in ERPM, undertakings by these parties were also taken up in the agreement

Whilst ERPM have not fully discharged all the loans the following conditions will apply

Underground mining operations will not cease without the prior written consent of the Government.

ERPM will not dispose of any mineral rights without written consent of the Government

The Government Mining Engineer as representative of the Government, shall be permitted to exercise surveillance over the mining operations of ERPM

Observer status will be granted to a representative of the Government and FNB at all monthly management meetings

The Government can at any time investigate the viability of ERPM gold mine

ERPM and the Government must review the operations of the mine on a six monthly basis which may lead to new decisions

No immovable or movable assets may be disposed of by ERPM without the written consent by Government, while all income derived from sales must be paid into an interest bearing trust account (opened for this purpose), and Government and FNB must again approve any employment of such funds

Government is entitled to register mortgage bonds over the immovable assets and notarial bonds over the movable assets of ERPM but agree not to do so provided ERPM undertook not to permit any other instance to register bonds

RML, FNB and the Consortium gave undertakings whereby they will not sue for payment of debts which may lead to the liquidation of the mine without notifying the Government in writing of such action and have consulted with the Government

Each pumping loan is interest free if repaid within 5 years, thereafter the appropriate interest rates for Government loans will be applicable

Both the subsidy and loan are payable in respect of actual cost incurred but is limited not to exceed the amounts provided for The cost is checked and approved by the Government Mining Engineer

Further pumping assistance shall only be considered on an annual basis after a detailed business plan has timeously been submitted to the Government Mining Engineer An appropriate escalation of the initial pumping subsidy and pumping loan may be considered in the event of significant changes in the

Hansard
22/5/90

(214)

gold price or other important parameters

The security provided in respect of the guaranteed loans is firstly the absolute control Government exercises over the disposal of assets totalling approximately R115 million (excluding the value of mineral rights and/or mining title) and secondly the control over the mining operations, the management and actions of ERPM, as well as of the other parties concerned

If ERPM were to be placed in liquidation whilst the Government guarantees are still in force the Government, after honouring its guarantees, will rank concurrent with all other creditors

(2) In case of default by ERPM the Government will be obliged to honour its commitments in terms of the guarantees Government may then, without prejudice to any other rights available to it, terminate the Agreement and recover from ERPM any amounts which the Government may be obliged to pay under the guarantees

(3) In terms of a Cabinet decision the Interdepartmental Committee for State Assistance to the Mining Industry was formed in order to investigate applications for State Assistance on an *ad hoc* basis and if after investigations it is considered justifiable will make recommendations to the cabinet for its consideration A Committee for investigating the position of marginal mines chaired by the Deputy Minister of Finance is presently formulating policy regarding assistance to marginal mines

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SADF policy *re* smoking

*22 Mr K M ANDREW asked the Minister of Defence Hansard 22/5/90

(1) Whether any attempt is made to ascertain how many national servicemen smoke on (a) commencement and (b) completion of their training period, if not, why not, if so, what percentage in each case,

(2) whether the term "smoke-break" is used in South African Defence Force documentation and/or programmes,

(3) whether the Defence Force makes any effort to discourage smoking, if so, what does it do in this regard, if not, why not? B1074E

Hansard 22/5/90

The MINISTER OF DEFENCE

(1) (a) and (b) No

(2) No, not in official SA Defence Force documentation

(3) Yes Smoking is prohibited in conference rooms, sickbays, hospitals, passages, etc A remedy to assist smokers to stop smoking is available free of charge to members and posters advertising the dangers of smoking are displayed at various places

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INTERPELLATIONS

The sign * indicates a translation The sign †, used subsequently in the same interpellation, indicates the original language

Own Affairs

Reductions in teacher numbers

Mr R M BURROWS to ask the Minister of Education and Culture

Whether any schools have been advised and/or requested by provincial education departments to start negotiations on proposed reductions in their teacher numbers for 1991, if so, (a) how many schools and (b) for what reasons? B1113E INT

Hansard 22/5/90

THE MINISTER OF EDUCATION AND CULTURE Mr Chairman, each Provincial Education Department has its own way of determining establishments for a particular year In each case however the number of posts at a school is fixed according to the approved personnel provision scale devised to ensure optimal class sizes In the Transvaal the establishments of schools are fixed at the beginning of every year according to the pupil enrolment on the 10th schoolday Only should there be an abnormal rise or fall in pupil numbers, would the number of posts be adjusted Schools were notified on 23 March 1990 of the number of posts to which they are entitled for 1990 The same procedure will be followed in 1991

The establishments for the Orange Free State for 1991 are fixed during May to June 1990 and the principals and management councils have up to July to make representations

In the Cape the establishments for 1991 have been fixed according to pupil enrolment as on the 10th schoolday of 1990 If schools were to lose posts, they were notified in writing before 6 March 1990 Up to now 219 schools have lodged appeals against the department's decision and these have been dealt with

On 28 September 1990 Natal schools will be requested to submit their personnel requirements for 1991 before 19 October 1990 This will be provisionally finalised before 31 October 1990 The establishment for the next year is based on an estimate and the principals keep the department abreast of any change in numbers until the establishment is finalised on the first schoolday of 1991

Because pupil numbers at schools might vary, a certain flexibility has been built into the personnel provision scales Every establishment has a fixed quota of temporary appointments to allow for a possible increase or decrease in pupil numbers Each temporary teacher has a limited appointment and can be utilised if and when a need for his or her services occurs

Different factors tend to influence pupil enrolment such as demographic factors, the amalgamation or closure of a school and economic factors such as growth points or retrenchments The possible introduction of an additional model or models may also influence pupil enrolment but obviously, the extent of this cannot be established at present As explained, however the system is geared to meet any significant change in pupil numbers which might occur

Mr R M BURROWS Mr Chairman, the hon the Minister has given a comprehensive reply in referring to the various dates on which the four executive education departments have to have submissions handled by the schools I would like to draw attention to the fact—and the hon the Minister is only too well aware of it—that the models that are currently under advice for him together with the announcement of the hon the Minister of National Education on Friday have resulted in a fair amount of uncertainty within the teaching profession One is glad to hear that the hon the Minister is at least prepared to look with a high degree of flexibility at the possibility of variation in pupil numbers

One must also indicate that the hon the Minister is no doubt also bearing in mind the view of the hon the Minister of National Education on the change in subjects and the possible limitation of subjects to be taught at schools and that he will in fact be giving due consideration to advising teachers in this respect

It is of course important that communication takes place in these times of change With particular reference to the example of the Cape schools the hon the Minister has given an indication that the enrolment figures on the 10th schoolday of this year were the figures advised for teacher numbers for next year, and that he has had 219 appeals from schools That is a very significant number If we look for example at the pupil enrolment in any of the particular school board areas, we can only see that such schools should be most fairly treated by being given consideration so that teachers are not in fact made redundant or even advised of redundancy at this very early stage

The hon the Minister is no doubt also aware that the teacher pupil ratio has a very considerable effect on the appointment of teachers and that these are also bound up with the advisory reports to his committees The 19th report of the Committee of Educational Structures, for example, looked into the entire teacher pupil ratio situation and at the likely effect of changes on teacher numbers I would ask him directly as to whether he could in fact call a halt at this time to the further implementation of that 19th report in making teachers redundant by reducing the teachers required in the so-called White schools

Lastly obviously his four executive departments have planning sections that are concerned with looking forward over a period of time to the number of pupils estimated demographically to be within that school sector the number of teachers required and the number of teachers coming out of teacher training colleges

I wonder whether the hon the Minister could not also instruct his education departments at this stage to cease thinking about planning for a single White racial department because the information that we are getting from the depart-

Foreign gold diggers finally catch up with SA

RIAAN SMIT

THE combined gold production of the US, Canada and Australia in 1989 overtook that of SA for the first time since 1911, Gold Fields Mineral Services said in its Gold 1990 review released yesterday

SA gold production fell 2% to 608,3 tons in 1989 from 621 tons, while the three countries' combined production increased 24,6% to 614,5 tons from the previous year's 492,8 tons

It says the SA fall was due to lower grades recovered and a curtailing of operations as working costs increased 10% and the average rand gold price increased by less than 1%

14

US output rose 29% to 259 tons and Australia's production increased 25% to 197 tons, while Canadian production was lifted 18% to 158 tons

Much of the increase in gold production in the US and Australia has come about through the development of low-grade surface deposits that have been worked by (low-cost) open pit methods, Gold 1990 says

BDay 22/5/90

The impending taxation of Australian gold mining company profits from January 1991 has led to the high-grading (only mining high grade areas) of existing mines and the start-up of many small, short-term operations in an effort to produce as much gold as possible before this date

The review says this will have the inevitable effect of shortening the lives of many of the Australian industry's mines

● See Page 3

Don't write off gold (2.14) — analyst

B Day 23/5/90

LIZ ROUSE

ALTHOUGH it is difficult to be optimistic about gold at present, it cannot be written off, says investment consultant Angus Robertson

In his latest analysis for Davis Borkum Hare, Robertson says that, measured on average in terms of major currencies, gold is cheap It may hit $350, particularly if the dollar strengthens

A range of $350 to $500 through to 1991 is a possibility

From a US point of view, when there is pressure on the dollar, not accompanied by reasons for a general demand for gold, sophisticated speculators or dealers hedge mainly in currency markets

During the period from October 19 1979 to March 26 1990, the gold price decreased 6% to $366 from $389, while the dollar invested in Swiss francs rose 8%, that in Deutsche marks 5% and in US equities 232%

These figures show that a US investor with sufficient patience would have fared far better in US equities

For non-US investors, gold has scarcely been favourable during the past decade, but investments in US dollars have paid off from time to time.

Gold's failure to follow up its surge to about $420 with similar improvements in other currencies by November 24 1989 indicates that the widespread positive comment in gold was met by willing net sellers, or lack of convinced buyers, which culminated in major sales as the metal fell below $400 during the first half of March, plunging to $366 by March 26, and with similar declines in other major currencies

Robertson concludes that in view of gold's poor performance it is difficult to be optimistic about the metal

At the best, it is unlikely to do much better than show a gradual improvement

However, with the international, economic and political problems in the background, gold cannot be written off

Govt subsidy for ERPM loan interest

B Day 23/5/90 **LESLEY LAMBERT** 214

CAPE TOWN — Government will subsidise ERPM gold mine's interest payments on a government guaranteed loan of R220m up to a maximum of 17%, Mineral and Energy Affairs Minister Dawie de Villiers said in Parliament yesterday.

De Villiers said government had increased its loan to ERPM from R200m to R220m in October 1988 with the result that its subsidisation on the interest on the loan could increase to R22m a year.

De Villiers said the marginal mine would also be allowed to defer and capitalise interest payable on the loan up to a maximum amount of R67m between July 1989 and December 1992.

He said government had also undertaken to guarantee this deferred interest which had to be repaid in three equal amounts during 1993, 1994 and 1995. Similar agreements, in terms of conditions and securities, had been undertaken by Rand Mines and financial institutions which had also provided financial facilities to ERPM.

The security provided by the guaranteed loans was the only control government exercised over ERPM's mining operations, management and the disposal of assets totalling about R115m, excluding the value of mineral rights, De Villiers said.

If the mine were to be placed in liquidation while the government guarantees were still in force, government, after honouring its guarantees, would rank concurrent with all other creditors.

In case of default by ERPM, De Villiers

☐ To Page 2

ERPM

B Day 23/5/90

(214)

☐ From Page 1

said government would be obliged to honour its commitments and could then, without prejudice to any other rights available to it, terminate the agreement and recover from ERPM any amounts which government owed under the guarantees

Until the gold mine had repaid all the loans it would be subject to conditions which prevented it from ceasing underground mining operations and selling mineral rights or any other assets without the consent of government All income derived from approved sales would have to be paid into an interest bearing trust account

The government mining engineer would be permitted to monitor ERPM's mining conditions, while observer status would be granted to a government and banking representative at all monthly meetings

Operations would be reviewed on a six monthly basis

The financial institutions which had provided facilities would undertake not to sue for payment of debts which could lead to the liquidation of the mine without first notifying government

GOLD 1990 F/M 25/5/90

The bull's still asleep

There is some light at the end of the gold tunnel But, reading between the lines of *GOLD 1990*, the Gold Fields group's annual review of the world's gold market, there is little reason to expect any major price increases this year, while the yellow metal's price performance earlier this year underscores the potential for volatility (214)

Last year, *GOLD 1990* reckons, total private sector supply reached a record 2 477 t (1988 1 857 t) as mine production continued its 10-year advance to reach 1 653 t (1 551 t) *GOLD 1990*'s researchers base their expectations of better prices on the likelihood that new mine production will start to level out and settle on a plateau for most of this final decade of the century

In 1980, new mine production was 962 t and grew steadily by 72% to reach 1989's 1 653 t But weak prices, environmental controls, rising costs and new gold mining taxes in Australia in 1991 are expected to restrain growth this decade Flat production by mines in the Western market economies is likely to be accompanied by lower production in the USSR But that will not prevent the increasingly cash-strapped Soviets from drawing on reserves and increasing sales to the West and higher sales by China as it repays maturing foreign debts (214)

FINANCIAL MAIL MAY 25 1990

F/M 25/5/90

When the gold price cracked sharply from the US$423/oz peak of mid-February, the strength of physical demand at prices below $400 was confirmed That demand has not led to higher prices, nor does *GOLD 1990* necessarily believe it will, but it expects demand from the jewellery manufacturing industry to remain firm (it rose to 1 811,3 t in 1989 from 1988's 1 477,1 t), despite some slackening in consumer spending for central banks to reverse their 1989 position and become net buyers below $400 and for lower scrap tonnages to be generated

Still, the review's authors do not expect a bull market to develop — that depends on significant change in the fundamentals of supply and demand, a change which is not yet perceptible

Nearer to home, the outlook is not altogether cheery SA's production slipped to 608,3 t last year from 621 t in 1988 and, for the first time since 1911, the combined production of the next three largest producers (the US, Australia and Canada) was greater than SA's At $275/oz last year, we were the Western world's most costly major producer — the West's average production cost was $250 with the US average at $206, Australia at $236 and Canada at $245 And that implies it is less attractive to develop new production resources here than elsewhere

Jim Jones

RAND MINES (214,)

Sword of Damocles

Just what is going on at Rand Mines? Attributable profits have fallen despite chairman Dammy Watt's forecast of an increase in his last statement to shareholders, the group is highly illiquid, with net current liabilities soaring to R193m from R144m in the past six months despite the R276m rights issue, and management is scrambling to raise cash by selling residue dumps and to collect State aid needed to save a critically ill ERPM from pegging out completely

Watt has tried to sugar the pill by talking of an unchanged final dividend to follow the unchanged interim Investors are unimpressed as the hint of a maintained dividend is hedged with caveats and it is well nigh impossible to find a portfolio manager persuaded that Watt's forecast of unchanged profits will be achieved It was only in November that the chairman was cheerily expecting a profit increase for this year

The market's view is unequivocal Rand Mines' tightly held shares are trading at R105, down about a quarter from practically R140 only a month ago

Management lays the blame for the slow 8,9% working profit increase at the door of poorer trading conditions in the base minerals market and narrower coal mining margins. That is strange, as 71%-owned subsidiary Witbank Colliery reported profits of R10,21/t in the first half of this year against R6,44/t in the corresponding period of financial 1989 Given that, portfolio managers ask, what the heck has been going on at 50%-owned Rietspruit to reduce coal mining margins? FM 25/5/90

The unchanged profit prediction is doubly strange as Vansa is already benefiting from higher vanadium prices and the fact that its plant is at last operating at full design capacity

ERPM's problems have been extensively chronicled The latest disavowal of responsibility is from the consulting geologists, Venmyn, which claims that underground gold grades disclosed by development in the new areas are in line with those predicted initially. "It's a pity," one exasperated portfolio manager says, "the geologists couldn't have

FM 25/5/90 (214)

done something more useful, like predicting the lousy gold recoveries ERPM is achieving " But if the geologists are not to blame for the ERPM shambles, who is? If ERPM is liquidated, Rand Mines will be on the line, for one thing it has effectively borrowed R30m from Witbank's Douglas subsidiary to lend to ERPM (*Fox* May 4)

Barlow Rand deputy chairman Derek Cooper is emphatic that neither Barlow Rand nor Rand Mines will stump up any further guarantees of ERPM's debts On the other hand, it is hard to envisage the State providing additional assistance to ERPM without some cast-iron debt repayment guarantees

For now Rand Mine's share has little going for it Liquidity difficulties could be resolved by selling portfolio investments, but that is not an option management is likely to take easily while gold shares remain depressed Rand Mines has been steadily selling ERPM shares for the past 18 months and, presumably, those sales will continue while the mine's future remains in the balance

TAKING A DIVE

Six months to .	**Mar 31 1989**	**Sep 30 1989**	**Mar 31 1990**
Turnover (Rm)	520	848	756
Working profit (Rm)	164	236	178
Pre-tax profit (Rm)	145	191	150
Attrib profit (Rm)	99	117	98
Earnings (c)	886	1 043	727
Dividend (c)	120	440	120

Jim Jones

BOOKS

Oppenheimer empire under the microscope

214

W Mail 25/5-31/5/90

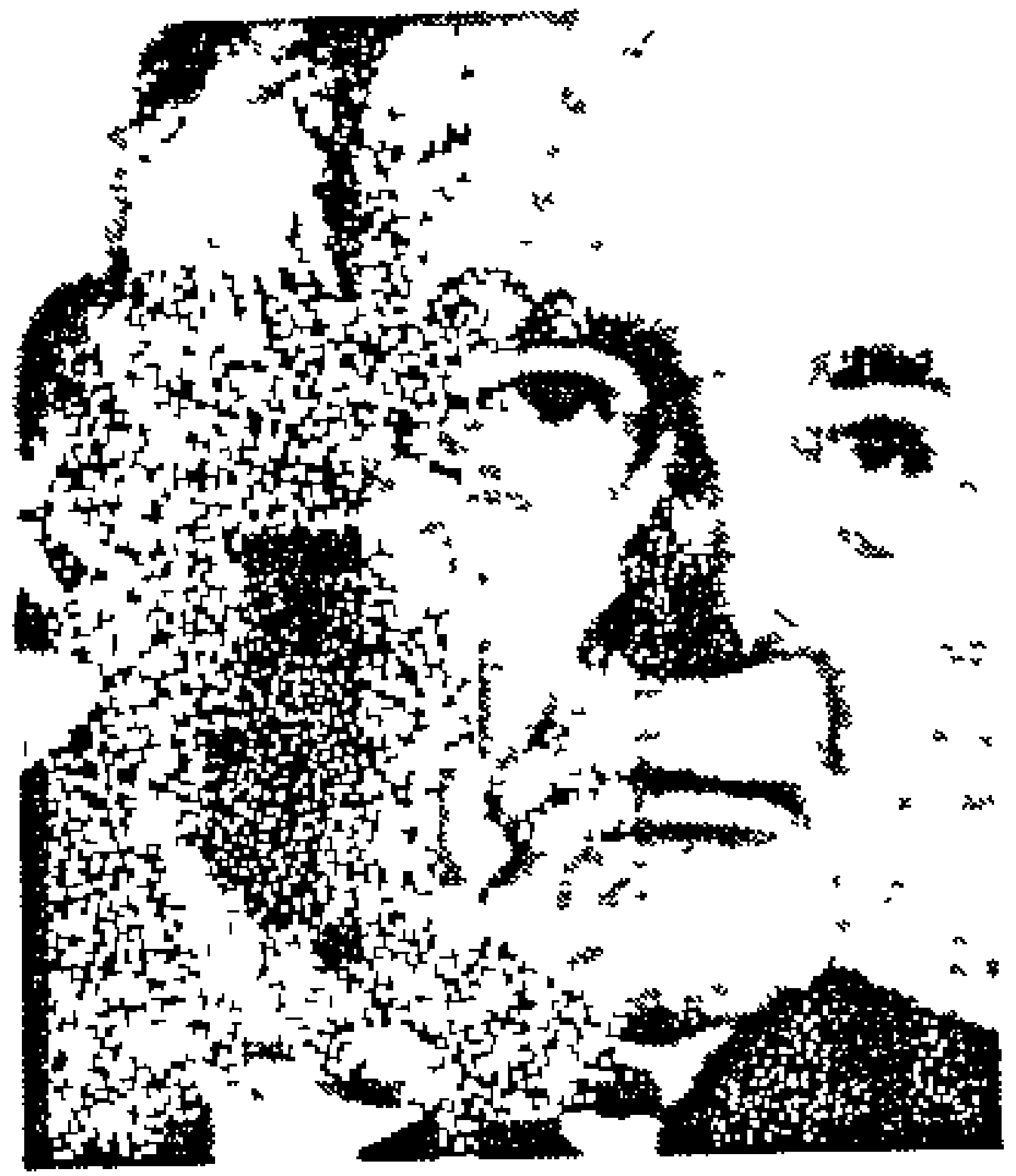
GOLDSTRIKE! The Oppenheimer Empire in Crisis by Bill Jamieson (Hutchinson Business Books, R59,95)

THE bulk of *Goldstrike!* is taken up with the protracted and bitter battle by Anglo American-controlled Minorco to take over London-based mining group Consolidated Gold Fields

It was a battle in which Cons Gold was to spend £30-million of shareholders' money to defend itself from a takeover which would leave the group relatively unscathed, particularly in the light of what happened to the company afterwards. Cons Gold fell into the hands of break-up artist extraordinaire, Lord Hanson, ending its 100-year history and emptying its London head office of the very directors who had opposed the Minorco takeover.

Sunday Telegraph city editor Bill Jamieson manages to capture the excitement of the bid, even if his prose becomes too colourful at times — "Tick tock went the clocks in the Boulevard de la Petrusse. Amber! Amber! flashed the lights as Minorco hit Green for Go."

This does not detract from the analytical thrust of the book. Jamieson uses the Minorco Cons Gold debacle to highlight the challenges now facing one of the world's biggest conglomerates, part of which is the company which controls the world's diamond cartel, De Beers. And in the process he uncovers the mechanics behind the Oppenheimer mystique, a "Byzantine web of conflicting crossholdings" held together by patriarchy. "The tangible financial bonds that link the Oppenheimer family with the Anglo



Harry Oppenheimer

American empire seem like frail threads against the power that they carry." He points out that the family influence far outweighs the 8,3 percent holding E Oppenheimer & Sons owns in Anglo American.

That patriarchal structure, Jamieson argues, has come under threat.

Cons Gold, with its gold and stone mining interests spread across America, Australia as well as its big holding in Gold Fields of SA, was an attractive addition to the Oppenheimer empire Jamieson argues that the move was crucial to the ambitions of the Oppenheimer empire to break out of its traditional and increasingly problematic base in South Africa

"While a successful bid for Gold Fields could never have masked the problems the corporation faced at home, it would have provided a dramatic new lease of life for Anglo American overseas. a second coming of the empire "

Jamieson asserts that the defeat of the bid showed a paralysis of leadership at 44 Main Street, and called into question whether the Anglo structure of control is still appropriate

The book has been overtaken by events to some extent: former De Beers chairman Julian Ogilvie Thompson has been appointed to succeed present Anglo chairman Gavin Relly, and heir apparent Nicholas Oppenheimer has moved into the limelight at De Beers

Also, the end of South Africa's political impasse seems in sight, and with its passing will vanish the pariah status that Cons Gold used so successfully against Minorco, and which denies Anglo the opportunity to escape the declining incomes from its core operations. Replacing it is the threat of nationalisation by a majority government. Anglo appears to have already reacted by hiving off its non-South African interests into a Swiss-based company.

Jamieson poses the question that has been on the minds of South African businessmen in recent months: what alternative can Anglo offer to state intervention in its affairs? The suggestion he has elicited, not a new one, is something like the transfer in the mid-1960s of control of General Mining from Anglo to Afrikaner interests, represented by the Sanlam-Federale group Jamieson realises there is no exact parallel. The General Mining transfer was paid for, not donated.

Similarly, on Anglo's employee share ownership scheme Jamieson is probably at one with some on the left in dismissing it as gesture capitalism

His critique of the characteristic Oppenheimer ethos remains to be answered. "But one issue which the Minorco bid had highlighted was the perception of Anglo American as an enterprise-stifling animal at heart, unconcerned for outside shareholders and bottom-line earnings perfor-

Unlike the kid-glove treatment usually accorded the Oppenheimer empire in South Africa by the English-language press, Jamieson is stern in his appraisal. "A vast and complex organisational cobweb testified to Anglo American's near paranoic concern with control, if necessary at the expense of entrepreneurial success The demise of the holding company and unbundling of conglomerates that have come to be a prominent theme in corporate development in the industrialised West was passing Anglo American by. The patriarchal culture seemed to be frozen into a bureaucratic one, closed to change and incapable of re-innervation. Anglo American is perceived as a dinosaur that would not survive in the economies of the West, where bids, break-ups and demergers have transformed the landscape."

The entire Anglo American group, Jamieson advocates, should be restructured to provide clarity and focus. "At present no corporate theme unifies its activities: it is not clear how Anglo American adds value to the assets that it holds or what its unique business mission is."

He also points out that the shareholder base of the giant edifice is tiny and could do with broadening In Anglo company Highveld Steel & Vanadium private individuals account for only 2,35 percent of the equity, and there is no employee share scheme. Other of Anglo's publicly quoted subsidiaries are similar. Moreover, there are the wholly-owned subsidiaries which would merit a management buy-out and/or separate listing — forestry, timber and paper group, Mondi being a prime example.

Whether Anglo will take a tip from Jamieson and "devolve, disengage and change" remains to be seen. So far, there are no startling signs of such new thinking from 44 Main Street.

Reg Rumney

GF PROPERTY FIM 25/5/90

Mixed outlook (214)

Activities *Property investor and developer and investor in listed and unlisted securities*
Control· *Gold Fields of South Africa*
Chairman: *M R Fuller-Good*
Capital structure *10,2m ords Market capitalisation R47,9m*
Share market: *Price 470c Yields 8,9% on dividend, 25,2% on earnings, PE ratio, 4,0, cover, 2,8 12-month high, 525c, low, 320c Trading volume last quarter, 93 000 shares*

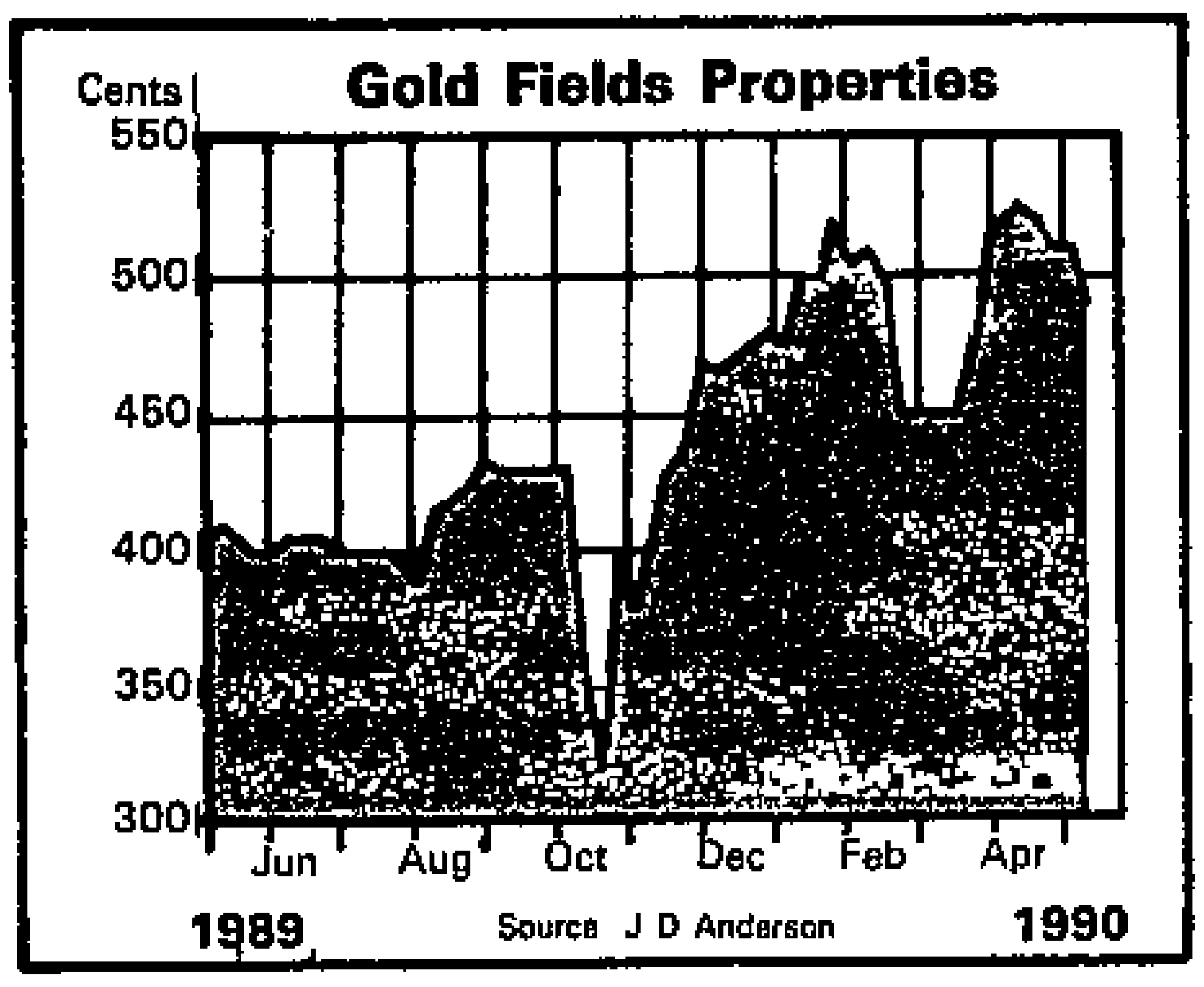
Year to Dec 31	'86	'87	'88	'89
Taxed profit (Rm)	6,0	9,2	6,4	12,1
Earnings (c)	59,0	90,0	62,3	118,6
Dividends (c)	30,0	48,0	36,0	42,0
Net worth (c)	455	567	548	713

* 18 month period

Property sales boosted Gold Fields Property's revenue in the year to December but the reinvestment of proceeds limited dividend growth

Revenue rose to R19,8m from R12,8m,

(214) FIM 25/5/90 (214)



Source J D Anderson

with the rise coming mostly from a R5,6m surplus on the realisation of investments New developments included a factory purchased in Wadeville and the building of minifactory complexes for manufacturing and warehousing. Problems continue to be experienced with the hostel at Luipaards Vlei — its contribution to group profits has fallen to 5% from 20% over the past few years — and no improvement is expected

Property now contributes 47% to profit before tax Chairman Michael Fuller-Good says all properties remained fully occupied during the year and, in many cases, significant increases in rents were effected Sales of residential land in Carletonville and Durban were disappointing and Fuller-Good says the current economic and social climate in those areas militate against an upturn

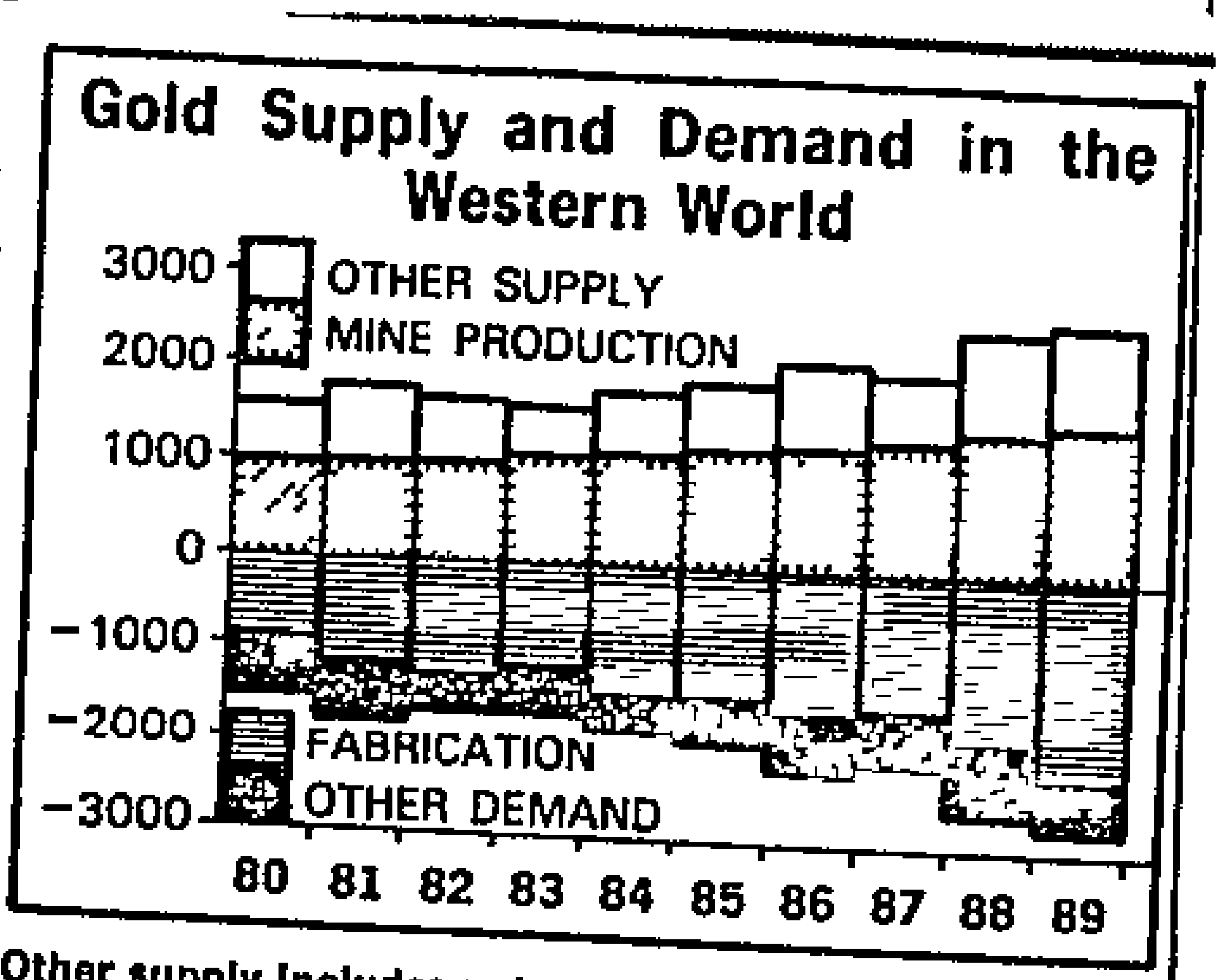
Gold mining's contribution to profits fell to R2,8m from R3,5m mostly because of difficulties at the marginal West Rand Cons operation and dump retreatment at Sub Nigel A further slowdown is expected this year

The contribution from industrial and commercial activities leaped in 1989 to R5,1m from R400 000 due to higher dividends from the investment in Zincor and the sale of Commercial Union shares

Fuller-Good expects good earnings growth this year but not at the same rate as in 1989 Property will become a more dominant contributor to revenue with valuable properties being acquired and developed

The share is trading at 470c against a net worth of 713c

Pam Baskind



Other supply includes net communist and official-sector sales, scrap, net dishoarding of bars and net disinvestment, including the effect of gold loans, forward sales and options Other demand includes official sector purchases, bar hoarding and net investment. Source· GFMS

Russia to bare its all on gold

214

27/5/90

IF VOLATILITY in the gold price has fallen in recent years, the rate of change of sentiment must be at an all-time high. S/Times

The average gold price in 1989 was $381, the high $415 and the low $355 The $60 range is 16% of the average price — down from 21% in 1988.

Yet only a month after pronouncing the gold bull dead, the authoritative International Gold Mining May newsletter reports of the bull behind the bear

The optimism arises from an announcement from Edward Gostev, deputy chairman of the Soviet Bank for Foreign Economic Affairs Mr Gostev expects the Soviet Union to release gold production and bullion reserve figures within a year

Soviet gold production is estimated at 300 tons a year

The sudden bare-all will help Russia to obtain foreign credit — so Mr Gostev hopes. The Soviets are finding it tough to raise medium- and long term finance because Western lenders do not see meaningful guarantees of loan repayment

The report said that all Soviet gold mining associations might have to curtail their operations and the country would lose 50 tons of gold production a year

The news had little publicity even though it has a potential positive effect on the gold price One London analyst believes that Russia will sell much less gold this year

As production falters and the flight from roubles to gold climbs domestically, Russia will need to achieve a large hard-currency gearing from its gold reserves as collateral for gold-backed bonds or other loans

Russia has sought Western invéstment and technology for its mining industry with little success

Calfish

Gold 1990 — heir to Consolidated Gold Fields' Gold Survey and now published by Gold Fields Mineral Services — gives a calfish (semi-bullish) summary of gold's outlook.

It says developments in the communist bloc will continue to influence the market, but should not be allowed to overshadow the significant changes which occurred in the patterns of gold's supply and demand

Although this year's promising start for gold faltered, the outlook is not necessarily bleak

Western mine production should rise modestly in 1990, but at a slower rate "Moreover, the weak gold price, rising costs, environmental controls and the tax on gold mine profits in Australia from 1991 will combine to curb future expansion"

Gold loans and forward sales, while remaining an essential part of the mining industry's financing, are also unlikely to provide the level of accelerated supplies seen in 1988.

It takes two to make a market In contrast to the International Gold Mining newsletter, Gold 1990 says the communist bloc will continue to be a major source of supply, although mining output may fall

ERPM is still in the dark

S Times 27/5/90

Business Times Reporter

TWO days after the Cabinet discussed the future of threatened mega-mine East Rand Proprietary Mines, creditors and Rand Mines' management are waiting for its decision

Meanwhile what ERPM chairman Clive Knobbs calls "defamatory and misleading documents" criticising the mine's management are circulating They are anonymously sourced, but Mr Knobbs says he has his suspicions as to their source

Rand Mines' proposal requesting "a little more" funding and increased subsidisation of its interest bills to save troubled ERPM was on the agenda for Wednesday's Cabinet meeting

If the State pulls the plug, R300-million of loans will fall into question, 10 000 jobs will be lost and 6,5 tons of gold production a year will be irrevocably lost

In Parliament this week, Mr Geoffrey Engel, Democratic Party member for Bezuidenhout, asked Dr Dawie de Villiers, Minister of Mineral and Energy Affairs, for details of ERPM's indebtedness and interest subsidisation

He was told that the State had guaranteed R220-million of loans by a consortium of banks The State paid all interest in excess of 7%, but not exceeding 17%

(214)

With interest rates at 20%, the State is paying 10% of ERPM's interest, which is R22-million a year In addition, the State is subsidising pumping to the tune of R8-million a year The State is also lending ERPM R10-million a year to help fund pumping

If ERPM were liquidated — the worst possible scenario — the State would have to pay the banks R220-million, an amount that is nowhere provided in the Budget The State could expect to recover only a fraction of the amount First National Bank has an unsecured loan of R60-million to ERPM

A spokesman for First National Bank said if the worst came to the worst, the bank would rank as a concurrent creditor According to Mr Knobbs, Rand Mines' realiseable assets are R100-million and liabilities R300-million

In the event of a liquidation, therefore, creditors could expect only 33c in the rand If the mine were wound up, the State would have to write off more than R140-million and First National about R40-million

COMPANIES

(214)

Ergo's life could be extended

RIAAN SMIT

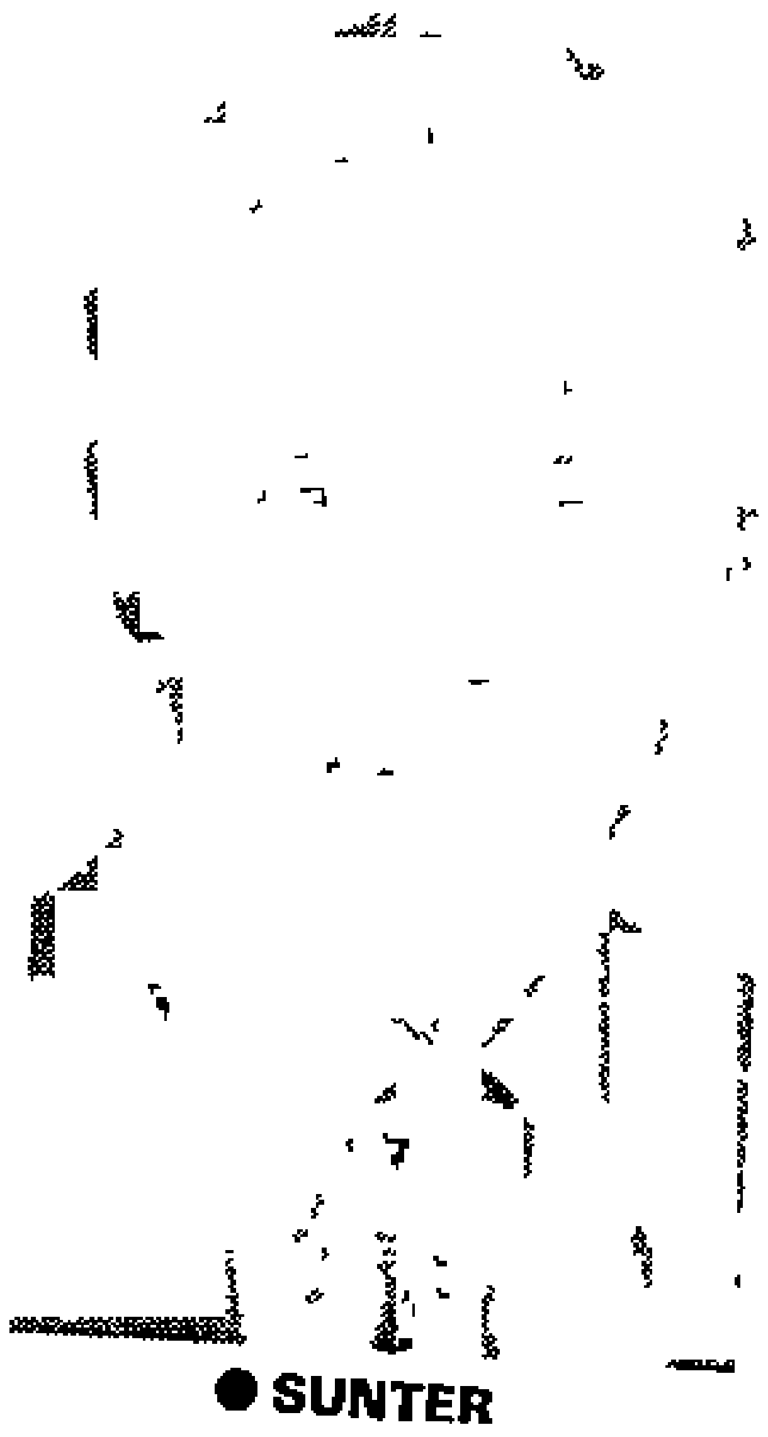
A MAJOR strategic planning exercise has confirmed the possibility of extending the life of gold dump recycling company Ergo into the next decade, says company chairman Clem Sunter in his annual review for the year to March 31

Based on the current relationship between the gold price and working costs, Sunter says Ergo's operations will not be profitable much beyond the mid-1990s

BDay 30/5/90

A strategic planning exercise indicates that Ergo's life can be extended by rationalising operations at the Ergo Division when the sulphur level of slimes becomes too low for flotation

At this stage the flotation, uranium and acid plants will be closed, leaving only the carbon-in-leach section operating.


● SUNTER

There would be a decline in gold output, but this would be compensated for by a substantial decrease in working costs

Ergo would produce more gold in aggregate over a longer period, although at a lower annual rate than at present

Investigations are continuing and shareholders will be advised as soon as a decision has been taken

Ergo's total gold production declined slightly to 11 732kg Uranium oxide production was 17% lower at 149 736kg and acid production declined 9% to 491 453 tons

Profit margins continued to narrow as a result of a static rand gold price and a general rise in working costs Profit available for distribution declined 27% to R48,1m

Dividends of R47,8m, or 105c a share, were declared (135c)

Total capital expenditure of R34,4m was R4,1m lower than that of the previous year. It is forecast at R32,5m for next year

Decision on ERPM expected within days

Str 1/6/90

(214)

By Ann Crotty

ERPM chairman Clive Knobbs believes it will be only a matter of days before Rand Mines hears what decision the Government has taken over the request for additional fundings for the troubled mine

On Wednesday the Cabinet met to discuss Rand Mines' request (Funds are needed to cover working capital requirements and to subsidise ERPM's hefty interest charges)

Without the additional funding, because ERPM is technically insolvent, the most logical course of action would be to liquidate the company

Mr Knobbs said yesterday that he was still waiting to hear the Government's official decision "I believe there's a 50 50 chance"

Ahead of the decision, the financial package that the Government has provided to ERPM comprises an interest subsidy on government-guaranteed loans of R220 million, state assistance for pumping of water and a government guarantee for deferred interest payments

(The details of this assistance were provided last week in a parliamentary reply to a question from Geoff Engel (DP), the MP for Bezuidenhout)

Interest costs

- The Government has undertaken to pay all interest costs above seven percent, but not more than 17 percent, on the R220 million of loans provided to ERPM by a consortium of banks and guaranteed by the government

The subsidy is available until end-December 1992

While interest rates remain at or above 17 percent, this subsidy costs the Government R22 million a year

- ERPM is still threatened with closure within five years as a result of the inflow of water from neighbouring mines that have been closed down

From April 1 1989, for the 1989/90 fiscal year, the Government undertook to provide financial assistance to help ERPM cope with this problem

The assistance comprised an annual subsidy of R8 million initially to cover current costs incurred in pumping the water and an annual loan, for which R10 million was initially provided to cover operation and maintenance costs of the infrastructure of the shafts where pumping activity takes place

- From July 1989 and December 1992 ERPM is allowed to defer and capitalise its part of the interest charge on the R220 million government-backed loan up to a maximum of R67 million

The Government has undertaken to guarantee this deferred interest, but will not subsidise interest payments on it

Equal amounts

ERPM must repay the deferred interest in three equal amounts in 1993, 1994 and 1995

While this government assistance is extended, ERPM must adhere to a number of conditions

- Underground mining operations cannot be stopped without the written consent of the Government
- ERPM will not dispose of any mineral rights without the written consent of the Government
- No movable or immovable assets may be disposed of by ERPM without the written consent of the Government All income derived from sales must be paid into an interest-bearing trust account and the Government and First National Bank must approve any use of these funds
- Rand Mines, FNB and the bank consortium that provided the R220 million have given undertakings that they will not sue for payment of debts which may lead to the liquidation of the mine without consulting the Government and notifying it in writing

Decision imminent on ERPM fate

B/Day 1/6/90

LESLEY LAMBERT

214

CAPE TOWN — The fate of troubled ERPM gold mine — and possibly that of other marginal mines — is to be decided by the Cabinet today or on Monday

A government spokesman confirmed yesterday that the Cabinet had considered a recommendation by the committee investigating the provision of state assistance to gold mines But a final decision would be made only once certain details had been considered, he said.

The committee was established to investigate mine applications for state assistance on an ad hoc basis and make recommendations to the Cabinet Another committee, chaired by Deputy Finance Minister Org Marais, was appointed to formulate policy on marginal mine assistance

Government's position, as far as the existing financial package to ERPM is concerned, was spelled out in Parliament last week by Mineral and Energy Affairs Minister Dawie de Villiers.

De Villiers said if ERPM defaulted on its commitments government would honour its guarantees and recover from the mine any amounts it was obliged to pay under the guarantees But if ERPM was placed in liquidation while the current guarantees were still in force, government would rank as a concurrent creditor

De Villiers confirmed that government had increased the value of its guaranteed

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ERPM

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☐ From Page 1

loans to ERPM from R200m to R220m in October 1988 and had undertaken to subsidise part of the interest to a maximum of 10% above 7% (i e between 7% and 10%) on these loans This meant the subsidy could increase to R22m a year

Government had also guaranteed that between July 1989 and December 1992 ERPM would be allowed to defer and capitalise its interest commitments on the government guaranteed loans, up to a maximum amount of R67m Government would not subsidise interest payments on it Deferred interest is to be repaid between 1993 and 1995

ERPM, De Villiers said, was still threatened with closure within five years as a result of the inflow of water originating from closed-down neighbouring mines The mine had received nearly R26m in pumping assistance between 1977 and September 1988 and, from the 1989 fiscal year, a pumping subsidy set initially at R8m annually and a loan starting at R10m a year

Undertakings by Rand Mines Limited, First National Bank and the consortium of banks were also written into an agreement last year The agreement included conditions to which ERPM would be subject while it was paying off the loans

The government can at any time investigate the viability of ERPM gold mine ERPM and government must review the operations of the mine on a six monthly basis which may lead to new decisions.

No assets may be disposed of by ERPM without the written consent of government, while all income derived from sales must be paid into an interest bearing trust account and government and FNB must again approve any use of these funds

Government is entitled to register bonds over ERPM's assets, but would not do so provided ERPM undertook not to permit any other instance to register bonds

RML, FNB and the consortium gave undertakings not to sue for payment of debts which might lead to the liquidation of the mine without notifying government in writing and consulting with it

Each pumping loan is interest free if repaid within five years, after which the rate for government loans would apply

De Villiers said the security for the guaranteed loans was government's absolute control over the disposal of assets totalling approximately R115m (excluding the value of mineral rights and/or mining title) and control over the mining operations, the management and actions of ERPM and the other parties concerned

☐ Business Day reported last week that ERPM's interest payments would be subsidised to a maximum of 17% The actual subsidy is 10% when ERPM is paying rates between 7% and 17% Business Day regrets the error and apologises for it

Agony goes on for ERPM

S Times 3/6/90

214

Business Times Reporter

WHILE Minister of Mineral and Energy Affairs Dawie de Villiers takes a long weekend, 10 000 miners on East Rand Proprietary Mines wait to hear whether the mine is to close

The Cabinet discussed the latest ERPM rescue proposals this week and last, but no decision has been taken

ERPM chairman Clive Knobbs criticises the delay He says morale and production are suffering Some miners have given up hope and resigned

Mr Knobbs says that if it were in Rand Mines' hands, any miners laid off would receive retrenchment benefits

But if the mine went into liquidation, Rand Mines would be powerless and it would be up to the liquidators to decide on compensation for those laid off

ERPM owes R300-million and has realiseable assets of R100-million If it is liquidated, 10 000 jobs will go and the State will have to pay a consortium of banks R220-million

ERPM produces 6,5 tons of gold worth $75,8-million a year cise breakdown of repossession statistics, but there was grave concern about the scale of the problem

"We are now seeing the tragic aftermath of the house-buying spree in the mid-1980s when thousands of families were tempted by low interest rates to buy houses far beyond their means," he said.

"The casualties are home-buyers who made the mistake of thinking that interest rates were going to stay down at 12,5 percent for the duration of their mortgages The climb in rates to around 21 percent has crippled many budgets

"Yet even when a sale in execution goes out, it may still not be too late to mount a rescue operation Battling homeowners should explain their plight to their bank or building society It may still be possible to avert catastrophe with a package of compromises," said Mr Tucker

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Gold's slump puts industry in crisis

Star 5/6/90 By Magnus Heystek (214)
and Peter Fabricius

The crisis in the gold mining industry is deepening as the gold price continues its weak performance on international markets.

Gold shares took a hammering on the Johannesburg Stock Exchange yesterday, with the all-gold index dropping by more than 5,7 percent (93 points) to 1 517

Uncertainty over Soviet gold sales pushed the price down to an eight-month low of $356,05 yesterday afternoon in London, down from Friday's close of $363,45

It recovered slightly in New York to close at $358 and opened at $359,75 in Hong Kong today

The slide in gold share prices pulled down the overall index by 42 points to 3 126, but the industrial sector held firm as selected buying of blue chip shares pushed the index up 18 points to 2 978

Gold's slide is placing the gold mining industry in severe jeopardy. Already the Cabinet has to make a decision on whether to increase its aid to the troubled ERPM mine on the East Rand

An announcement expected last night has been postponed for at least a week while additional contingency plans are considered

ERPM has made a last-ditch effort to raise capital, including selling its slimes dumps and several Boksburg properties

Money raised by this effort will, however, not reduce the mine's R300 million debt, but will supply operating capital for another year

Without continued State aid, ERPM is faced with almost certain closure, with about 11 000 job losses Once closed, the mine cannot be reopened as the shafts will rapidly fill with water

Between 11 and 16 other mines also face uncertainty with the gold price at current levels Together, they earned about R7,2 billion in foreign exchange last year

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ANC leader takes hard line

Star 5/6/90

By Esmaré van der Merwe,
Political Reporter

GABORONE — ANC deputy president Nelson Mandela has warned the world that lifting sanctions would be tantamount to stabbing the liberation struggle in the back.

At the start of a 13-nation tour, Mr Mandela took a hard line against Western countries that believe punitive measures should be eased as a reward for President de Klerk's bold reforms.

Speaking at a mass rally in the Botswana capital, Mr Mandela said he wanted to make the ANC's position clear at the start of "the long journey of thanksgiving and re-dedication"

The ANC stood by its policy of sanctions, nationalisation and the armed struggle He told a crowd of about 15 000 that to denounce the armed struggle now would be an act of immaturity, since the preconditions for negotiations had not been met, and political reform was not yet irreversible

He said the external pressure of sanctions and the armed struggle had helped create the climate for discussions with Pretoria

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Govt approves UN visit to SA

Star 5/6/90 Political Staff

The South African Government has given conditional approval to a team of senior United Nations officials visiting South Africa from Saturday on a 10-day fact-finding mission

Foreign Minister Pik Botha issued a statement in Cape Town last night, however, dissociating the Government again from the UN resolution that has prompted the visit

He said such a visit was construed as a genuine desire on the part of UN Secretary-General Javier Perez de Cuellar to obtain correct information on the internal situation of South Africa, and not that the Government acquiesced in the uncalled-for interference by the General Assembly in the internal affairs of the country

The UN official announcement made it clear, however, that the information gained would help prepare a report on progress in implementing a General Assembly declaration on apartheid adopted last December

It requested the Secretary-General to prepare a report by July 1

BUSINESS DAY, Tuesday, June 5 1990 3

Latest gold price puts 13 mines on the line

(214) ([illegible]) B/Day 5/6/90

BARRY SERGEANT

THIRTEEN out of 41 established SA gold producers are incurring working losses at yesterday's London closing gold price of R948,50/oz

Including capital expenditure, more than 13 producers are not breaking even

On such a basis, Anglo American's Freegold in the OFS — the world's largest gold producer — is not producing profits

March quarterly figures show that Freegold's working costs were R883/oz and, including capex, R1 019/oz

At a media briefing yesterday on Anglo American's annual results, chairman Julian Ogilvie Thompson said Freegold might curtail capex given that the outlook for gold was "not bullish"

Analysts have predicted that Freegold's capital expenditure is expected to continue at a high level, after a reported R121m in the March quarter

March quarterly results — the latest available — show that of 41 established SA producers, ERPM was the most costly at R1 320/oz

An announcement about ERPM's dubious future has been expected for weeks

Of the 13 mines producing working losses at the current gold price, Rand Mines' Harmony is the largest Its March working cost was R988/oz Last year it produced 29 000 kg of gold, rating it SA's seventh-largest producer

The list of troubled SA producers which analysts say might be set for early closure includes Stilfontein and Libanon

Also on the list are Western Areas, Grootvlei, Loraine, Venterspost, Bracken and Durban Deep

Meanwhile, gold-related shares continued their downward slide yesterday in thin, nervous volumes following a continued lack of confidence in the precious metal, dealers said

Nervous

On the JSE, gold shares closed sharply lower under growing selling pressure from nervous investors as the gold price weakened further

In London, gold breached its $358/oz support level in morning trade on reports that the Soviet Union had lent gold forward

Gold was fixed late yesterday at $357,05 from a morning fix of $358,00 It closed at $361,00/50 on Friday

A London dealer said "Gold shares are under extreme pressure and all stocks are taking a pounding"

● Comment: Page 10

Anglo's attributable earnings leap 20,1%

BDay 5/6/90 · 214

RIAAN SMIT

ANGLO American Corporation's attributable earnings increased 20,1% for the year ended March 31 despite the continuing decline in profitability of its substantial investment in the gold mining industry, chairman Julian Ogilvie Thompson said yesterday

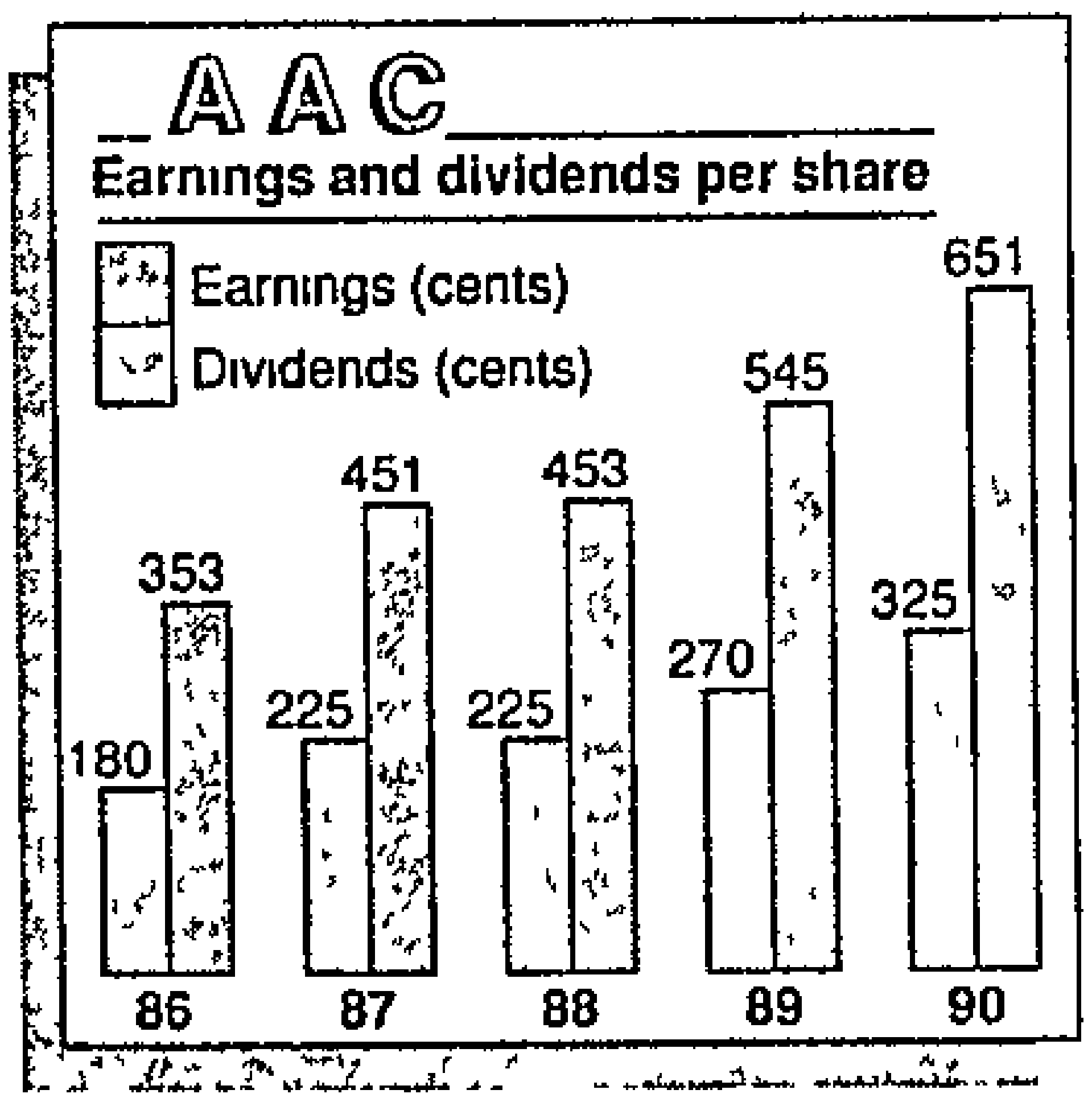
Earnings from gold mines comprised 24% of a new record R1,5bn in attributable income compared with 30% of R1,3bn in the previous financial year — a decline of about R18m, he said

The corporation's performance was "a tribute to the foresight which has built up a broad spread of investments able to provide sound growth despite the poor performance of (the gold) segment of that portfolio". Total dividend of 325c a share was 20,4% higher than the 270c a share for the previous financial year.

"The immediate future is likely to see a period of consolidation, given the necessary economic slowdown coupled with lower price levels for many of the corporation's major commodities, particularly gold," he said

The only other sector about which Ogilvie Thompson expressed concern was the industrial sector In the light of steps taken to dampen the economy and of lower commodity prices, it might prove difficult for this sector to repeat the 12,8% higher earnings of R563m for the year under review.

Earnings from the investment in De Beers Consolidated Mines and the diamond trading companies comprised 28,4% of equity accounted earnings, increasing 30,9% or R210m to R889m



Graphic FIONA KRISCH Source AAC

"The arrangements between De Beers and De Beers Centenary have also added to the value of our investments in this sector De Beers is currently looking forward to another satisfactory year"

Anglo American Coal's contribution to equity accounted earnings increased 65% to R132m as a result of improved export markets and its increased investment in Eskom business, he said

Rustenburg Platinum, Samancor and Palabora benefited from strong metal prices, contributing R302m to earnings compared with R200m in the last financial year and R140m the year before

Investments in the financial services

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● See Page 10

Anglo

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and property sector, notably First National Bank, Southern Life and Anglo American Properties, contributed R180m or 5,8% of equity accounted earnings and were expected to provide continuing satisfactory growth, he said.

Minorco, JCI and South American Investments, with lesser contributions from Goldfields and Gencor, provided the bulk of the R649m of the equity accounted earnings contributed by the mining finance sector, while R43m more was spent on prospecting, which amounted to R181m, largely on gold in SA and in Europe

Anglo was prospecting a number of shallow gold deposits in Spain, Italy and Turkey, but it remained to be seen whether they could be economically exploited.

● Picture. Page 3
● See Page 8

Investment demand key to gold's future

Star 6/6/90 **By Derek Tommey** 214

Investors will have to buy more gold before there can be a bull market in the metal, says Dr Stewart Murray, chief executive of Gold Fields Mineral Services in Johannesburg

However, if an investor could pay $82 million for a Van Gogh painting, there was hope for increased investment in gold, he said last night.

He was speaking at a presentation "Gold 1990" which is regarded as the most comprehensive survey of the bullion market.

He described the top mining men attending the presentation as "the greatest concentration of expertise on the gold industry on the planet"

Dr Murray said investment demand was the key to gold's long-term price.

Greater investment buying would be needed if the gold price were to rise to above $500.

The evidence was that physical demand did reassert itself strongly at a price under $400

But for gold to achieve a genuine bull market, there would have to be a significant change in the fundamentals of supply and/or demand.

While output continued to increase there would be no growth in gold purchases by investors. They would first want to see a tightening in the physical gold market

This could provide the price with renewed impetus, which investors would also require before they increased their holdings.

Investment demand grew when the gold price rose But it declined and disinvestment ensued when the price fell, he said.

He added that high real interest rates were also militating against increased investment in gold.

Dr Murray said that mine production was bound to increase this year SA production might decline, but this would be offset by an increse in production in Australia, the US and Canada

He believed there could be a levelling off in production next year.

Canadian production had been stimulated by subsidies, which had now ended. Australian mines were scrambling to raise production this year ahead of the introduction of gold mining tax on January 1.

Once this tax was in force production should decline. The pressure of the gold price could lead to production cuts elsewhere.

Dr Murray said the drop in the price was the result of increased Soviet sales

Much Soviet gold had appeared in Europe in the past few months and this had been a major factor in the price decline.

The feeling in the market was that Russia would sell a lot of gold this year, but it did not want to destroy the market.

Central banks could be big sellers, but this was unlikely at the present price

He believed that gold loans and forward sales would be lower this year and that disinvestment and scrap sales would also drop.

Against this, fabrication demand remained remarkably strong and jewellery fabrication would remain the cornerstone of the market

There had been a marked increase in jewellery fabrication demand in the Far East, but most of this jewellery would be sold in the West, he said.

Commission set up to investigate plight of ERPM

Star 6/6/90 214

Political Correspondent

CAPE TOWN — The Government has appointed a commission of inquiry to decide whether or not it should give further financial help to the struggling gold mining company ERPM.

Mineral Affairs Minister Dawie de Villiers made the announcement last night.

The commission is to be headed by Mr Justice D A Melamet, who has conducted other inquiries into financial matters

He will be assisted by Professor D G Krige and S Rossouw. The secretary to the commission will be G D Greyvenstein

Its brief will be to probe ERPM's mining activities and management, whether or not to continue financial support for ERPM, "the implications of ERPM continuing its business in its present or another form or not at all", and other matters it chooses to investigate

Dr de Villiers said ERPM had applied for further aid and the Government realised the seriousness of the matter because jobs, foreign exchange and gold reserves would be lost if it closed.

The state had already been helping ERPM for a considerable time in the form of·

- A Government-guaranteed loan of R220 million
- Subsidisation of interest on this loan above seven percent to a maximum of 10 percent.
- Help in pumping overflow water from neighbouring mines — which could cause ERPM to close within five years.
- A Government guarantee for deferred interest payments This allowed ERPM to defer and capitalise the portion of the interest on the government loan it was due to pay — up to a maximum of R67 million.

However, ERPM was still threatened with closure as a result of various factors which needed large technical and financial re-structuring and a drastic reduction in labour

These included the relatively low rand price of gold, the inflow of water into the mine, two huge "seismic occurrences", which had closed down about 75 percent of the older, high-grade sections ,of the mine, and unforeseen capital costs incurred with the sinking of the Far East vertical shaft.

Before considering further assistance, the Government had decided to appoint a commission of inquiry.

- ERPM chairman Clive Knobbs would not comment on the announcement last night, saying he had not had a chance to study it, **Ann Crotty** reports.

"There is a lot to digest in the statement. It will take a while to study it," he said.

He felt that Mr Justice Melamet's brief was quite wide

The loss of jobs (estimated at a direct figure of around 11 000), gold reserves and foreign exchange earnings have to be viewed against the fact that ERPM has not paid a dividend for 10 years and that the mine has not made a profit since 1985

In 1986, ERPM reported a loss of R696 000; in 1987 the loss shot up to R67,2 million, in 1988 there was a loss of R61,8 million and in 1989 the loss was R54,8 million.

Figures so far for this year show that ERPM turned in a loss of R20 million in the March quarter

These losses were recorded despite financial help from the Government in the form of water-pumping assistance and the interest subsidy

Last April, ERPM management decided to apply for provisional judicial management — a step which usually precedes liquidation.

Given that the mine's liabilities far exceed its assets, it is in fact technically insolvent. Rand Mines, which holds 18,9 percent of ERPM and appears to have board control of the mine, last year wrote off its R59,9 million exposure to ERPM.

However, moves towards liquidation were delayed by a decision to approach the Government with a request for additional financial assistance

The appointment of the commission of inquiry is the response to this request

New bid to save dying gold mine

Cape Times 6/6/90 214

ONE of South Africa's oldest gold mines, ERPM, is dying because of the drop in the world gold price and the government has set up an inquiry to see if it can be saved.

The Minister of Mineral and Energy Affairs, Dr Dawie de Villiers, yesterday named Mr Justice D A Melamet to head the commission of inquiry with Professor D G Krige and Mr S Rossouw assisting.

Dr De Villiers said the state had given ERPM financial aid for a considerable period to prevent it closing.

Aid had taken the form of a guaranteed loan of R220 million, subsidisation of interest on this loan to a maximum of 10% above 7% and pumping aid in respect of water flowing into the mine from closed-down neighbouring mines.

The government had also provided a guarantee for deferred interest payments in terms of which ERPM was allowed to defer and capitalise the interest payable to a maximum of R67 million.

The mine was still threatened with closure as a result of various factors which necessitated large-scale technical and financial restructuring and a drastic reduction in labour.

● Freegold — the world's largest gold mine — discloses in its annual report today that two new shafts on which R921 million has been spent remain mothballed "as economic circumstances do not permit further work at this time". — Sapa and Own Correspondent

Freegold's taxed income knocked

BDay 6/6/90 (214)

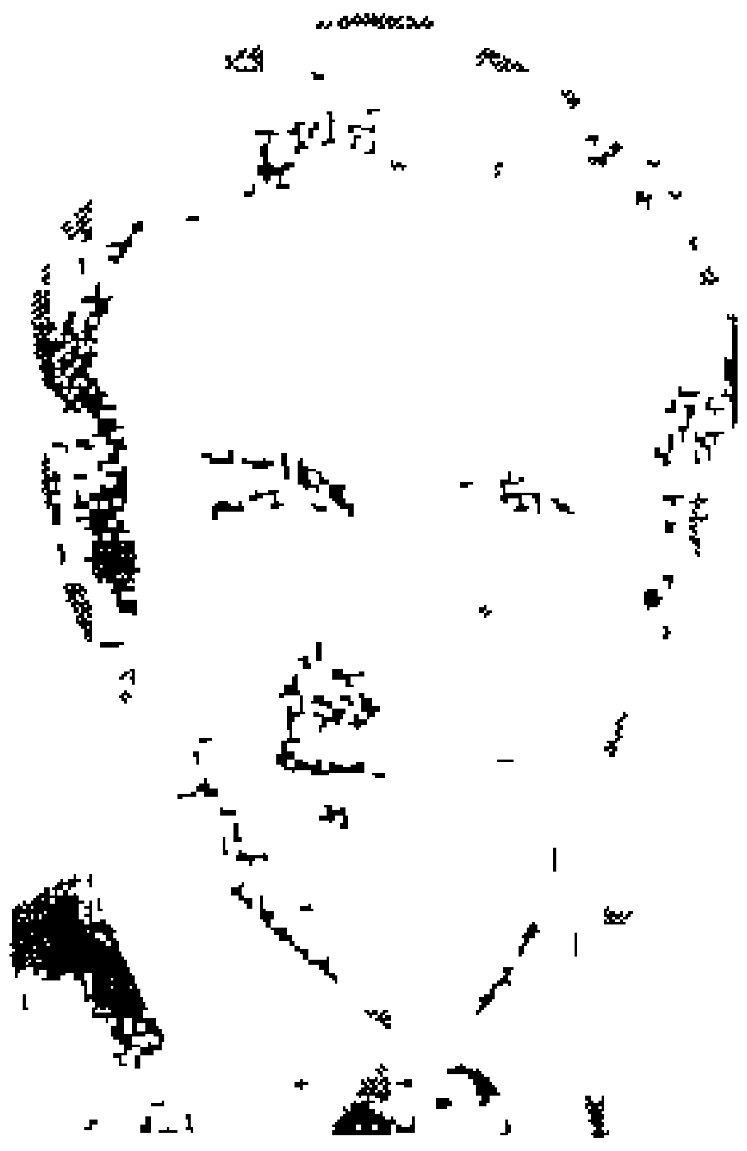
RIAAN SMIT

ALTHOUGH Anglo American's Freegold mine produced a record 109 851kg of gold for the year ended March 31, a 16,1% increase in working costs on only a marginally higher rand gold price reduced taxed income by 21,1%

Mine chairman Clem Sunter said in his year-end review he believed bullion was presently undervalued although it had yet to attract significant demand from either traditional or new investors

Turnover for the year at Freegold — situated near Welkom and the largest gold mine in the world — increased to R3,7bn (1989 R3,6bn) because of increased gold production and a marginally higher rand gold price of R32 580 (R32 316), Sunter said

Gold working cost at nearly R3bn represented a 16,1% increase over the previous 12-month period, but, he said, the cost per kilogram produced was contained to R26 892, an increase of 12,3%



● SUNTER

Freegold's figures for the financial year ended March 31 1989 were restated for a 12-month period because the actual period reviewed was 18 months because of a financial year-end change

Tax was lower by more than half at R64,7m and taxed income was R697,4m compared to R883,9m for the previous 12-month period

Sunter said capex was reduced by R149,8m to R398,4m because of a planned reduction in keeping with a static rand gold price

Profit available for distribution was R347m (R378,5m), while dividends for the year amounted to R346,1m, which translated into 295c a share (320c)

Sunter said a decision was taken at the end of March to discontinue uranium production at the Metallurgical Scheme plant

This was done because the uranium market remained a buyer's market because of inventory excess and because the past year saw the spot price fall further from $11,90 to $8,50 a pound in March, he said

Sunter said the year under review had seen some favourable factors emerging in the gold market

Growth in Western world production slowed, the flow of metal onto the spot and forward markets from gold loans and hedging sales was lower, and total demand for gold in jewellery fabrication grew to over 1 800 tons which was more than newly mined gold supply

He said the cost of damages to the mine caused by a tornado at Welkom in March was R18,5m, which was "considerably less" than previously estimated The cost of repairs would largely be covered by existing insurance

Freegold's R921m shafts still in mothballs

BARRY SERGEANT

B/Day 6/6/90

FREEGOLD — the world's largest gold mine — disclosed in its annual report today that two new shafts on which R921m had been spent remain mothballed "as economic circumstances do not permit further work at this time"

During the year about R70m was spent on Freegold's Erfdeel project at Free State Saaiplaas No 4 and 5 shafts, on a care-and-maintenance basis

Anglo American yesterday confirmed that two potential new massive gold mines that would cost an estimated R5bn remain on ice at the hands of the Department of Mineral and Energy Affairs

In the Freegold annual report chairman Clem Sunter criticises government for permitting only a 25% relaxation of certain mining tax laws, implying that if full relaxation had been given, the projects would have proceeded

The Freegold annual report, released today, says "there has been no change in the authorities' position" with regard to the incorporation of the Du Preez Leger/-Jonkersrust lease area within the Freegold lease area This and Erfdeel form Freegold's two planned extensions

At Monday's media briefing for Anglo American's annual results, chairman Julian Ogilvie Thompson said no final word had been received from the authorities regarding exploitation of the Moab lease

Over a five-year period, the two projects could provide tens of thousands of jobs

In his chairman's review, Sunter notes the partial lifting of "ring fencing" (the restriction whereby capex on a new mine may not be set off against the taxable mining income from an existing mine) in this year's Budget, but says it is "disappointing" the ring fence was lifted on only 25% of an existing mine's taxable income

Analysts contend that even if ring fencing were completely lifted, Anglo's decisions to proceed with the two projects would probably be affected by shrinking profitability of its gold producers

● See Page 9

Cabinet wrangle over final decision

(214)

Govt probe into ERPM rescue plan

BDay 6/6/90

LESLEY LAMBERT

CAPE TOWN — Government has appointed a commission of inquiry into the viability of providing additional funding to save East Rand Proprietary Mines (ERPM), prolonging further the fate of the troubled marginal gold mine

It is understood that the proposal for an inquiry into the mine's viability was withdrawn late yesterday and then reinstated after opposition by top-level Cabinet Ministers, who wanted a final decision one way or another, was quelled

Announcing the decision, Mineral and Energy Affairs Minister Dawie de Villiers said government had decided that a commission of inquiry, chaired by Mr Justice D A Melamet, should "urgently and comprehensively" investigate and report on the viability of providing additional funds

The commission's brief would be to investigate ERPM's mining activities and management, the implications of the mine continuing its business in its present form or closing down its operation, the factors affecting the viability of additional government assistance and the principle of such assistance

ERPM chairman Clive Knobbs declined to comment last night He said he needed more time to consider the decision Knobbs recently criticised government for delaying its decision as it was affecting the morale of the mine's 10 000 employees and its shareholders, the majority of whom are from France and Belgium

In an earlier interview, Knobbs said the R300m ERPM had received in government and bank guaranteed loans had been invested in the the sinking of the new Far East Vertical Shaft (FEVS) and the maintenance of other operations He said the FEVS — upon which hopes for future survival were pinned — was up and running, but could not say whether it had become profitable yet

He said any further delay could be disastrous ERPM, which has a potential life span of five years, has debts of about R300m and assets valued at about R100m It is losing approximately R20m a quarter To break even the mine would need a substantial increase in the rand gold price, from its current R950/oz to around R1 300/oz, analysts said

In 1988, government decided it would stop supporting mines with little or no life left Since then, it has had various committees considering applications for further assistance on an ad hoc basis and formulating policy on marginal mine assistance

Analysts said ERPM would probably go into liquidation if it was finally decided that no further assistance would be granted The result of this would be that government would lose most of the R220m provided in the form of guaranteed loans, 10 000 mine workers would lose their jobs, as well as any chance of a retrenchment package, and shareholders' investments would be worthless

De Villiers said government realised the seriousness of ERPM's need for more assistance, especially given the implications for employees who faced the threat of

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ERPM probe

BDay 6/6/90

(214)

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possible closure and for foreign exchange which could be lost

The possible scrapping of the proposal at the last minute yesterday emphasises government's difficulty in reaching a decision on the fate of the Boksburg gold mine

Analysts argue that if the decision was to be based on purely economic considerations, it would probably be best to turn off the mine's life support system But government would be faced with the political consequences of losing hundreds of millions of rand and would be held responsible for mine workers losing their jobs in a politically sensitive area

TANIA LEVY reports that Council of Mining Unions chairman Ben Nicholson last night questioned what a commission of inquiry would achieve Government would still lose about R250m it had already spent keeping ERPM alive

Before the commission had completed its investigation,the gold price would have recovered and ERPM would be mining profitably, he said

The NUM could not be reached for comment last night

St. 7/6/90 214

NEWS

Anxious wait for everyone at ERPM

By Julienne du Toit

ERPM will never close, say white Boksburg miners, knocking back beers in the pub behind the mine's recreation club.

On the other side of the road, nervous shopkeepers who sell exclusively to the migrant workers in the compounds are not renewing their stock.

ERPM is one of the marginal mines which face possible closure as a dropping gold price causes crippling losses.

Many shopkepers have spent their lives in this business They pay no rent for the old corrugated-iron shops near Central Compound

Contents of the shops include laxatives, women's underwear, watches, blankets, raw peanuts, huge bags of sugar, expensive watches and knives.

"I've spent all my life here," said one shopkeeper. A sign at the entrance of his store reads "Native Shop".

Awkward

"I don't know another trade, it would be awkward to change And where would I go? We are just waiting . "

None of the shopkeepers would give their names, as they are not white and own shops in white areas.

They would also not allow photographs.

At the white miners' bar, possible closure is the main topic of conversation.

"Everyone's depressed. There is no discipline, no interest among the workers, black or white," said one of the miners, mulling over a brandy and Coke

"The white miners should strike," said another

The older miners refuse to believe ERPM could close.

ERPM chairman Clive Knobbs was tight-lipped about a rescue plan for the troubled mine, which last made a profit a decade ago

The mine recently sold its dumps for reprocessing.

A decision from Deputy Finance Minister Org Marais' working committee on marginal mines is due any day now, and ERPM's 10 000 employees are gloomily awaiting the outcome.

Gold analyst Rob Gillan said the mine's hopes were pinned on a Government subsidy, good grades from the newly sunk Far East Vertical Shaft and a substantial rise in the gold price

Appointment of ERPM commission a wise move

214

Diagonal Street

Star 7/6/90

DEREK TOMMEY

The appointment of a commission to investigate whether the ailing ERPM should receive further state assistance is a wise move. Although many may see it as passing the buck, this is an unkind thought.

When one takes into account all the aspects the commission will have to consider, one wonders why such a commission was not appointed a long time ago. ERPM is a particularly difficult case. Most mines making losses are usually old and have only marginal ore remaining.

ERPM, though it has been going for 100 years, is to a great degree a new mine. Its old workings can no longer be mined profitability, but it is opening up a reportedly rich area containing enough ore to keep it going for 50 years.

Its new Far East Vertical Shaft system is expected to produce 20 million tons of ore with a fairly high gold content and to provide access at depth to a further 14 million tons.

The expected grade of this ore is five grams a ton, but in 1988 the recovery grade rose to as high at 6,5 grams.

If these assumptions are correct, the figures should make ERPM a profitable mine even in current conditions of high inflation and a low gold price.

But an unexpected fall in the milling grade in the past year has cast a cloud over expectations.

One of the first tasks of the commission will be to decide whether these tonnage and grade figures are still valid and whether ERPM can get its grade back up to the expected five grams a ton.

This is the key to the mine's future and to whether granting assistance at this stage could lead to a major new mine.

In the three months to December (when gold spurted to $420) ERPM's working loss was R2,4, million. After including interest payment, the loss climbed to R7 million.

On top of this the mine had R3,1 million in capital expenditure. Altogether it needed R10,1 million to pay its way.

Unfortunately, this figure doubled in the March quarter. A lower gold price, a drop in grade to 3,19 grams a ton and a lower milling rate, which increased unit costs, combined to give it a working loss of R13,9 million. After adding in interest payments (there was no capital expenditure) the mine required R20,2 million to meet debts

High though this loss may appear, ERPM could finance it, even at the present gold price, if it could get its grade back to five grams a ton.

If the commission decides this could happen eventually, it would then have to decide what aid paid out before this stage was reached would cost the Treasury.

At the same time it would have to work out the size of the losses that the Treasury and balance of payments would suffer if ERPM did not get aid.

ERPM spent R66,6 million in the March quarter — equal to R270 million a year — and a fair amount of this flows back to the Treasury by way of GST, income tax and company tax.

ERPM produces R200 million worth of gold a year. The commision mwill have to determine the financial effects the loss of this foreign exchange could have on the balance of payments and economic growth. It should consider what the effect would be on labour and other mining costs industry-wide if ERPM did not receive assistance and had to rationalise and reduce production.

It could also consider what effect a drop in ERPM's gold product could have on the gold price. It is clear from that the Cabinet's decision to apppoint a commission was the best thing it could do.

Rand Mines calls for quick ERPM probe

LESLEY LAMBERT
and GERALD REILLY

(214)

BDay 7/6/90

RAND Mines said yesterday it hoped the Melamet Commission appointed to investigate the viability of providing additional aid to the ERPM gold mine would conduct its affairs as fast as possible as "time is not on the side of ERPM"

A spokesman said in a statement Rand Mines was disappointed government had not approved a rescue package submitted some time ago He expressed concern at the further delay and the effect it would have on the mine

"We sincerely hope the commission will be in a position to identify quickly the plight of the mine and to make recommendations Rand Mines and ERPM will give the commission the highest level of cooperation and assistance," the spokesman said

Although Rand Mines chairman Clive Knobbs said earlier this week the mine's new Far East Vertical Shaft — upon which hopes for future survival were pinned — was operational, analysts say further delay could have disastrous implications

The mine has used most of its R300m government and bank-guaranteed loans on

☐ To Page 2

ERPM

BDay 7/6/90

(214)

☐ From Page 1

sinking the shaft and maintaining other operations Its assets are valued at R100m, it is losing about R20m a quarter and, to break even, needs an increase in the rand gold price from its current R950/oz to around R1 300/oz, analysts say

DP finance spokesman Harry Schwarz said yesterday the probe should be widened to include the entire gold mining industry

He said the principle of keeping dying mines alive needed close examination It was not only ERPM that had a problem

It was estimated that up to 16 of the 43 producing mines were threatened with closure unless there was a solid and reasonably permanent increase in the gold price These mines probably employed more than 150 000 workers

Goverment would be stuck with having to make special and probably costly efforts to create jobs so that the displaced workers did not add to an already extremely serious unemployment problem

Another issue was whether the shareholders in a threatened mine should not be responsible for finding the additional capital needed for the survival of the mine

EDWIN UNDERWOOD reports that ERPM had reduced its workforce from 17 770 in 1986 to 10 000 by March 20 this year and to 5 854 by yesterday morning However, the number of employees may be even further reduced in the near future as contracts of migrant workers expire

Local retailer Barnabas Christodoulou said the closure of the mine would be a catastrophe "We're in the middle of nowhere, we depend on the workers — a whole life's work is about to go down the drain," he said

But Boksburg Chamber of Commerce and Industry chairman Johan Viljoen said the local industrial sector was quite extensive and unless firms relied specifically on EPRM they should not be adversely affected

● Comment. Page 8

Probe on troubled gold mine

THE Government has appointed a commission of inquiry to decide whether or not it should give further financial help to the struggling gold-mining company ERPM.

Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers, announced this in a statement last night.

The commission is to be headed by Mr Justice DA Melamet who has conducted other inquiries into financial matters.

He will be assisted by Professor DG Krige and Mr S Rossouw. The secretary to the commission will be Mr GD Greyvenstein.

Its brief will be to probe ERPM's mining activities and management, whether or not to continue financial support for ERPM, "the implications of ERPM continuing its business in its present or another form or not at all" and other matters it chooses to investigate.

Dr De Villiers said that ERPM had applied for further aid and the government realised the seriousness of the matter because jobs, foreign exchange and gold reserves would be lost if it closed.

The state had already been helping ERPM for a considerable time in the form of:

*A Government-guaranteed loan of R220 million.

*Subsidisation of interest on this loan to a maximum of 10 percent above 7 percent.

*Help in pumping overflow water from neighbouring mines - which could cause ERPM to close withint five years and.

*A Government guarantee for deferred interest payments This allowed ERPM to defer and capitalise the portion of the interest on the Government loan which it was due to pay - up to a maximum of R67 million.

However, ERPM was still threatened with closure as a result of various factors which needed large technical and financial re-structuring.

So many of our members have described how unpleasant it is to be in business these days. The businessman is caught in the middle of a drama over which he has no control," he said.

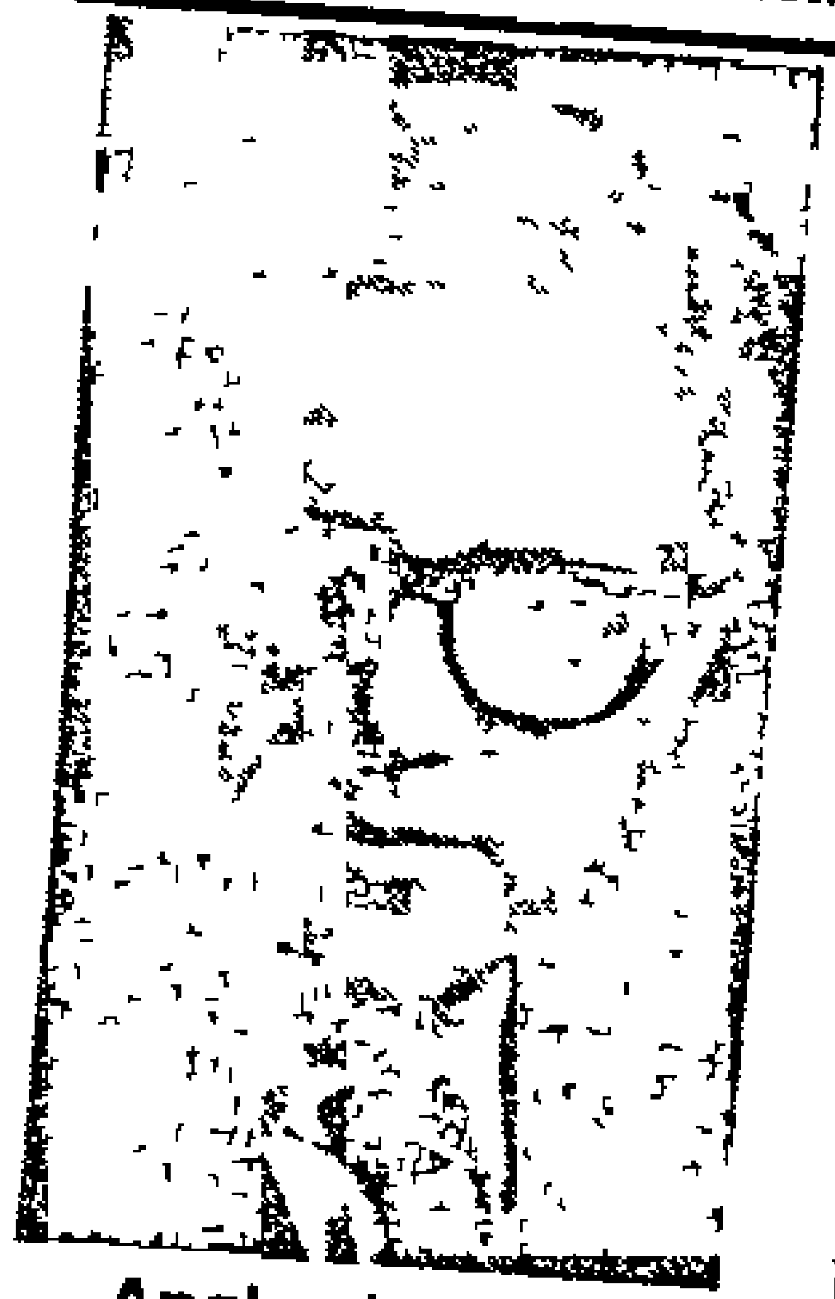
Over the next few days businessmen would have to think meaningful strategies for survival, he said, adding, they had to review past strategies and honestly question their

Anglo lost R3,5 - R5,5m in unrest

Sowetan 7/6/90

(214)

By JOSHUA RABOROKO



Anglo chairman Mr Ogilvie Thompson.

ANGLO American Corporation (AAC) lost between R3,5-million and R5,5-million in gold mines following the widespread violence that erupted in the goldfields towns of Welkom, Theunisen and Virginia in the past month

At a Press conference in Johannesburg this week, the company's managing director in the gold division, Mr Lionel Hewitt, said over 30 000 shifts were lost during the uprisings that left many dead and several injured.

Decrease

However, Hewitt said that work stoppages and violence had decreased tremendously after the Minister of Law and Order, Mr Adrian Vlok, had visited the areas and talked to various groups.

The National Union of Mineworkers, the Chamber of Mines and the Council of Mining Unions had agreed to restore peace in the troubled areas As a result the situation was calm, although there was still tension in the gold mines.

Answering a question, he said that although the NUM had declared a dispute with mine bosses, it was hoped that the matter would be settled in a satisfactory manner

Dispute

The dispute was taken to the Conciliation Board and the company was not expecting strikes on its mines

Industrial actions and the heightened political tensions had contributed to the drop in the price of gold. However it was expected that the company would do well in future.

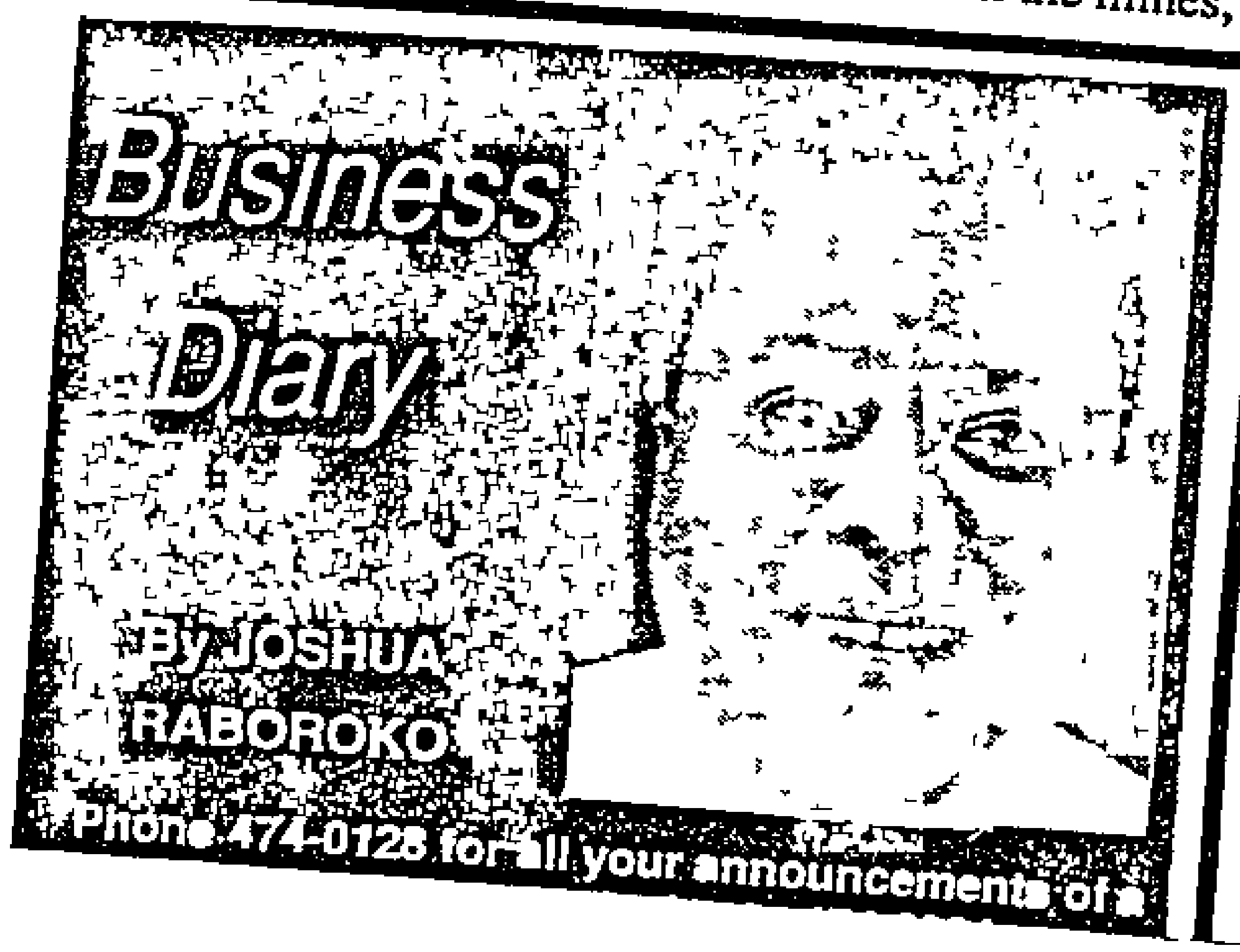
AAC's chairman Mr Ogilvie Thompson said that job reservation was abolished on the company's goldmines, but agreed that there were people who still had not changed their attitudes because of apartheid. "We have not completely succeeded in eradicating this system in the mines," he said.

Commenting on the company's financial results for the year ended March 31, 1990, he said the corporation was again able to report satisfactory results despite the continuing decline in profitability of the gold mining industry, which they had substantial investment and which recorded a drop in earnings this year after static earning the previous year

Anglo's attributable earnings increased 20,1 percent for the year ended March 31 Earnings from gold mines comprised 24 percent of a new record R1,5bn in attributable income compared with 30 percent of R1,3bn in the previous year

The corporation's performance was a tribute to the foresight which had built up a broad spread of investments able to provide sound growth, despite the poor performance of the gold segment of that portfolio.

He expressed concern about the industrial sector In the light of steps taken to dampen the economy and of lower commodity prices, it may prove difficult for that sector to repeat the 12,8 percent higher earnings of R563 million for the year under review



By JOSHUA RABOROKO

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*The Foundation for African Business and Consumer Service is to hold its corporate advisory council meeting in Johannesburg today at the Mariston Hotel, Johannesburg at 9 am. The following day a Fabcos members, sponsors, satellite companies and advisers, will hold a meeting at same venue

*The Soweto

New firms chosen for competition

By GILLIAN COUNIHAN

(214) Star 8/6/90

Large sums of money for 'venture' go astray

Star Line

JUNE BEARZI

Rags-to-riches businessman Sarel von Biljon, who made millions from a tainted "aid society" scheme which preyed on unsophisticated blacks, has now launched a much criticised venture-capital operation, Gemgold Mining Ltd.

In his latest "make huge profits by investing in alluvial diamond-mining" operation run from Lyndhurst, Johannesburg, Mr von Biljon has targeted society's more affluent sector.

Seven years ago Star Line revealed that a once penniless Mr von Biljon — promoter of Golden Aid (Pty) Ltd — had led an oppulent lifestyle on funds raked in from thousands of blacks who were promised "legal advice, burials, and financial and bail aid".

The "aid" to clients who lived a hand-to-mouth existence often never materialised, and Star Line and various public-funded legal [illegible] took up their complaints. Finally, bad publicity and legal pressure forced their closure in SA, and Golden Aid was outlawed in Bophuthatswana.

Gemgold encouraged the public to invest with assurances that investors would double their money in months, as the company would be listed on the JSE at the beginning of June An offer to buy back their 80c shares for R1 each at a later stage had apparently also lulled them into a sense of security.

However, Star Line established that large sums of cash paid in by certain Gemgold investors were not used to finance the [illegible] buy back [illegible]

JSE venture-capital-market listing requirements.

A Pretoria advocate, who does not wish to be named, told Star Line he represented an overseas syndicate which had asked him to check whether its potential R2,1 million investment would be secure if sunk into Gemgold

The advocate said· "In the interests of these clients I demanded Gemgold provide a prospectus and comply with all the legal and financial requirements necessary for a listing. But they have failed to do so and I've discovered they have not even lodged a listing application with the JSE "

Wollie Wolmarans of Mooi Nooi told Star Line he had been approached by a broker for Capital Growth Investments in Craighall Park Johannesburg [illegible] took up their complaints Fi- operation does not

What investors want chairman to tell them

214 Star 8/6/90

All approaches to Sarel von Biljon, to discuss allegations that almost R80 000 paid by investors for Gemgold shares is unaccounted for, were unsuccessful.

Mr von Biljon, who also has close links with venture capital scheme Multi Gold Holdings Ltd and its marketing arm, Capital Growth Investments (CGI) in Craighall Park which featured in Star Line recently, is chairman of Gemgold.

Star Line wished to discuss the grave concerns of some investors about their cash and Mr von Biljon's close association with an insolvent Johannesburg businessman, Andre Hendricks, who was the sole director of Equity Acceptances (Pty) Ltd in Rivonia.

Investors demanded explanations about.

- R75 000 an investor believed was earmarked for equipping Gemgold's diamond-mining operation in Lichtenburg which was funnelled through Equity Acceptances into another Von Biljon venture, Sandton Acceptances.
- R4 000 handed over by a western Transvaal investor which went into Mr Hendricks's Equity Acceptances operation instead of Gemgold's account
- Why promises of a JSE listing at the beginning of June, a share buy-back guarantee and huge profits had not been met.

When Star Line contacted CGI boss Colin Hartley, he said there was nothing irregular about investors' cash being paid into Equity Acceptances or Sandton Acceptances instead of Gemgold He was making immediate arrangements to issue share certificates to unhappy investors

Gold and forex reserves decline again in May

5/6/90

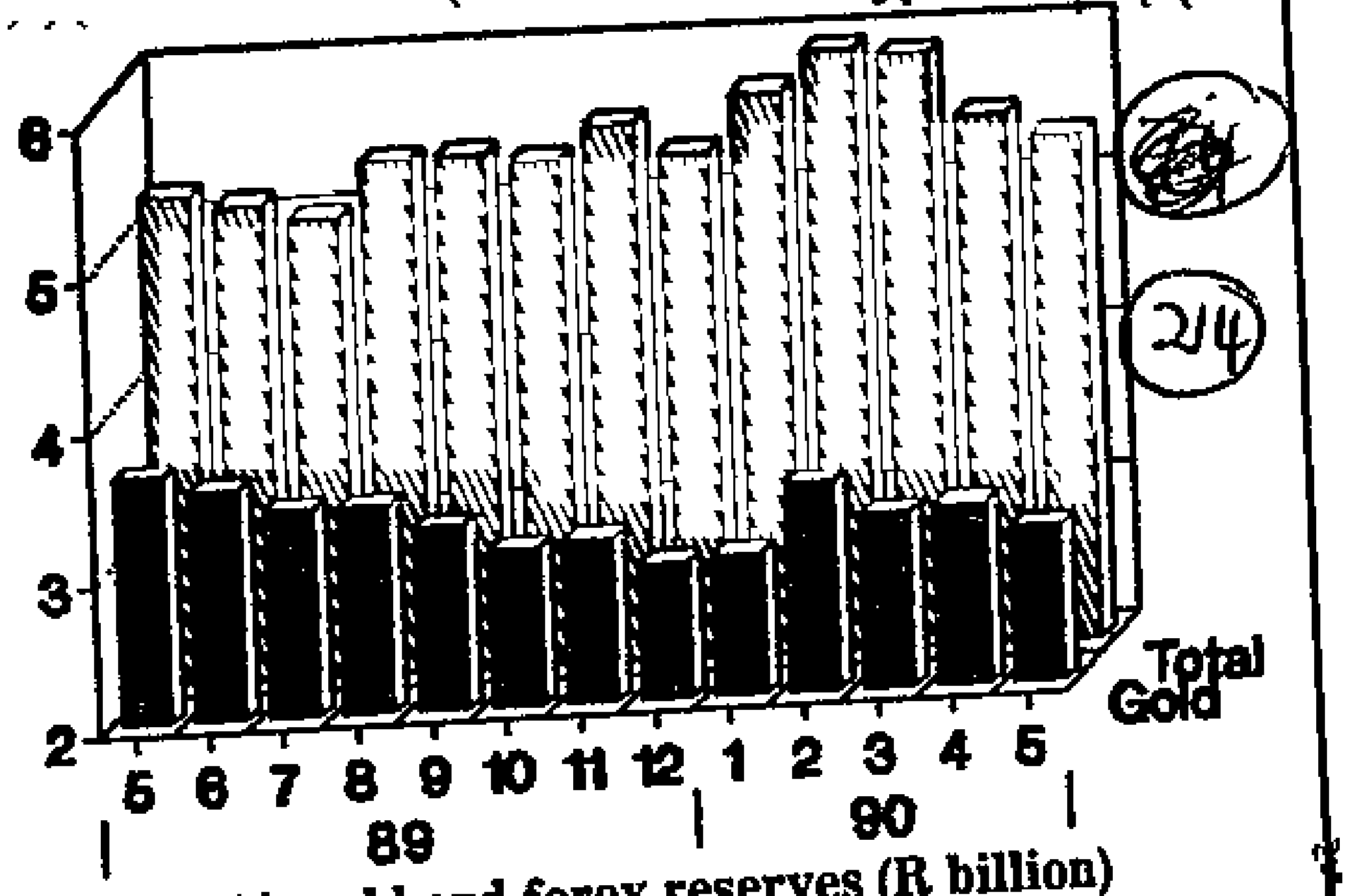
By Sven Linsche

South Africa's gold and foreign exchange holdings continued to decline in May, dropping by 2,7 percent to R5,326 billion compared with R5,475 billion in April.

However, economists predict that the reserves will be strengthened in the second six months as the economic slowdown impacts negatively on the value of imports.

In addition, South Africa will have met the bulk of its foreign debt repayments, which are clustered in the first half of the year.

In April the reserves fell by R429 million largely as a result of $200 million worth of debt payments Trust Bank's economist Nick Barnardt says that further payments, exceeding $100 million, were made in May.



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SA's gold and forex reserves (R billion)

Mr Barnardt expects that the June reserves will show a substantial decline, particularly if the current downturn in the gold price continues

Gold reserves fell by 5,7 percent in May to R3,01 billion (April R3,19 billion), which was the result of gold swops and the decline in the gold price.

The average gold price received decreased from R891,23 an ounce in April to R875,09 in May, according to the figures released by the Department of Customs and Excise yesterday

Total gold holdings fell by four percent to 3,436 million ounces from the previous month's 3,582 million ounces.

Foreign exchange reserves, however, rose by 1,6 percent to R2,32 billion from last month's R2,28 billion, reflecting the continued strong performance of merchandise exports

FM 5/6/90 (214)

INQUIRING INTO ERPM

Government seems to have had enough of pouring good money after bad at ERPM. At least that is one view of the Cabinet's decision to appoint a Commission of Inquiry into the desirability of continuing financial support for the deeply troubled mine

So far State (or taxpayer) support has consisted of guarantees for bank loans totalling R220m, which will have to be met from taxpayers' pockets if the mine folds, subsidising the cost of pumping to prevent the mine from flooding; guarantees of a further R67m of capitalised loan interest, and regular interest rate subsidies And still ERPM shows no signs of emerging from its problems

Against these sunken costs has to be set the potential costs of unemployment and the loss of about 5 t of gold a year worth just short of US$60m at current prices

But there's another factor the commission might consider This week in Johannesburg Stewart Murray, the author of Gold Fields' *Gold 1990*, said the closure of one of SA's marginal mines would send a powerful message to the debilitated gold market

He would not guess if a single closure could reverse gold's bear trend But what do we have to lose?

Jim Jones

Ring fencing prevents eleven new SA mines

B/Day 8/6/90

(214)

BARRY SERGEANT

THE commission of inquiry appointed to investigate the future of East Rand Proprietary Mines (ERPM) has sidelined a far more important issue SA's future competitiveness in international markets

The issue is encapsulated in 11 significant potential new gold mines that are not proceeding The go-ahead for these mines is almost entirely dependant on small changes (in money terms) to mining tax government stubbornly refuses to make

Preserve

The most important of these is ring fencing — the restriction whereby capital expenditure on a new mine may not be set off against the taxable income from an existing mine

The system was implemented in 1984 by government to preserve its mining tax base

Currently, ERPM is producing gold at a cost of about R1 400/ounce and selling it for R950/ounce — SA taxpayers subsidise the difference

Analysts also say that of the 600 tons of gold produced in 1989 about 50 tons were mined at a loss

On the other hand, 11 new gold mines that could produce more than 85 000 new jobs remain on ice

An MBA thesis recently published by the Wits Business School found that "because of the dwindling margins on gold mining during the last 10 to 15 years, the risk-return profile of new gold mining projects has moved too far in favour of government with average tax rates of 75% and more, on profitable mines

"In order to stimulate the next wave of significant gold producers in SA, government has to abolish ring fencing and reduce the average rate of tax to achieve tax neutrality between new industrial and new mining projects "

Analysts say SA needs new gold producers for two main reasons to create thousands of new jobs, to maintain its market share of new international gold production

SA's market share of newly mined gold from the Western World has dwindled over the past 20 years from 80% to 37% and will probably continue dwindle unless investment in new projects is stimulated.

Ed Hern, Rudolph Inc research chief Tom Dale says "The lead time to gold production on a deep-level gold mine of four to six years, depending on technical considerations, means that the decisions to abolish ring fencing and surcharges on gold mining cannot be deferred any longer without disastrous consequences "

ERPM has not paid a dividend or tax for a decade, and in some years since 1980 has incurred substantial losses

Dale says "There is simply no time left for government to procrastinate The main issue is that because of dwindling margins, mining houses have to take the bulk of very serious risks and government enjoy a disproportionate share of the returns"

The MBA thesis finds hat for a "probable" gold price of R1 100/ounce in real 1990 money terms, none of the eleven potential new gold mines are financially viable if ring fencing is retained

A blanket lifting of the ring fencing legislation would result in eight of these new mines becoming viable

Two of the three new projects remaining unviable fail to go ahead purely because of the lack of an appropriate "parent" company with profits to shelter from tax

The eight new gold mines rendered viable by the lifting of the ring fence are forecast to mill some 20-million tons per annum by the turn of the century, producing an estimated additional 145 tons per annum of gold

The present value of additional employee remuneration resulting from the opening of eight new gold mines is estimated at some R23bn over the next 25 years

Apart from job creation, suppliers to the eight mines would benefit from mine expenditure on goods and services estimated at R37bn in today's money over the next 25 years

This week Clem Sunter, chairman of Freegold, criticised the partial lifting of ring fencing in this year's Budget

Dwindling

"This measure will be of benefit to smaller projects but a bolder move will be necessary to encourage the development of large new mines It is hoped that this is only a first step towards the total abolition of ring fencing," he said

The amount of tax paid by the gold mines is dwindling at an accelerated pace In the March quarter, gold mines paid R369m in tax, almost R100m less than the March quarter 1989

An important conclusion in the MBA thesis is that indirect tax receipts from gold mines are substantial, and will to a large extent compensate for the reduction in direct tax if ring fencing is lifted

FINANCE

Ring fencing prevents eleven new SA mines

BDay 8/6/90

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Gold slump omen of hard times ahead but few mines will close

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W/Mail 8/6-14/6/90

A continuing low gold price will have serious implications for the South African economy, but wide scale mine closures are not necessarily on the cards. REG RUMNEY reports

THE gold price dropped dramatically in the last week, and as the *Weekly Mail* went to press it was hovering around $360. The fall in the gold price traditionally cuts business confidence in South Africa to the quick But what will be the actual effects of a low gold price over a long period?

For one thing, gold is not as important to the country as it once was.

As a tax source, its importance has dwindled. Government expects only R1,3-billion in revenue from the mining industry this fiscal year, or less than two percent of estimated revenue of some R70-billion

But gold still drives the South African economy It still contributes between a third and a fourth of South Africa's foreign exchange earnings. According to the Chamber of Mines, raw mineral exports accounted at R30-billion for about half the country's foreign exchange earnings in 1989 Gold accounted for some 66 percent of raw mineral exports

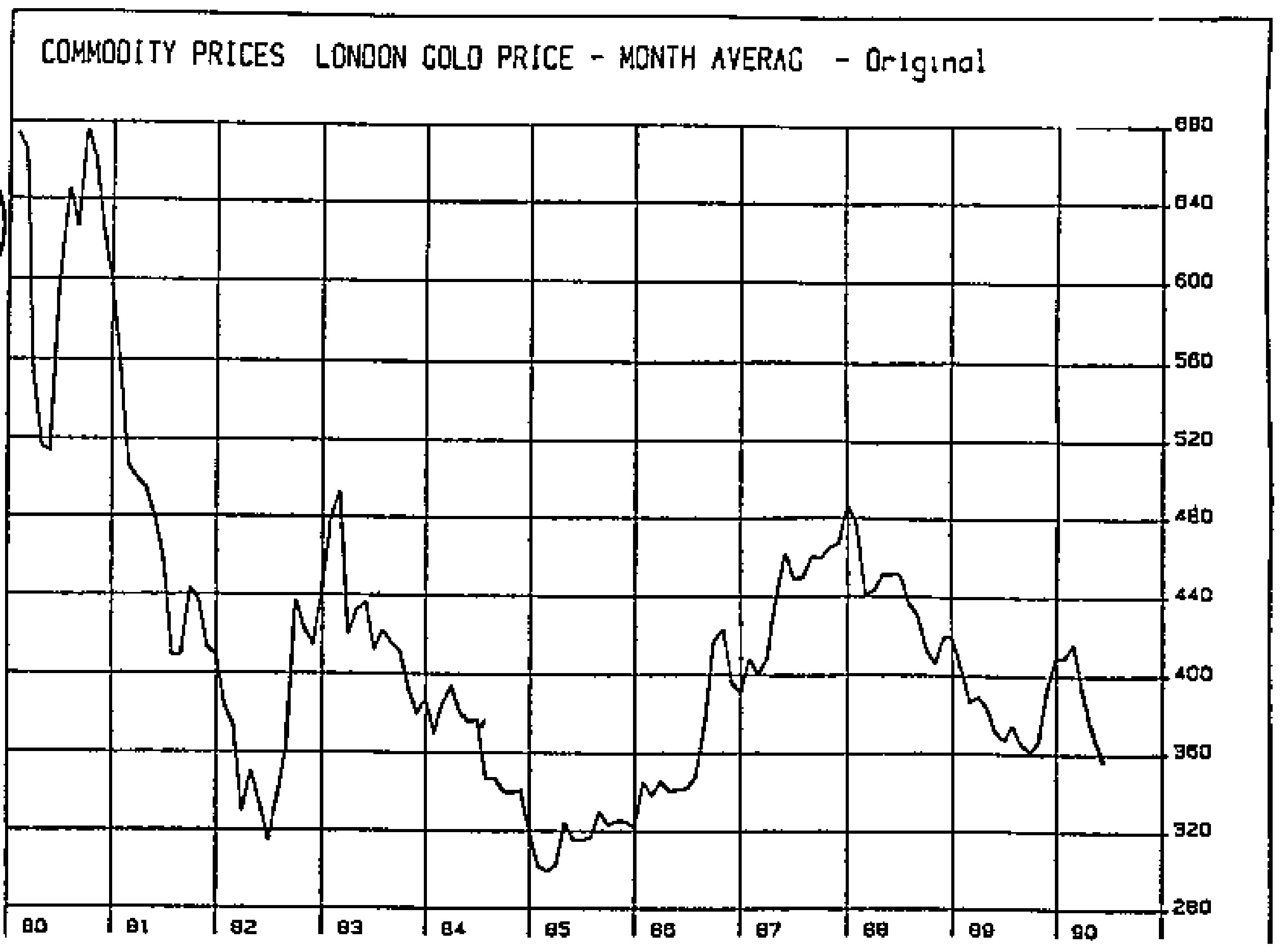
According to the chamber, gold contributed 5,9 percent to South Africa's gross domestic product last year. In the past decade, gold's share of South Africa's total export earnings from goods and services averaged about 36 percent Last year this figure was 32 percent

The long-established rule of thumb is that a $10 drop in the average annual gold price translates into a loss of under $200-million a year to South Africa.

Expectations at the end of last year were that gold would average around $420 this year Now the average gold price for the year is hovering around $393.

Also, the lower the gold price the more pressure on the rand in foreign exchange markets, and hence the more pressure on local inflation from higher priced imported goods.

What will be the effect on interest rates? So far the Reserve Bank seems to be sticking to its guns on keeping interest rates "real" (a good few points above the official inflation rate) Will the bank take pity on long-suffering debtors and allow interest rates to fall?



The graph shows the monthly average gold price over 10 years

In fact, gold's low price adds to pressures on the government to maintain high interest rates, because of the necessity of restraining imports as export revenues decline

Nedcor chief economist Ted Osborn says gold's constraint means that the government is less likely to be tempted to come back to parliament to ask for an increase in government spending, should the economy slide into deep recession.

The dramatic fall in the gold price has other effects The short bull market, and the continuing bear market, took many by surprise

Osborn says that the brevity of gold's surge has called its speculative value into question.

"The longer the gold price stays low the less confidence there is in gold, and the less likelihood of any investor interest "

Osborn pointed out that the price of gold depends on the marginal interest of speculators "If speculators lose confidence, gold must drop "

Gold's continuing weakness is also putting the future of several gold mines in doubt, most immediately and most urgently East Rand Proprietary Mines

ERPM's request to the government for an assistance package was not acceded to, and instead a judicial commission of inquiry has been appointed to consider its future

Giant mining house Gencor is still considering closing four gold mines later this year if the gold price remains depressed and inflation stays high, according to Gary Maude, the head of General Mining's gold division. A decision might be made as early as next month.

He said that Gencor would seriously consider closing mines that made a loss for three consecutive months.

JD Anderson analyst Bruce Williamson pointed out that the low gold price was beginning now not only to affect high-cost mines, but the gold mining industry generally. However, the independent mines were likely to be hardest hit because they had no "big daddy" to bail them out.

Davis, Borkum analyst David Giese said that though the low gold price affected 20 percent of South Africa's gold production, a continuing weak price did not mean a rash of mine closures or that 20 percent of gold mine production would be lost.

At most 5 percent of production would be lost Only about 12 mines would be affected, and only a handful of them would be forced to close.

Mines would first start scaling down production and closing down loss-making mines

ERPM is the most extreme case of a high-cost mine. To stay afloat it would need a gold price of above R1 000 an ounce, according to a representative. The current gold price is about R956 an ounce

Government details inquiry into ERPM

The Argus Correspondent ARGUS 8/6/90 (214)

PRETORIA — The government has given details of the commission of inquiry into aid for the ERPM gold mine

Mr Justice D A Melamet has been named chairman and the other members are Professor D G Krige and Mr S Rossouw

The commission will report on the mining activities and management of East Rand Proprietary Mines, the desirability of continuing financial support from the government and the principle of this support

It will also investigate whether ERPM should continue mining and has the power to consider other matters

The regulations provide for calling and cross-examining witnesses and recording and publishing proceedings

ERPM has said it will give full co-operation to the commission A spokesman said he hoped the mine's plight would be identified and recommendations made quickly

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Star 9/6/90

Inflation killing the golden goose

DEREK TOMMEY

THE drop in the dollar gold price this week to its lowest point for four years has plunged the gold mining industry into a crisis - and raises the spectre of hard times for South Africa

This is because the gold mining industry is still the main generator of prosperity in South Africa The serious plight in which it is now could have unpleasant repercussions for everyone.

Dealers point out that most attention has been centred on the plight of the extreme marginal mines such as ERPM.

But this has concealed the fact that up to two-thirds of the country's mines are in slight or severe trouble as a result of the recent gold price drop

An analysis of the March quarter gold mine returns shows that only 11 of the 31 gold mines which are members of the Chamber of Mines are sufficiently well-placed to weather a $353 (or R940) an ounce gold price.

The plight in which the gold mining industry now finds itself is not new The industry has been under pressure for several years However, this has been partly concealed by the relatively unchanged and even at times rising rand gold price.

But all the time inflation has been steadily reducing the value of the money the mines have been receiving for their gold.

In real terms the gold price has fallen 40 percent since 1985

What this means is that the mines today are receiving just over half what they were getting in 1985 for their gold They have managed to keep going and more or less maintain dividends, but the Government has been a major loser with its tax revenues dropping sharply

In 1987 this amounted to R2,7 billion It dropped in 1988 to R2,4 billion and last year to R1,5 billion.

The latest annual report of Freegold, which was formed in 1986 out of the merger of the Anglo American Free State gold mines, shows how the industry has been hit.

This is the largest gold mine in the world, employing 107 000 people and producing some R3,6 billion worth of gold.

In 1986 Freegold milled 21,7 million tons of ore and had a gold profit of R1,19 billion. In the year ended March this year, Freegold milled 26,1 million tons of ore — a 19,8 percent increase on 1986 — and had a gold profit of only R639,9 million.

This profit looks like deteriorating further this year and could even disappear altogether

But of course this will not happen Freegold will cut costs, increase its milling grade and continue to show a profit.

But there will be a cost. Freegold's life will be shortened.

What can the industry do about its present plight? One obvious move is to give its full support to the government's anti-inflation drive. This will ensure that it will retain at least the full benefit of the present gold price

It can also hope for a higher gold price This could happen this year or next year but it is not a certainty and some contingency plans would seem to be needed to assist those mines in the greatest difficulties

Mining industry officials suggest that mines in trouble should be dividend into three categories

Those which can remain profitable at the present gold price with only slight assistance should get immediate help

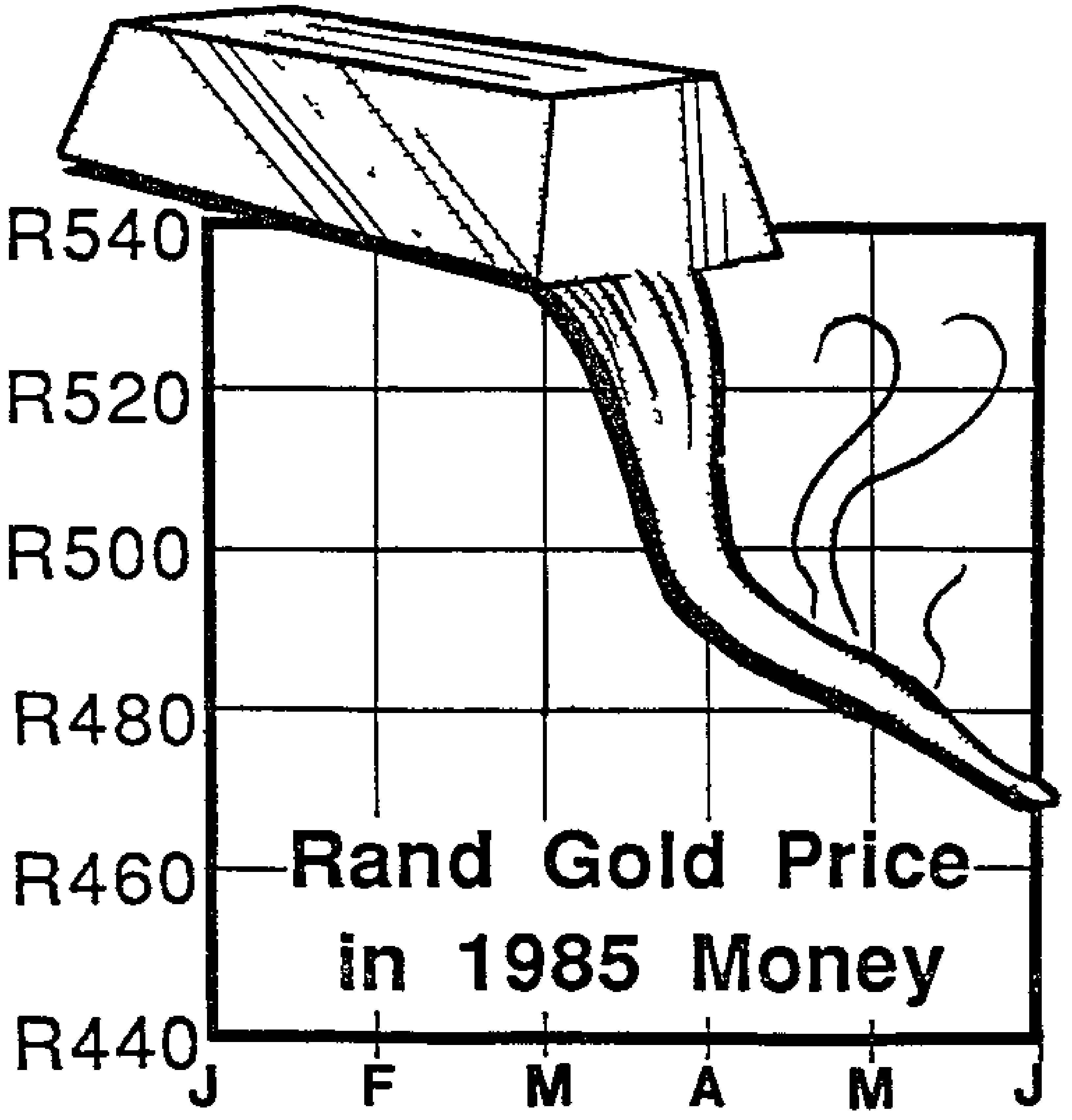
The second category is those which have large reserves of marginal ore which would be profitable at say $500 an ounce. These mines should be allowed to close down but kept on a care and maintenance basis so they could quickly be re-opened when the gold price recovers

Finally mines which are completely marginal should be allowed to close without any tears being shed.

The end result would be a smaller more efficient and more profitable gold mining industry

Some people oppose the Government's use of taxpayers money to support marginal operations But the industry points out that state help for the mines could generate tax revenues far larger than that help would cost the State.

One, admittedly very rough, calculation suggests that ERPM is indirectly contributing some R81 million to the Treasury by way of GST, duties, income and company tax.



REAL VALUES: The nominal rand gold price has remained relatively steady in recent years. But the 'real' price (the rand price adjusted for inflation) has been dropping steadily.

‘Wise’ decision on ERPM

W/E Argus 9/6/90 (214)

From DEREK TOMMEY

JOHANNESBURG – The appointment of a commission to investigate whether the ailing ERPM should receive further state assistance is a wise move Although many may see it as passing the buck, this is an unkind thought

When one takes into account all the aspects the commission will have to consider, one wonders why such a commission was not appointed a long time ago

ERPM is a particularly difficult case Most mines making losses are usually old and have only marginal ore remaining

ERPM though it has been going for 100 years, is to a great degree a new mine Its old workings can no longer be mined profitability, but it is opening up a reportedly rich area containing enough ore to keep it going for 50 years

Its new Far East Vertical Shaft system is expected to produce 20million tons of ore with a fairly high gold content and to provide access at depth to a further 14million tons The expected grade of this ore is five grams a ton, but in 1988 the recovery grade rose to as high at 6,5 grams

If these assumptions are correct, the figures should make ERPM a profitable mine even in current conditions of high inflation and a low gold price

But an unexpected fall in the milling grade in the past year has cast a cloud over expectations

One of the first tasks of the commission will be to decide whether these tonnage and grade figures are still valid and whether ERPM can get its grade back up to the expected five grams a ton

This is the key to the mine's future and to whether granting assistance at this stage could lead to a major new mine

In the three months to December (when gold spurted to 420) ERPM's working loss was R2,4 million After including interest payment, the loss climbed to R7 million On top of this the mine had R3,1 million in capital expenditure Altogether it needed R10,1million to pay its way

Unfortunately, this figure doubled in the March quarter A lower gold price, a drop in grade to 3,19 grams a ton and a lower milling rate, which increased unit costs, combined to give it a working loss of R13,9million After adding in interest payments (there was no capital expenditure) the mine required R20,2million to meet debts

High though this loss may appear, ERPM could finance it, even at the present gold price, if it could get its grade back to five grams a ton

If the commission decides this could happen eventually, it would then have to decide what aid paid out before this stage was reached would cost the Treasury

At the same time it would have to work out the size of the losses that the Treasury and balance of payments would suffer if ERPM did not get aid

ERPM spent R66,6million in the March quarter – equal to R270million a year – and a fair amount of this flows back to the Treasury by way of GST, income tax and company tax

ERPM produces R200million of gold a year The commision will have to determine the financial effects the loss of this foreign exchange could have on the balance of payments and economic growth It should consider what the effect would be on labour and other mining costs industry-wide if ERPM did not receive assistance and had to rationalise and reduce production

It could also consider what effect a drop in ERPM's gold product could have on the gold price It is clear from that the Cabinet's decision to appoint a commission was the best thing it could do

W/ARGUS 9/6/90

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Mine closures 'would boost gold price'

From CLAIRE GEBHARDT

JOHANNESBURG — If the closure of three or four gold mines were announced it would reduce world production by 50 or 60 tons and shoot the gold price up significantly within two weeks, says Genmin MD, Mr Gary Maude

Theoretically, says Mr Maude, it would even pay the mines which are making good profits to get together and pay unprofitable mines to close down

"The increase in the gold price would more than compensate for it"

Mr Maude adds that given the fact that it takes between 12 and 18 months to close any mine and the price of gold subsequently jumped up, none of the mines might have to close down

Some economists suggested this week that it would be possible to "mothball" marginal gold mines with an eye to resuscitating them when the rising price warranted it

They suggested a care and maintenance routine with government subsidising pumping to prevent flooding

Mr Maude however discounts this Ninety percent of mines cannot be mothballed, he says

"The nearest we have been to it recently is at Beisa, which is now Oryx In the early 1980s Beisa was opened as South Africa's first uranium producer

"When the bottom dropped out of the uranium market we closed Beisa down and the mine flooded Subsequently an exploration in that area found a good gold level in the uranium and a feasibility study resulted in Oryx"

Giving a good indication of how far one can go with mothballing, Beisa had about a kilometer of water which came to the top of the shaft, says Mr Maude

"When we started Oryx we pumped the mine out and the main arteries were in good condition but the stoking areas had fallen in

"Deeper mines would have more problems, the shafts would be in good working conditions but the working areas would have closed up

'Government subsidisation of pumping would not alter the situation, the water damage is not too bad, even the steelwork did not rust at Beisa, what would stop is your day to day safety which keeps the mine from closing up

"One of the problems with water is that when a mine closes down and stops pumping, floods can threaten other mines in the area This is why government in some cases is prepared to subsidise pumping"

From a business point of view it would make sense to close the mines, says Mr Maude

"Where a mine is producing at R1100kg and selling at R900kg that loss has to come from your retained earnings

"This can only go on for a month or two before you have to borrow and who is prepared to lend money on something which is fundamentally unsound?"

Gold price lays siege to payments balance

(214)

ST Times 10/6/90

Quick fix hopes fade as mines struggle

Business Times Reporter

THE precipitous slide in the gold price could hardly have come at a worse time for the South African economy.

It will speed the economic slowdown, already looking like a crash landing, and push efforts to maintain a strong balance of payments through two years of heavy debt repayment into a more treacherous state

Some of the control over the economy which was firmly in SA hands three months ago is slipping away

The JSE gold index has slid 9% from 1 610 a week ago to 1 463

In the mining industry a rand gold price at the current level of R940 an ounce will send more marginal mines into the red

Some commentators say that up to 40% of SA's gold output is produced at a loss

The gold price has fallen nearly $70 an ounce since February, and if the new low level is maintained for a full year it would mean lost foreign earnings of R3-billion — a severe blow when SA is expected to repay R6-billion of debt

Hedge

If the gold price falls much below the week's close of $353,60, or if it stays depressed for too long, the balance of payments will be back under pressure

With an expected services deficit of R12-billion a trade surplus of R17-million is needed to maintain a R5-billion safety hedge

Economists believe the levelled-out monthly trade surplus is running between R1,3-billion and R1,5-billion — perilously close to the edge

Even with up to R1-billion of this year's debt repayment likely to be rolled over there is little room for manoeuvre

The effect of gold's slide is even more severe for producers, who say they face cost increases of about 16% a year

There is already a commission of inquiry into the wisdom of more State aid for ERPM, and without a depreciation of the rand or an increase in the gold price more mines will cry for help or face closure

The chances of a quick increase in the price are slender

Few London gold watchers are prepared to put their head on a block and name a price at which the slump will bottom out

Demand for gold is poor — it's lousy, says Ted Arnold of Merrill Lynch International

Oil

Although rumours of Soviet sales usually top the list of reasons for a drop in the gold price, Middle Eastern sellers are in the market because of the weakening price of oil

Other factors are also in play East-West political relations continue to improve There are fears that President Mikhail Gorbachev could be ousted, but if anything these are outweighed by the fact that the economic and political woes of the USSR make it weaker and more dependent on Western help

It is estimated that the Soviet Union has swopped up to 300 tons of gold for foreign loans The lending banks are believed to have hedged part of these with sales in the gold market

Seasonally demand from the jewellery industry is slack and retail sales in the US, the biggest market, have wilted

Consolation

On Merrill Lynch's estimate jewellery stocks of gold in Europe and the Middle East could be as high as 200 tons — equal to almost two months' sales

Hence the industry is not coming in to stock up at lower prices, especially with high interest rates prevailing

SA analysts were told this week that only political upsets and lower real interest rates were likely to arrest the bear market

Stewart Murray, chief author of Gold 1990, the survey of the world gold market produced by Gold Fields Mineral Services, said in Johannesburg that not even the unbundling of Eastern Europe held much hope

"But there could well be hope in the longer term if Eastern Europe is the beneficiary of the equivalent of a Marshall Plan and living standards there rise dramatically"

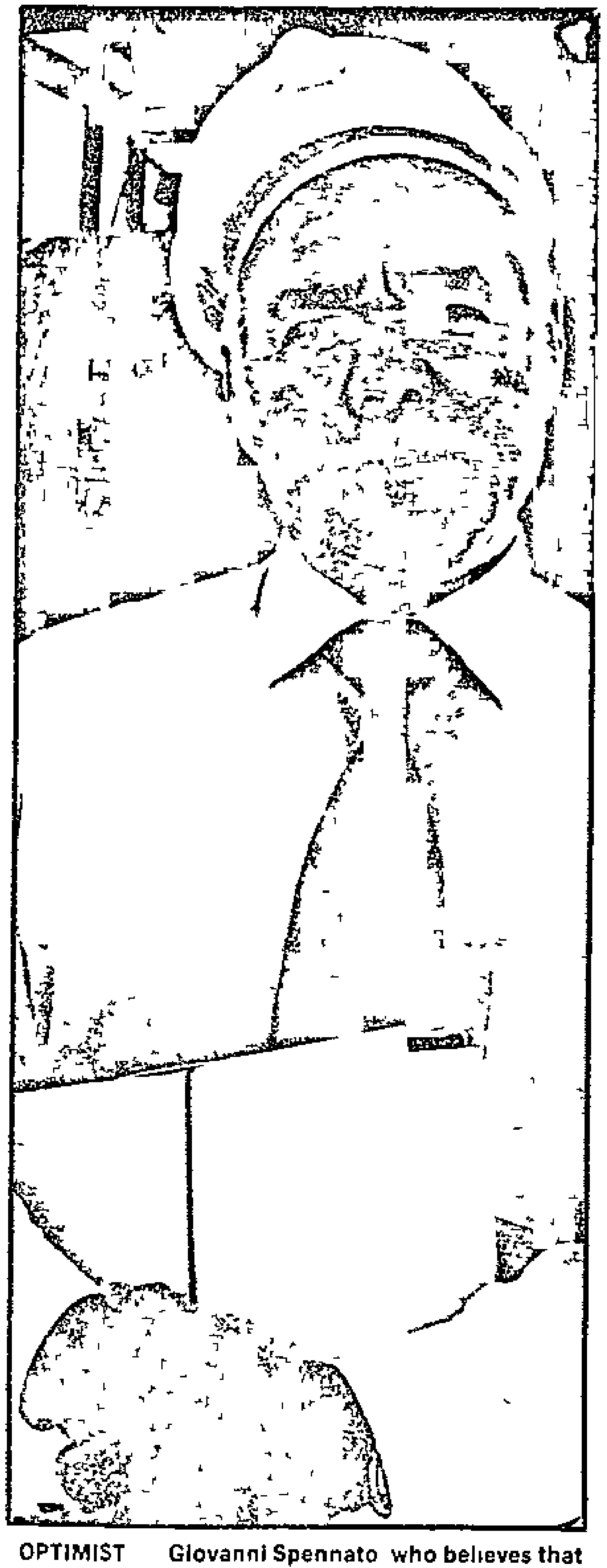
About the only consolation for gold bugs from Dr Murray is that fabrication demand accounts for 96% of mine production and generally rises when the price is low

He believes the closure of marginal mines would have only psychological effects on the gold price Closures, it seems, might reduce production by 20 or 30 tons a year compared with world supplies of 2 723 tons and total holdings of 34 000 tons

Analysts suggest gold may have to decline to $335 to $340 before "cheap" buying comes in

One says it is now in "no-man's land" between $350 (a technical support point) and $364 (a resistance level)

THE MINE OF MISERY



OPTIMIST Giovanni Spennato who believes that ERPM won t die

THE LIVES of nearly 40 000 people hang in the balance this weekend as they await a decision on the fate of an historic gold mine.

The crisis hit ERPM mine in Boksburg — over 90 years old — is one of those which face possible closure as the plunging gold price causes crippling losses

For the tough miners and their families who live on the mine the uncertainty is "hell"

They anxiously await the finding of Mr Justice Melamet s Commission which will recommend whether or not the state should continue to subsidise ERPM

Meanwhile, a heavy veil of uncertainty shrouded the limping mine when the Sunday Times visited it this week

Miners, returning from a hard underground shift, had no idea what fate awaited them after they had finished showering and clocked out

Others feared that if they took leave they would be told their services were no longer required when they reported back for duty at rural recruiting offices in neighbouring states

Confident

But, still, there is a glimmer of hope.

Strongly optimistic Giovanni Spennato a 59 year old mine overseer who has been at ERPM for 35 years said "The mine has been good to me and I've worked hard to get where I am.

"When I arrived here the gold price was low and there was also talk of it closing Since then she has gone through some tough times and always survived. I am confident that this mine won t die '

Mr Spennato came to South Africa from Italy The son of an established farmer and winemaker, he was recruited by the SA Government shortly after World War II.

'My father was upset about my decision and said I was disgracing the family We finally agreed that I would spend six months in South Africa and then go home"

Today he and his wife Joy have three grown up children and he proudly calls himself a South African.

'The mine is part of my life If the mine had to close it would not be too hard on me I could retire with a full pension, but I hope to stay on for a few more years and train young people

However for office clerk Happson Dlamini and his five sons life without his job at ERPM would not be easy

'I ll suffer until I get another job '

Mr Dlamini comes from Mahamba a small Swazi village on the border with South Africa He was an unqualified teacher before coming to the mines in search of better pay

"I want to study and get a degree but the money I earn is just enough to keep my family back home alive and I also don t have enough time to study

Worried

He admitted he would be forced to return to his impoverished village if he was laid off

"That is my biggest fear because there is no work at home

The slender 29 year old father told with worry wrinkling his forehead about workers who have gone home on leave and not returned

"They get their bonuses after 12 months and go home for three months believing they will be able to come back But they aren t accepted at the recruiting offices when they report back."

Even if he found a new job it would mean less money Accommodation on the mine, while 'not exactly good', is free and so is the food

Weary miner Dave van Aswegen was also worried

' After this chat, I'll shower and go to the office where I might be told that I'm being laid off.

"When I come to work in the morning I don t know if I've still got a job It s hell

'Everyone else — from the shift bosses up — know where they stand, but us miners haven t got a clue '

He spoke from the heart, as if he had nothing to lose by revealing his hopes and fears for all the world.

"What will happen to my children? I must look after them, it's a man s responsibility

Grateful

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I have a mine house which costs R10 a month in rent Anywhere else the same house would cost me R850 a month I could never afford that.

This is a matter of life and death"

Mr Van Aswegen said that many miners were being transferred to other mines in the Rand Mines group But he did not want to be relocated

My roots are here I've been on this mine for seven years A move would mean leaving all my family and friends behind My children would have to change schools

Mr Van Aswegen knows only mining He married into it. His father in law and his father both worked at ERPM.

He is a Boksburg right winger and pointed out quickly that he 'didn t vote Nat in the last election

But how would he feel about the National Party if the Government were to bail out the mine?

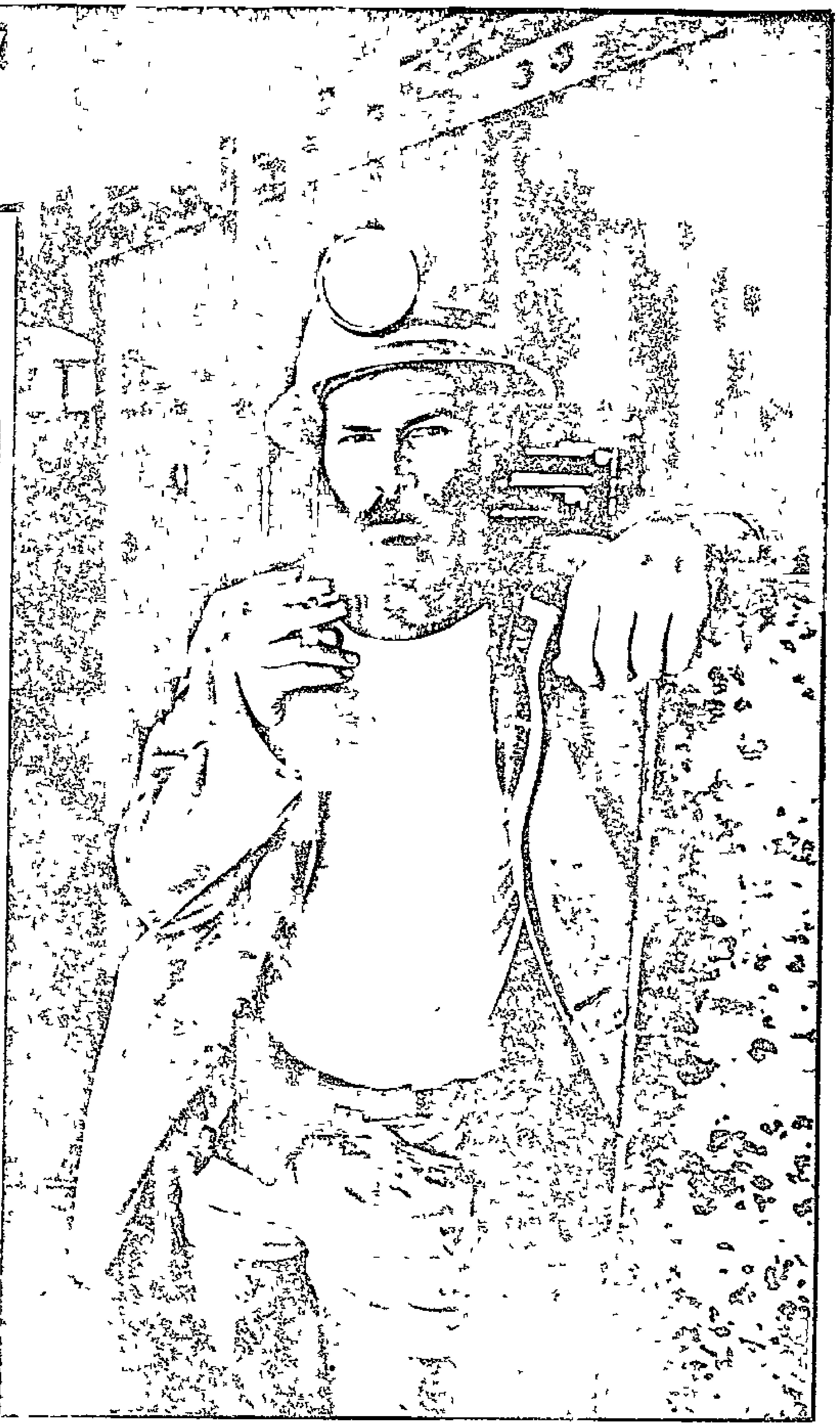
A lot of people would be grateful to them

FATE OF THOUSANDS HANGING IN BALANCE

S/Times 10/6/90

Report: DOMINIC JONES Picture: PIERRE OOSTHUYSEN

WORRIED Happson Dlamini, who fears he won't get another job



IT S HELL miner Dave van Aswegen, who calls it a matter of life and death

Rand holds as gold melts

(214)

S Times 10/6/90

THE rand withstood two-pronged pressure to hold at 266c to the dollar this week

The melting gold price and the dollar's strength against other currencies were two factors which would normally have knocked the rand The finrand took a smack down 10c to 394c, rallying to 390c by the close, but it was not enough to cushion the drop in golds

Heavy European selling hit marginal and highly geared mining shares in particular, but percentage falls in the higher-quality stocks were limited to single figures

By JULIE WALKER

De Beers came off to 9 775c on the JSE, but the market's buzz is that an announcement is imminent Anamint surged by R100 to R1 350 before retreating to base after stepping out of line with De Beers Anamint shares are to be split 10 for one

Mining houses were hit, GFSA especially because of its heavy weighting in gold It slipped to R75 before picking up 100c, having been R110,50 in January

Anglo American gave up almost R7 to R120,50 and Rand Mines shed R7 to R95 But Gencor put on 20c to R11,25

A trend to rand-hedge counters was revived even though the rand held firm Samancor hit a peak of R30,50, easing 100c for an 8% climb

Palamin gained 450c to R80 and Sappi was strongly bid and traded R3,50 up at R39

Safren was almost unobtainable as buyers scraped around for scrip The market speculates that Safren is to hive off its foreign interests in the Rembrandt style The price was 250c up at R38,25, with a late seller coming in at R39

Richemont peaked at 2 515c before declining 65c, and FIT barely moved from 1 340c

Eskom

SA Breweries continued to stun on huge volume It eased a quarter to 4 050c, but the market maintains that it too will make an announcement, possibly a foreign deal

Premier Group was 125c firmer at 1 925c, having been at 2 125c

Gilt rates shot above 16% as gold dropped, but another reason doing the rounds is that tax might be introduced on the interest on Eskom stock held by non-residents At present it goes out untaxed and in commercial rands

Anglovaal Sun mine needs at least R2,5bn

B/Day 11/6/90 (214)

BARRY SERGEANT

ANGLOVAAL, the family controlled financial, industrial and mining house, is at one of the most important junctures in its 57-year history

It is weighing up the feasibility of going ahead with the Sun gold mine in the Free State The cost in today's money, for what would be an ultra-deep modern mine, is more than R2,5bn This is more than 10 times Anglovaal's taxed earnings for its financial 1990 year

Anglovaal executives will not officially comment on one of the single biggest issues keeping Sun on ice — tax

A recently published Wits MBA thesis says tax restrictions introduced in 1984 to preserve government's mining tax base are now keeping 11 significant new gold mines on ice Anglovaal's Sun prospect is one

The outlook for the highly diversified Anglovaal group is dominated by the Sun issue The group needs to replace existing gold investments, which reflect declining grades and lives, with production from its possible new ventures — namely Sun and its adjacent prospect Oribi

At the same time, Anglovaal will be keeping a close eye on further targeted acquisitions it hopes to make via its industrial division, Anglovaal Industries (AVI) The combined group in 1989 earned 64% of its income from its industrial interests

However, any possible acquisitions in the industrial division or other metals and mineral interests are likely to cost a fraction of Sun On the ground, Sun — and Oribi — is a very exciting prospect which has caught the imagination of investors

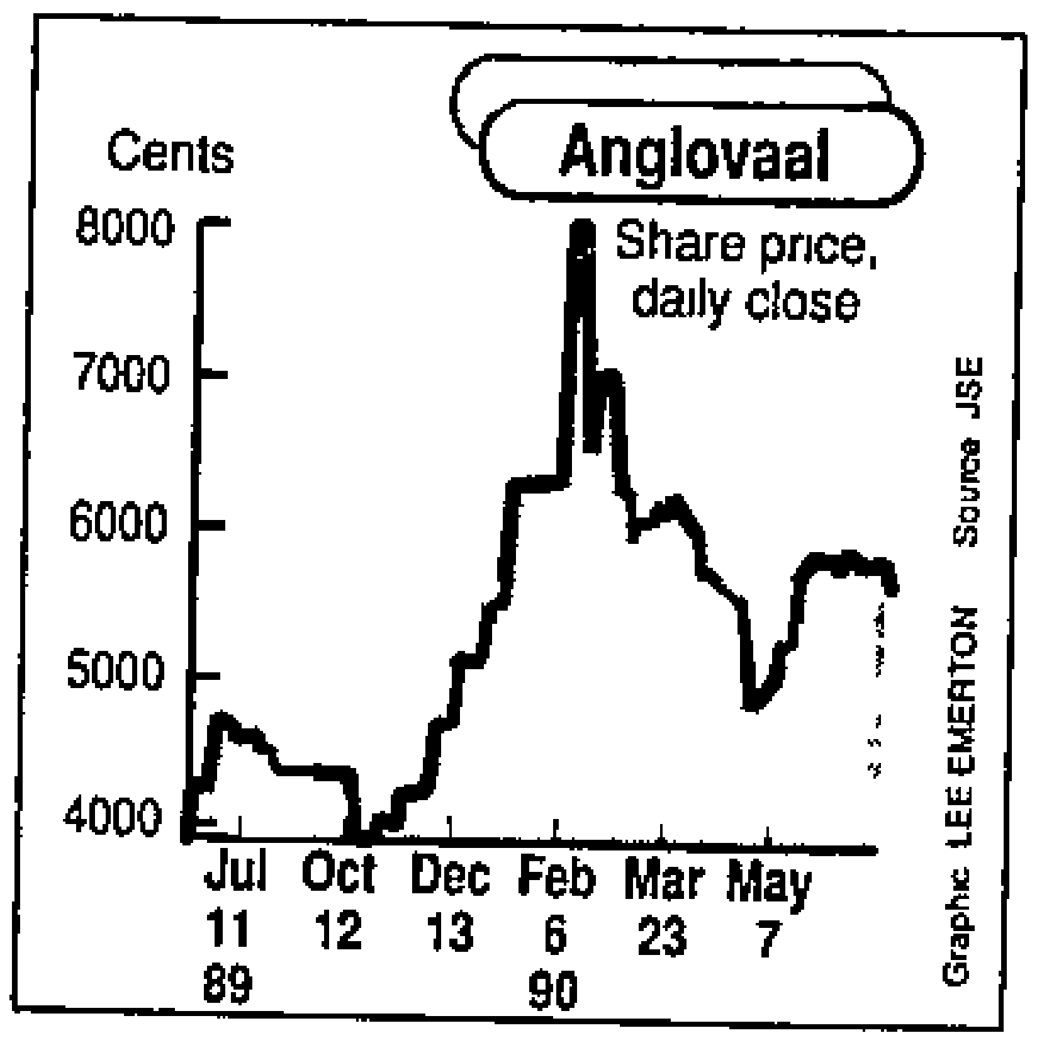
The combined prospects cover an area twice the size of existing Free State gold fields Anglovaal chairman Basil Hersov has pointed out that only 64 boreholes have gone down in the Sun/Oribi prospects, and that many more are needed Of the 64, 17 are in the Oribi area

The Sun area, which covers 400km², has 30 completed holes Anglovaal is busy drilling and deflecting another 17, with initial interest being in the Sun south area, covering about 60km² Anglovaal has never published borehole results for Sun/Oribi, but it has hinted that plenty have shown in situ grades of 10g/t or more — which is very rich indeed

Reef depths vary between 2 700m and 4 400m below surface "Bearing in mind these depths," says Hersov, "you will appreciate that the capital cost involved in establishing a mine will be very high, more than R2,5bn in today's money terms"

Expenditure on the Sun area as a whole amounted to about R140m to end-June 1989 Some R93m of Anglovaal's total budgeted exploration expenditure for the 1990 financial year (of R125m to end-June) has been allocated to the Sun area

Hersov says the money for Sun has been split between boreholes (R1m-R2m each) and the purchase of mineral rights Hersov says he has nothing more to add at this stage "Sun at this time remains a prospect. More long deflections than currently envisaged may be required to enable us to finally decide on a mine We must be sure that what we are looking at is what we are looking for"



The question remains of how Anglovaal will finance Sun — if it ever gets the go-ahead Late last year, Anglovaal announced a capital restructuring and a share split The most important recent development were rights issues by Anglovaal and one of its main subsidiaries, raising about R1bn net new cash

On December 31 1989 Anglovaal reflected debt of R795m, against R1,6bn authorised in terms of its articles of association The overall debt position, plus the cost of new acquisitions, and the ongoing exploration costs of Sun/Oribi were reasons behind the recent rights issues

Anglovaal results for the year to June 30 1990 showed total dividend for the year up 21% to 92c (76c) Its estimated consolidated earnings for the year — after tax, minority interests and preference dividends, but before extraordinary items — was 27% up at R232m (R183m)

Individual share earnings increased 21% as a result of more issued shares following last month's "N" ordinaries rights issue, raising R822m The key figure in evaluating Anglovaal's likely course in proceeding with Sun is its taxed earnings of R232m

Put crudely, if Sun costs R2,5bn in today's money, it would take more than ten straight years of current Anglovaal earnings to finance it However, there are extremely serious risks attatched to deep level mining, not least of all the uncertain tax position

The MBA thesis found that 11 new gold mines that could produce more than 100 000 new jobs remain on ice "In order to stimulate the next wave of significant gold producers in SA, government has to abolish ring fencing and reduce the average rate of tax to achieve tax neutrality between new industrial and new mining projects," the thesis notes

Ring fencing is the restriction whereby capital expenditure on a new mine may not be set off against the taxable mining income from an existing mine.

Ring fencing restrictions were raised 25% in the recent Budget, but industry heavyweights have commented independently that this was simply not enough If ring fencing was indeed fully lifted, and mine tax rates dropped from 75% to the company rate of 50%, Anglovaal would earn a 50% discount on the cost of Sun, with the taxman taking what the MBA thesis describes as a more commensurate share of the serious risks in deep level mining.

Based on the financial position, Anglovaal agrees that it will look to outside capital to finance Sun — at least in part And given the mining house's history of conservatism, it would require very good borehole results indeed before it proceeded with the prospect

Investors in golds are R50-bn poorer

(214) Star 12/6/90

By Derek Tommey

Holders of gold mining shares are some R50 billion poorer than they were on February 2 — the day President FW de Klerk announced his reform plans

On that day the gold share index closed at what is still its 1990 high — 2250

Since then the euphoria has changed to gloom Gold share prices have slowly crumbled under the double impact of a falling gold price and the ANC's call for nationalisation

The dollar gold price has fallen some 15,2 percent from $418 an ounce to around $354 ounce while the rand gold price slipped 11,2 percent — from R1079 an ounce to R946 an ounce

Brokers report that overseas investors are seeing the ANC statements in a serious light and are becoming increasingly nervous about holding investments in South Africa.

Under these influences gold share prices in aggregate have fallen some 33 percent, and their market value has dropped some R25 billion to R76 billion.

Mining house shares have dropped some 17 percent and their market value has fallen by around R19 billion to R114 billion, while the price of mining holding shares have fallen some seven percent or R1,7 billion to R23,5 billion.

Mining holding shares have been less affected as many hold investments in non-gold mines.

The biggest losers have been the small and marginal mines in the "rand and others" list.

Many shares price are now more than 60 percent below their 1990 highs These include Modder (−69,2 percent), Durban Deep (−64,5 percent), ERPM (−67,0 percent) Eersteling (−60,6 percent), Gazgold (−61,1 percent), Rand Lease (−76,3 percent), Sub Nigel (−65,8 percent and West Rand Cons (−64,2 percent)

Losses of between 40 percent and 60 percent were recorded by Barberton, Ergo, Grootvlei, Lindum, Modbee, Osprey, Sallies, South Roodepoort, and Wit Nigel.

Shares showing considerable resistance to the downward trend included ET Cons, (−12,6 percent) and Simmers (−16,7 percent)

All the gold mines in the Evander area show substantial losses. Bracken's shares are down 45 percent, Kinross 35 percent, Leslie 51,7 percent and a little surprising, in view of its prospects, Winkelhaak ois down 52,2 percent.

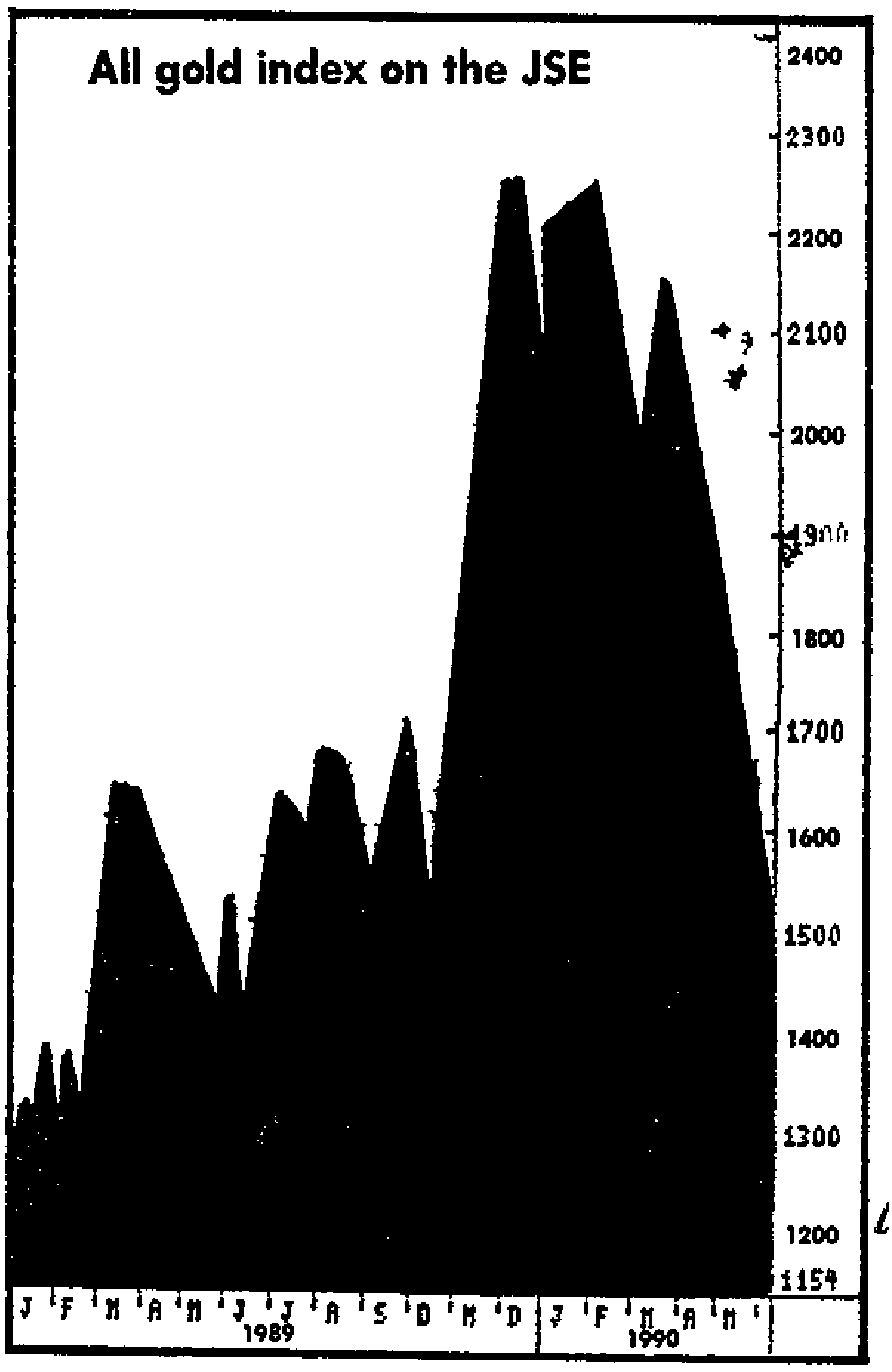
The Klerksdorp section also had some heavy losers. Stilfontein's shares have fallen 62 percent, and Buffels, Harties, Southvaal and Vaal Reefs shares have come off more than 30 percent.

Beatrix, which is in the Free State sector, showed some support with a loss of only 17,6 percent. But Freegold, Harmony, Joel, Loraine and Welkom have deopped more than 45 percent.

In the West Wits list, Elsburg, Western Areas and Venterspost show losses of more than 50 percent.

Such share price declines could have an impact on future investment in gold. Some people tend to regard fluctuations in shares prices as producing either "paper" profits or losses But this is not true High share prices enable investors to take their profits and invest in new enterprises

Low share prices also sharply affects the buying habits of the ordinary investor. When he sees the value of his portfolio cut he tends to cut back on his spending. And the whole economy starts to suffer.


All gold index on the JSE

Navachab open-cast mine a first

BARRY SERGEANT

KARIBIB — The Navachab gold mine, an R85m Anglo American/De Beers venture 10km from Karabib in midwestern Namibia, is southern Africa's first open-cast gold mine

Anglo and De Beers chairman Julian Ogilvie Thompson said at the opening of the mine yesterday it was a joint venture between Erongo with a 70% interest, Metall Mining Corporation of Canada — a subsidiary of Metallgesellschaft of West Germany — with 20% and Rand Mines Windhoek Exploration, in whose name the prospecting grant on the Navachab Farm was originally held, with 10%.

(214)

Erongo, which is held two-thirds by Anglo American group companies and one-third by CDM, manages the mine on behalf of the joint venture partners.

The mine will mill 70 000 tons a month at a grade of 2,6g/t, producing about 1 900kg of gold a year

B Day. 12/6/90

Valuation

The mine will provide employment for 300 people and its development has already helped double the valuation of the nearby town of Karabib

At the current gold price this will earn Namibia more than R60m year in foreign exchange

The decision to develop the mine was made in October 1987 and in December 1989 construction was completed, 5% under budgeted capital cost of R89m

Mining of the known ore reserves, estimated to be 11-million tons, will take about 13 years Lower grade ore is being stockpiled and will be processed towards the end of the 13-year period.

The life of the mine could be increased, depending on the outcome of current exploration, Ogilvie Thompson said

Sapa reports that as the grade of the orebody increases with depth, there is also the possibility that the mine could be deepened beyond its current forecast depth of 160m

TOP OF FINANCE

Star 13/6/90 (214)

Retrenchments at Loraine

In order to minimise losses at its Loraine gold mine at Allanridge in the Free State, Anglovaal is embarking on a rationalisation programme.

It says that because of the low gold price, combined with escalating costs, it has become imperative to reduce total costs and minimise the extent of future losses.

The rationalisation means that about six percent of the mine's 10 000 employees will be retrenched over the next four months. The retrenchments will be concurrent with a reduction of 10 percent in mill throughput to 120 000 tons a month.

Business Report

Loraine to cut workforce by 600

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CAPE TIMES 13/6/90

Own Correspondent

JOHANNESBURG — Amglovaal Free State gold mine Loraine is to retrench at least 600 (about 6%) workers over the next four months, and cut its tonnage milled by 10%

The announcement last night by Anglovaal signals the first bloodletting after the sharp recent drop in the gold price

Analysts have been expecting a drop in Loraine's milling rate to be announced

Anglovaal's contingency plans, after disappointing development values from Loraine's Eldorado reef, have seen the mine's capital expenditure curtailed to an absolute minimum over the past few years.

Analysts say that maintenance of profitability at Loraine could be crucial for development of Anglovaal's massive potential deep-level mine, Sun

Loraine has experienced difficult mining conditions for a number of years, and unit costs are among the highest in the industry It has not paid a dividend since its 1988 final of 25c The mine, situated at Allanridge in the Free State, opened in 1955 and currently employs about 10 000

In the March quarter, Loraine's working costs before capital expenditure were R1 019/ounce At the current rand gold price, the mine is losing at least R150/ounce, based on its March quarterly results It recorded a small profit after tax in the March quarter of R3,2m.

Loraine's gold output climbed rapidly over the past decade to 9 014 kg in 1985, falling to 8 029 kg in 1989

One major problem has been that Loraine's development values on its Eldoardo reef have been disappointingly low, dropping ore reserves from 5,1m tons to 4,3m tons

Anglovaal said last night that "in the light of the prevailing low gold prices, combined with rapidly-escalating costs, it has become imperative for the mine to reduce total costs and minimise the extent of future losses."

The effect of the rationalisation programme, says Anglovaal, will be that, over and above normal attrition, about 6% of the mine's 10 000 employees will be retrenched over the next four months

The retrenchments will be concurrent with a reduction of 10% to about 120 000 tons a month (stated capacity is 137 500 tons a month).

Anglovaal says: "Every effort is being made to minimise the number of retrenchments by placing affected employees on other mines within the Anglovaal group and elsewhere"

More gold mines pass dividends

(214) Star 13/3/90

By Derek Tommey

The drop in the gold price in recent months and the continuing escalation in mining costs show up sharply in the latest dividends from the Gold Fields mines

Only three of the eight gold mines are declaring final dividends, against six a year ago, and these are substantially lower than last year's corresponding payments

The only consolation that shareholders have is that the Driefontein and Kloof dividends are higher than brokers have been forecsating

Deelkraal has declared a final dividend of 35c a share, a drop of 30 percent from last year's 50c Payments for the year total 60c — a drop of 25 percent from last year's 80c.

Driefontein is paying a final of 80c, which is two-thirds of the 120c paid last year Payments for the year total 145c — 27,5 percent below last year's 200c.

Kloof is following its interim dividend of 60c with a final of 45c. Last year it paid a final of 65c Kloof's total payment of 105c this year is down 16 percent from last year's 125c

Doornfontein, which passed its interim dividend in December, is also passing its final dividend. Last year it paid 15c.

Libanon paid an interim of 10c, but is passing its final The payment of 10c this year compares with 40c last year

Venterspost passed its interim last December and is passing its final. Last year it paid a total of 60c a share

Vlakfontein, which last paid dividends in 1987-88, is again passing its final.

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14/6/90

Stable rand puts pressure on mines

By Derek Tommey

Gold opened in Hong Kong today at a four-year low of $350,85 amid intense speculation in Johannesburg over how much longer the rand would continue to trade at R2,66 to the dollar.

In the past four months the dollar-rand rate has been remarkably stable in the face of the sharply lower gold price — in contrast to 1988 when gold fell from $480 to $400.

However, in 1988 the rand exchange rate also fell, with the result that the rand gold price actually appreciated — offering much needed comfort to the gold mining industry

In 1988 the rand gold price started the year at around R940 an ounce. After a temporary dip followed by a strong rally, the rand gold price closed the year at around R980

This time its behaviour has been completely different. On February 20, when gold was $420, the rand was R2,53 to the dollar. Since then gold has fallen $70, or 16 percent, to $351, but the rand has fallen only 4,7 percent to R2,66

The result is that since February 20 the rand gold price has declined about 12 percent — from R1065 an ounce to R935.

This, its lowest level for two years, seriously threatens the viability of many mines.

Currency dealers said last night that the Reserve Bank had been supporting the rand exchange rate. Without this intervention the rand would have fallen much further against the dollar.

However, they doubted whether the Reserve Bank could continue indefinitely to prop up the rand if gold dropped below $350.

Any further slide in the rand gold price would leave the mining industry in serious trouble. Dealers said, therefore, they could not see the Reserve Bank continuing with its current exchange rate policy They felt it would have to allow the rand to fall in order to give the mining industry some respite.

But there is considerable doubt among economists whether Dr Chris Stals, Governor of the Reserve Bank, will be in a hurry to lower the exchange rate because it would stimulate inflation, which he is determined to fight.

A lower rand exchange rate would quickly lead to an increase in the cost of imported goods, especially petrol, thereby generating more inflation.

At the end of the day, any benefits the mining industry and the economy might have received from a devaluation would quickly dissipate.

It is now generally recognised that this was the unfortunate result of the 1988 slide in the rand. So it seems that as long as he has money to defend the rand, Dr Stals will do so. And he has a fair amount available.

In the four months to April, SA had a trade surplus of R4 billion, despite the lower gold price

While much of this will go to repaying foreign debt, some will be left for other purposes

And, who knows, perhaps the stability of the rand and recent political developments might attract an inflow of foreign capital. It is something that could happen.

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Industrial rethink needed as gold takes a back seat

By Michael Chester

Studies by the Chamber of Business have sounded a warning that SA needs entirely new industrial strategies to reduce its massive dependence on gold exports in shaping its economic future.

A sharp edge has been given to the warning by the announcement of retrenchments and production cutbacks at Anglovaal's Loraine mine in the Free State — hard on the heels of news that the future of the ERPM mine at Boksburg may be hanging by a thread.

The problems at both mines are symptomatic of growing concern about the collision course of weaker gold prices on world bullion markets and spiralling production costs

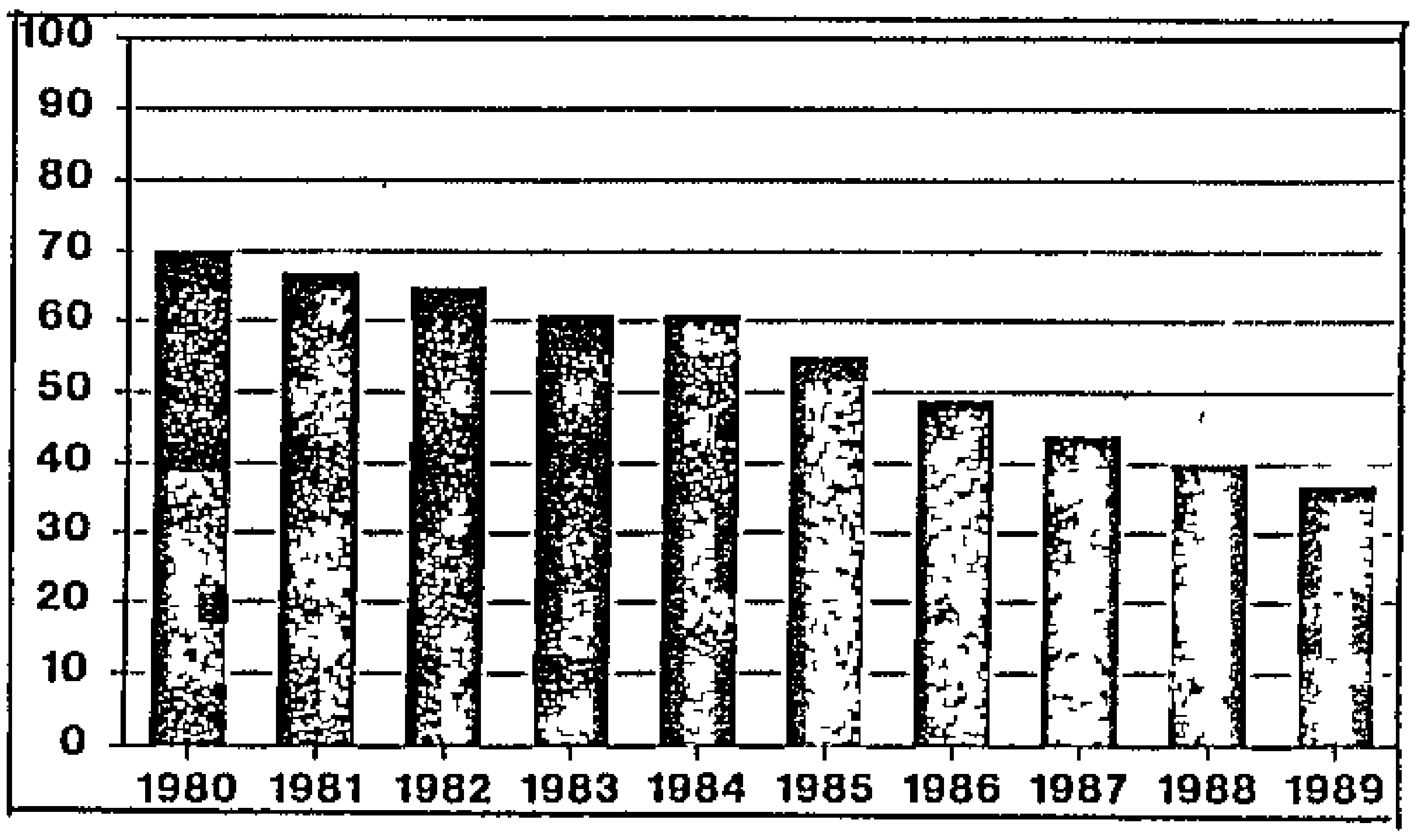
"Until now the cracks in trends in recent years have been papered over by the nosedive of the rand exchange rate," says Ted Adlard, chairman of the Sacob Technology Committee

"Less than 10 years ago, South Africa saw itself on a gravy train as world gold prices streaked above $850

"The engine has lost its steam. Price levels have since steadily eroded more than half — down to below $360.

"It is taking an Alice in Wonderland view to count export income from bullion in rand terms when the international value of the rand is less than one-third of what it was 10 years ago.

"It is far more realistic to trace the gold price in terms of a sound and stable international currency such as the Deutsche mark. And that's when the shocks begin



SA gold output as a percentage of Western production

"Use tinted glasses and you will see that in the rand terms the gold price moved up from around only R500 an ounce in 1980 to the brink of R1 000 last year

"Remove the tint and one sees the hard fact that in Dm terms — a truer measure of international values — the price has sunk all the way from well over Dm1 000 to no better than Dm600"

Between 1980 and last year, SA's share of total gold production in the West plunged from a formidable 70 percent to below 40 percent (see chart)

"South Africa's domination among world producers," says Mr Adlard, "has been slipping away as more and more gold mines have opened up overseas — from Canada and the US down to South America and across to Australia

"The blunt fact of the matter is that SA mines are losing out because so many of the new overseas competitors can produce gold at lower cost"

"The killer has been the impact of domestic inflation In 1980 the average working costs of SA gold mines worked out at only $176 an ounce

"Because of twists and turns in exchange rates, the average cost in fact dropped to as low as $151 in 1985.

"By last year, SA mine costs had climbed to $296 Old myths about the cheapness of production costs in SA were exploded when it emerged that the average for mines in the West as a whole were now a far lower $250 — and in the US down to only $209 (See chart)

"The danger signals have been loud and clear by the Chamber of Mines It estimates that even with gold at $390 — much higher than now — no fewer than 18 out of 31 gold mines it surveyed would be operating at a loss

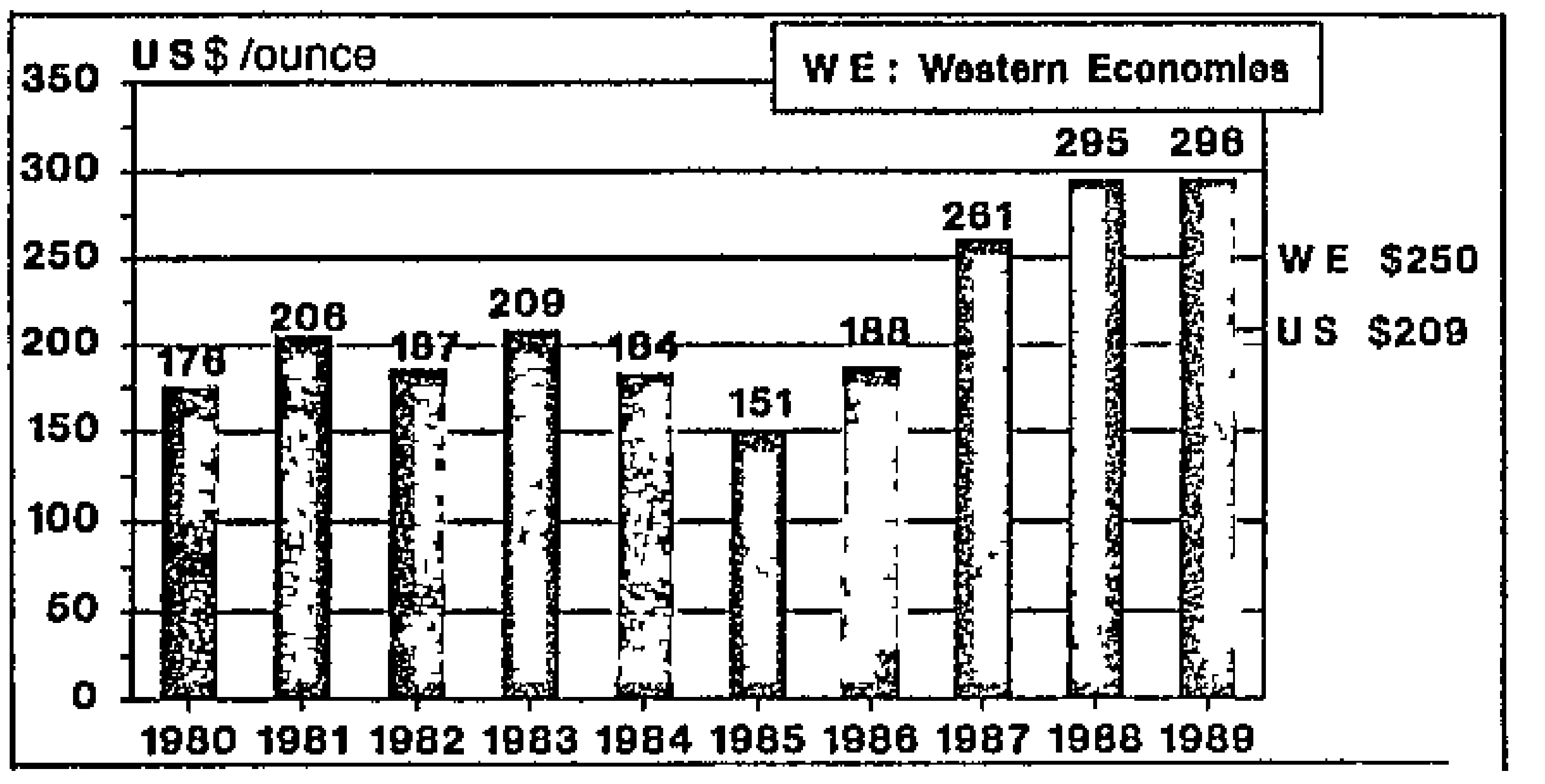
"If a growing list of mines is looking jittery, so should all the gurus looking into the economic crystal ball

"There seems little evidence on the horizon to promise any dramatic improvement in the outlook

"Of course, gold will be a powerful feature in the SA economy for a good few years yet

"But the message is obvious that SA must get off its backside, call a halt to its massive reliance on gold to act as a magic wand whenever we're in trouble — and work out radical new strategies to reshape the economic future

"It is the manufacturing sector that desperately needs to learn it must take over a much bigger role — especially as an export-earner That's where the buck must stop"



SA gold mine working costs, 1980-1989

Source Gold 1990

1 100 jobs axed, thousands more in danger

Mine layoffs begin as gold price slumps

Star 14/6/90

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By Finance Staff and Sapa.

As the gold price slumped to its lowest level in four years, two South African gold mining companies announced the retrenchment of more than 1 100 miners. And hundreds, perhaps thousands, more jobs are in jeopardy.

Gold opened in Hong Kong today at $350,85, little changed from its close in London yesterday, when it dropped $5 to $350,50, a price last seen in July 1986

Gengold's managing director, Gary Maude, announced yesterday that the Stilfontein mine in the Western Transvaal would lay off at least 500 workers in the next few days

He said this was a continuation of a programme which had resulted in the loss of 13 000 jobs in the group over the past 12 months Unless the gold price recovered, a further 2 000 to 3 000 workers could be retrenched within the next three months

Earlier, Anglovaal announced that the group's Loraine mine in the Free State was to retrench 600 workers, about 6 percent of the 10 000 workforce, over the next four months, because of the low gold price and increasing costs

Options open

Spokesmen for other mining companies said there were no plans at present for retrenchments However, the country's biggest gold producer, Anglo American, said it was constantly monitoring the situation and it was keeping its options open

Analysts have identified three other mines which are particularly vulnerable to the gold price These are ERPM in Boksburg and Western Areas and Libanon on the Far West Rand

They said there were also individual shafts in better quality mines which would also be under pressure if the gold price stayed at current levels over the next few months

As the rand has remained steady in recent weeks at about R2,66 to the dollar, the full effects of the lower gold price have been passed on to the gold mines, which are now receiving only R935 an ounce, compared with R1 064 earlier this year

Speculation is growing over whether the Reserve Bank will allow the rand exchange rate to fall to help cushion the gold mines against the low dollar price

● See Page 16

African Natio
Nelson Mand
waves from
tov

Crucial EC vote on sanctions

By Esmaré van der Merwe, Political Reporter

STRASBOURG — Nelson Mandela yesterday delivered an emphatic plea to a packed European Parliament (EP) assembly for the maintenance of full sanctions against South Africa

The African National Congress deputy president received a standing ovation from the parliament, in which all 12 European Community (EC) countries sit

sources predicted a close vote

Mr Mandela, who received the EP's Sakharov Prize for "freedom of the spirit" in 1988 when still in jail, told the influential body the international community had an obligation to assist oppressed South Africans in their struggle against apartheid

"Sanctions were imposed as a powerful means of ensuring the end of the apartheid system This result has not yet been achieved It

He said the ANC was prepared to co-operate with the Government to reach a just and lasting negotiated political settlement, which should be based on the principle of one person, one vote in a democratic, non-racial and united South Africa

Dr Beyers Naude, who attended Mr Mandela's address, warned yesterday easing sanctions would be dangerous and should not be

No need for interest rates to be raised

Star 14/6/90

~~253~~

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By Sven Linsche

The slump in the gold price to under $350 yesterday will have some serious implications for the economy — but the Reserve Bank has ruled out a further rise in interest rates

Professor Jan Lombard, senior deputy Governor of the Bank, said yesterday "We have no intention at this stage to raise the Bank rate in view of the decline in the gold price."

Professor Lombard was responding to a warning by UBS managing director Mike de Blanche earlier this week, that if gold fell any further, there could be a rise in interest rates, despite a slowing in the economy.

However, Professor Lombard pointed out that there was no need to depress domestic expenditure that much further "as there have already been definite signs of a downturn in consumer spending as well as a decline in demand for new credit finance.

"Even if the gold price fails to recover from its current levels the loss of foreign exchange will not be disturbingly large," he said.

He added, however, that the surplus on the current account would be somewhat smaller and the intention of building up the forex reserves would have to curbed.

Strict controls

But the Bank is likely to maintain strict control on the money market.

"The tight situation on the market is still acceptable to us as there are some factors easing up on the liquidity in the market."

On Tuesday the Bank called a special tender of R200 million six-day Treasury Bills to drain excess liquidity from the system.

The three-month BA rate subsequently held around 18,3 percent, while the Reserve Bank indicated the market shortage at just under R2 billion yesterday, compared with R1,82 billion last week.

Analysts view $320 as new chart-based floor for gold

(214)

RIAAN SMIT

GOLD has already broken all the chart-based rules this year and is becoming more unpredictable, London-based Metal Bulletin (MB) says in its latest issue

Analysts are talking of a new chart-based floor at $320, it says

The bulletin attributes gold's recent fall through the psychologically important $360 floor to rumours that Japanese banks have been approached by the Soviet Union to use gold as collateral on loans totalling some $255m to cover external debts

The May collapse of gold, following sales out of the Middle East, is also now attributed to the Soviet Union, it says

"Substantial dishoarding by private investors in West Germany, France, the US, if not some central banks, is also weakening the market somewhat China, which is apparently having trouble finding hard currency since the Tiananmen Square disturbance, is also looking for a 500 000 ounce gold swap"

The bulletin quotes an unnamed analyst as saying the most worrying aspect is the thinness of the market

Fundamentals

"Not long ago a package of 15 to 20 tons wouldn't have moved the market Now a few tons can knock cents off the price," the analyst told MB

Another trader said for the first time gold's fundamentals might come into the picture

Brazil's production has peaked and also that of Australia, which has been overproducing to beat gold tax to be introduced in January next year, while SA's gold production will decline this year, he says

'Local analysts have said SA's production could drop by more than 50 tons this year, given the tight margins experienced by producers, and possibly by a further 100 tons in 1991 if the gold price does not rally significantly

"Our view is there will not be a further downslide (in the gold price) — even if there is, it will be shortlived," the trader says

The bulletin says on the bearish side, high interest rates in the developed countries and a relatively stable dollar make gold an unattractive investment option at the moment

Belgium is also reported to be unhappy with the high level of its gold reserves and Taiwan, a traditional buyer of gold, has been shaken by the instability of its financial markets

B/Day 14/6/90

Stilfontein mine to retrench 500

B|Day 14/6/90

214

PETER DELMAR

MARGINAL Stilfontein gold mine will lay off 500 employees within the next few days, Gengold MD Gary Maude said yesterday

He said the latest retrenchments were part of the group's rationalisation programme in which staff levels had been reduced by 13 000 in the past 18 months

The latest disclosure came just a day after Anglovaal announced it was laying off 600 workers at its Loraine mine, as a direct result of the depressed gold price

The Stilfontein retrenchments represent approximately one-eighth of the western Transvaal mine's work force of 4 000 Maude said it was possible that more than 500 workers would lose their jobs.

He said tonnage milled at Stilfontein would be reduced, but he was unable to supply details

Maude said mine management had recently circulated a notice to workers saying the 38-year-old mine was going through a difficult time and retrenchments were unavoidable.

He said Gengold's process of rationalisation, which he described as a "tragic affair", was continuing as mines tried desperately to remain profitable or to break even in anticipation of an improved gold price.

All Gengold mines were being forced to respond to higher pay limits by reducing operations and hence output and employment, he said

Throughout the group, some 2 000 to 3 000 jobs could be affected if the gold price did not recover within the next three months, Maude said

News of the Stilfontein cutback came as the gold price slumped to $350,75 in London, the metal's lowest level in almost four years

Maude predicted that three or four Gengold mines could be forced to close if the metal remained at yesterday's level for the next six months

In March this year Gengold confirmed the prevailing low gold price was threatening Stilfontein's survival

The mine's high-grade Vaal Reef had been mined out and efforts to keep it profitable were being concentrated on stopping the remaining low grade Ventersdorp Contact Reef

At the time Gengold said a decision on whether to close Stilfontein would be taken at the end of the current quarter

It was group policy to close mines which made a loss for three consecutive months

● Comment Page 6

Rush of jobless ERPM miners unlikely

214

DANIEL FELDMAN

FEARS that workers from troubled ERPM might flood the local labour market should the mine be closed have been dismissed by industry sources who say the majority of the mine's labourers are migrant workers B|Day 14|6|90

Of the mine's present 6 300 employees, about 60% or 3 780 are Mozambicans and numerous others are from Lesotho and Swaziland, according to ERPM GM Nick Fourie

Chamber of Mines statistics show that 5 463 of ERPM's approximately 10 500 employees as of December 31 1989 were Mozambican citizens, and roughly 60% of their salaries were paid in remittance to the Mozambique government

ERPM MD Karl Eich and Fourie refused to comment on the statistics

Two years ago the mine employed roughly 18 000 people ERPM spokesman Greg Kukard said no miners had been retrenched at the mine, but contracts — usually of a year — had not been renewed As a result, many of the miners had returned to their native country

The financially troubled mine may have paid the Mozambique government up to R27m last year in remittance payments for miners At an average salary of R8 400 a year — the Chamber estimates the average gold miner earns R700 a month — the mine has already paid Mozambique about R8m in 1990

There were a total of 48 983 Mozambican miners employed in SA in 1989, and the remittance paid by SA mines to Mozambique last year was R114 322 380, according to the Chamber's 1989 annual report

More than 44 000 new contracts were signed by Mozambicans in SA in 1989, Employment Bureau of Africa figures show

Gold index expected to rebound

Str, 15/6/90 (214)

By Derek Tommey

Gold shares took a beating on the JSE yesterday, with the gold index dropping 94 points, or 6,8 percent, to 1370

Despite the setback, brokers last night were forecasting a sharp rebound in the gold index today.

Encouraging their optimism were signs of US buying in late trading of blue chips and gold shares

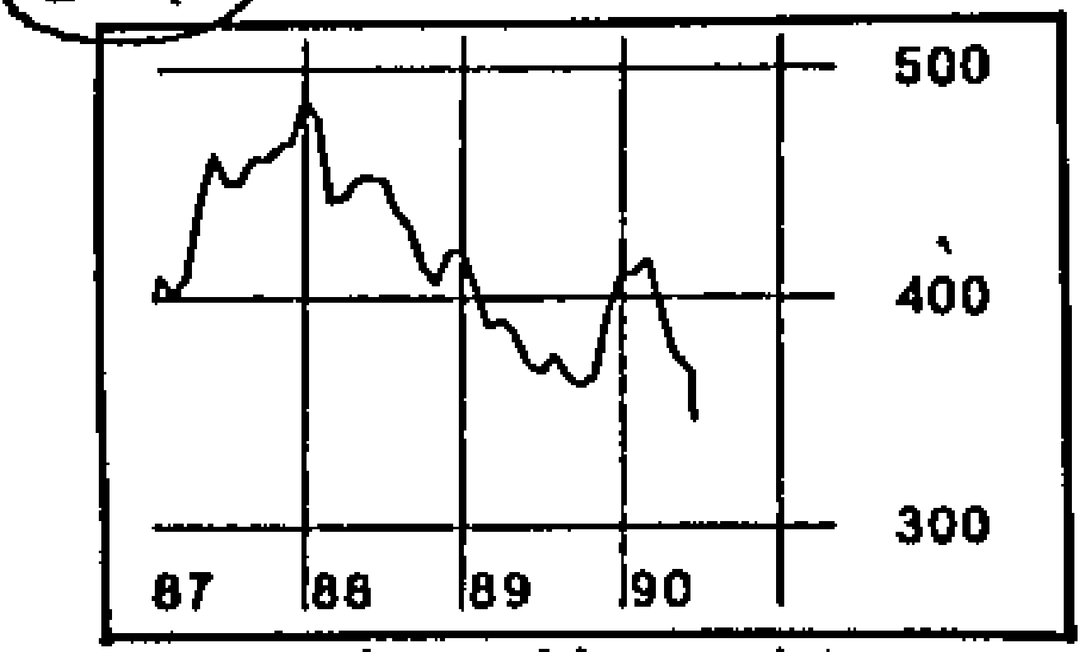
John Clemmow of George Huysamer said the index could recover up to 60 points

One reason was that all option contracts close this afternoon

The profits of many who had taken out options on the gold index could depend on where the index goes to today.

The result is that many speculators will be pushing up gold share prices to increase their option profits.

Mr Clemmow said the continued firmness of the rand had made him more bullish about the outlook for gold.



London gold price $/oz

By maintaining the exchange rate at R2,66 to the dollar, the Reserve Bank was sending a signal to the world that this time SA would cut production if the price fell further

This could reassure investors that they would not run the risk of getting their fingers burnt if they bought gold at the present price.

It told them that SA would rather shut down gold mines than continue selling large quantities of gold, no matter how low the price went, as happened in 1988

This should help stabilise the market and give investors the confidence to buy gold at these prices

Mr Clemmow felt that there could increased demand for gold shares, especially from overseas

Good gold shares were giving attractive returns to foreign investors, he said

At the current financial rand rate, a British investor could buy Kinross on a 12 percent prospective dividend yield and Harties on a prospective 10,6 percent dividend yield

British investors couldn't get these returns anywhere else, he said.

Among the smaller counters, a share like Knights could give almost a 20 percent return at its present price

He also believed local institutions could become buyers of gold shares at their present prices

Other brokers also forecast a jump in gold share prices — and the index — yesterday

Their reason, in addition to the option contracts, was that there probably had been a fair amount of short-selling of shares during the week

Speculators would not like to remain uncovered over the weekend as the gold price could recover, possibly on short-covering as well

Consequently, it was likely that they would start covering their positions today

This would give gold shares a boost

Johann Liebenberg, a top official at the Chamber of Mines, said last night that at a price of $340 to $350, gold was cheap, in his own words, "undervalued".

As investors realised this, demand for gold and the price could improve

Demand by the jewellery trade remained strong, said Mr Liebenberg — which also puts a floor under the market

So it seems that after a torrid week, if brokers are correct, that investors might find today's gold share market more to their liking

Tide should turn soon, analysts predict

JSE jitters as gold stays in doldrums

Sk 15/6/90 (214)

By Michael Chester

Tension was high on the Johannesburg Stock Exchange today as world gold prices stayed trapped below the key $350 an ounce level — its lowest in four years.

Bullion was trading between $345,50 and $346 at the opening of the London market — no more than 50c better than at the close last night.

Investors and dealers remained jittery after the panic selling sent gold shares crashing yesterday

Rumours abounded that Arab oil sheik syndicates had caused the retreat by selling large chunks of the huge gold stockpiles they had amassed in the oil crisis.

But analysts were quoted by Reuter as saying the market may be nearing the end of a long downward trend

Said Ted Arnold of Merrill Lynch in London "I think the tide is turning It may fall another $10, but we are getting very close to the bottom"

The floor level was probably around $340 to $330 an ounce, said Jeff Christian of CPM Group, a Toronto-based investment company

The JSE all-gold index tumbled to 1370 points — down 6,5 percent in 24 hours and a much worse 20 percent down on its February 2 level

Johann Liebenberg, senior general manager at the SA Chamber of Mines, said the South African mining industry was now placed in a "critical situation".

Earnings plunge

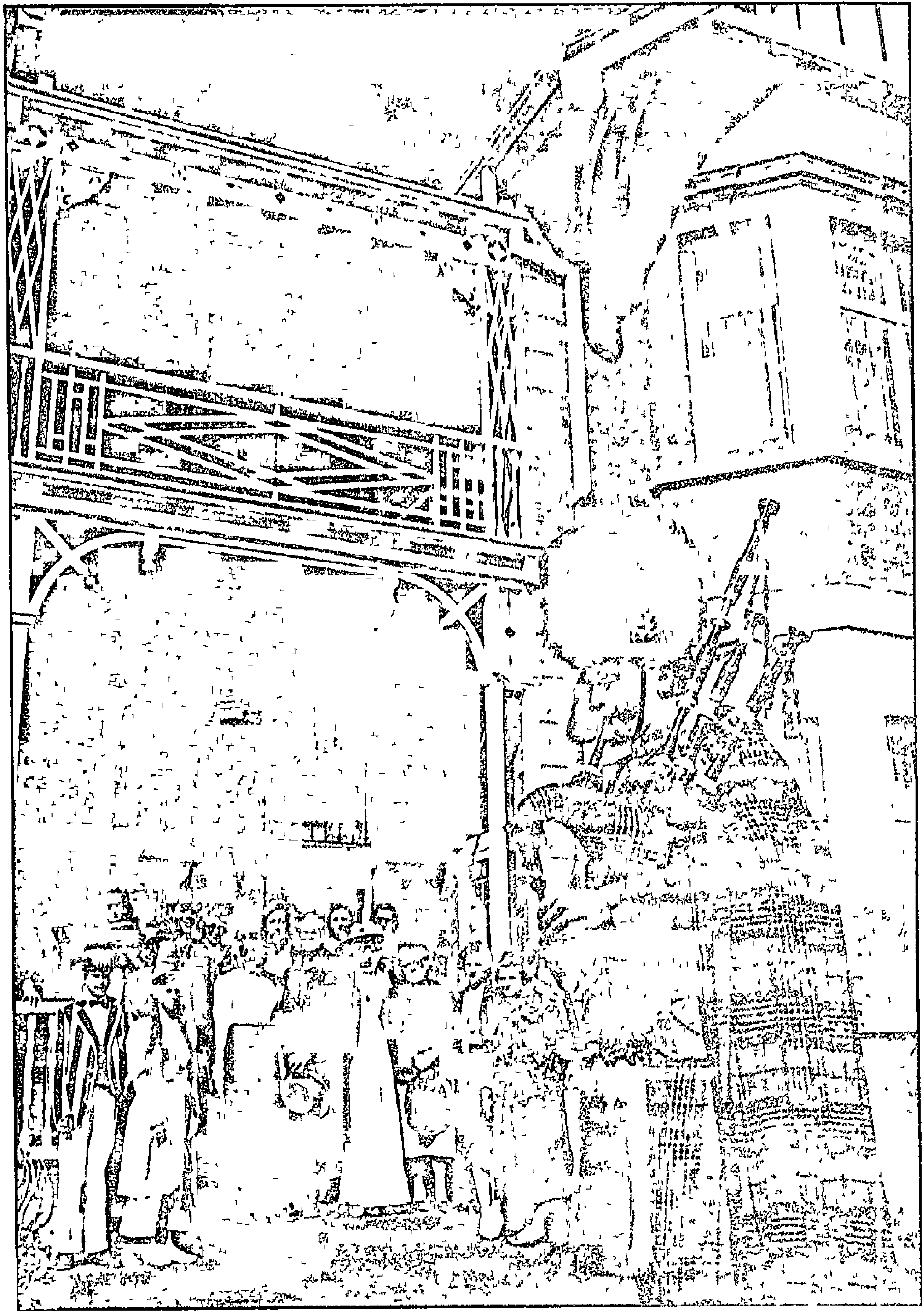
Economists said the plunge had stripped more than R4 billion from the annual rate of South Africa's income from gold exports compared with less than four months ago

Econometrix research unit director Dr Azar Jammine estimates that every drop of $10 an ounce in the bullion price hacked about R550 million a year from earnings from overseas sales The massive scale of losses was estimated from a descent of more than $80 from $425,50 in February

However, Dr Jammine said he was optimistic that the dramatic decline would be short-lived, particularly in view of the promise of an increase in gold demand among investors in the United States as a result of lower interest rates

The retreat in the price — coupled with soaring working costs on SA mines — means that thousands of mine jobs have come under threat

Chamber of Mines president Kennedy Maxwell has listed 15 gold mines that come under the threat of



Cullinans gather for The View

Parktown goes Scottish .. Twenty members of the Cullinan family gathered to witness the unveiling of a National Monuments Council plaque at The View yesterday In the foreground is piper Rhett Kelly, a matric pupil at Pretoria Boys' High School The View, Parktown's only remaining pre Anglo-Boer War house, houses the headquarters of the Transvaal Scottish Regiment Sir Thomas Cullinan built the home in 1897, long before the Cullinan Diamond was discovered at his Premier mine.

© Picture by John Hogg

S African family rescued

Rebels kill

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Chamber of Mines president Kennedy Maxwell has listed 15 gold mines that come under the threat of running at a loss when the bullion price falls below $390 an ounce.

Similar crisis

The list grows to 18 when three additional mines add the cost of expenditure on normal modernisation and expansion programmes.

Mr Liebenberg said while the mining industry was in a critical situation, it had faced and survived similar crises on several occasions — for example, in 1976 when the price fell from $196 to as low as $104.

"The Chamber took the view then that people would never be able to buy gold again at such a low prices, and this proved to be the case," he said "We could be in a similar situation now because my guess is that the price is now at or near the bottom of such a trough.

"The critical issue is how long it will remain at these depressed levels. While the price drop has been precipitated by selling in the Middle East, with a notable lack of investor interest, the market remains underpinned by strong fabrication demand

"There is no doubt that at the $340 to $350 level, gold is undervalued," he said.

● See Pages 9 and 10.

Gold index expected to rebound

Str 15/6/90 (214)

By Derek Tommey

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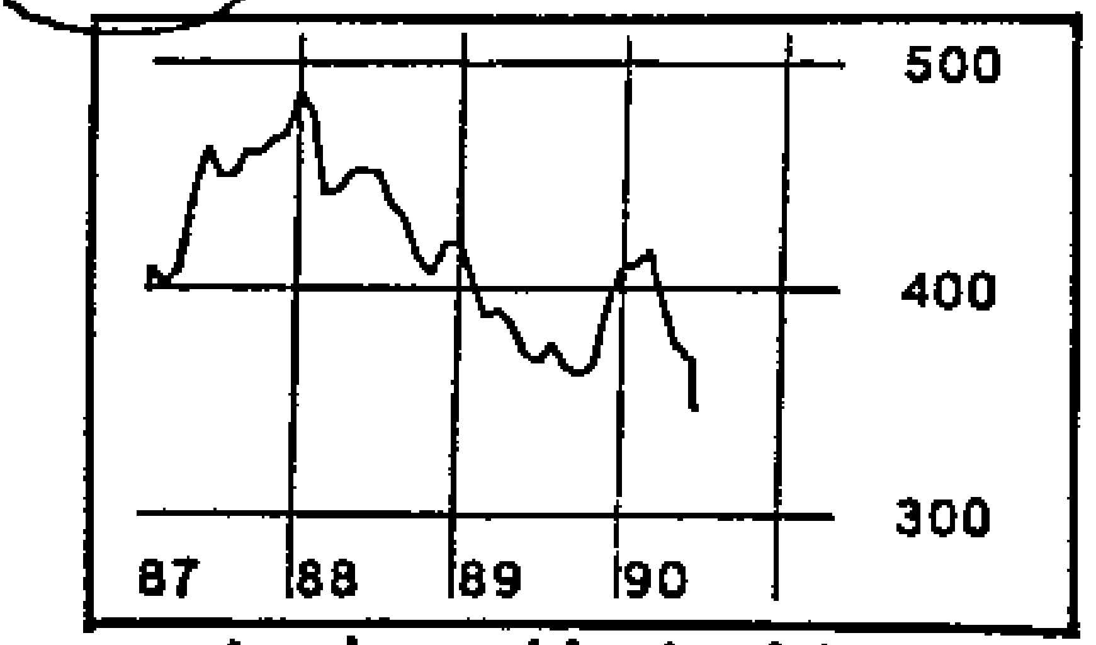

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FIM 15/6/90 (214)

GOLD SHARES FIM 15/6/90

Who wants them?

With stock markets around the world reaching for new highs, investor interest in gold is slipping progressively to lower levels As gold's price fails to perform perceptions that the metal is not a good store of value feed on themselves (214)

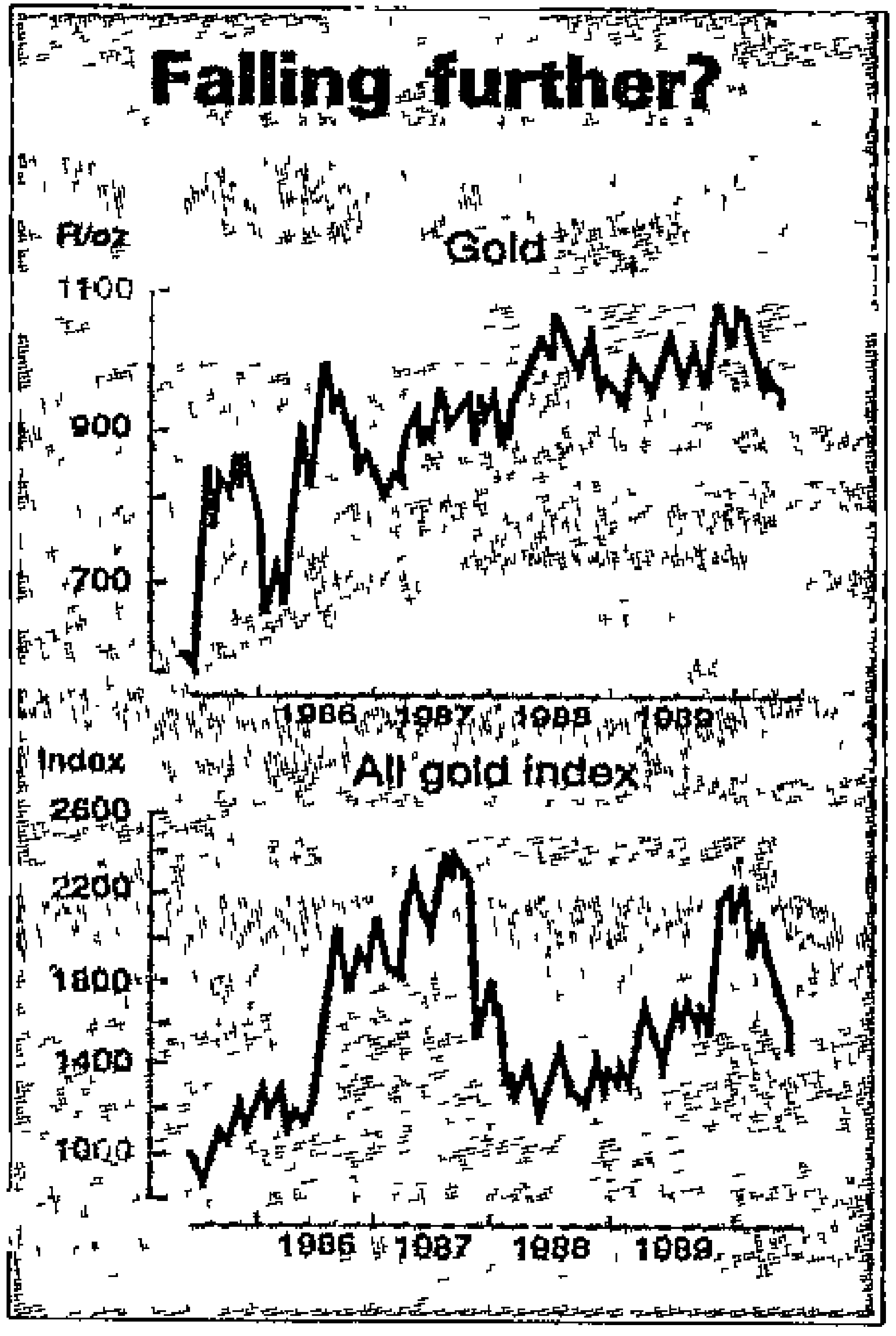
With the options of cash and stocks proving far more attractive in terms of their yields, gold is hardly featuring and its price remains under pressure Added to this, the Soviet Union is flogging the metal on world markets at almost any price in order to generate much-needed foreign exchange

Technical analysts are also taking a bearish view of the market Malcolm Basford of stockbroker J D Anderson feels that gold will be weak for a few months and could test the US$320/oz support level even though last year's $350 support is holding

Davis Borkum Hare's Dana Wakefield agrees by saying "The current support level for gold is $350 and the long-term would be tested at $320-$315 where the 1982 monthly average low fell and where gold traded for several months following its base formation in 1985 The long-term downtrend would be broken if the price rose through the $390-$395 resistance by late this year"

The fall in the gold price to lows not seen since September is causing investors almost to abandon the shares The JSE All Gold index is plummeting, on rather thin volumes both locally and abroad To date this quarter, gold has averaged R985/oz, compared to the R1 035 average in the March quarter The rand gold price has fallen to levels not seen since the first quarter of 1988, though some respite could come from a weakening of the rand

Graham Boyd of Simpson, McKie says "Though we have had a better-than-expected year so far, (Finance Minister) Chris Stals wants to build foreign reserves up further and is unlikely to support the rand, despite any short-term negative effect on inflation Provided that the Reserve Bank maintains positive real rates of interest, one need not be unduly alarmed by the short-term negative inflationary consequences of a depreciation of the exchange rate"



Boyd believes the rand could fall to R2,80 or R2,90 to the dollar by year-end At today's dollar price that would give a rand price of R1 000 to R1 035, little different from last year's average of R1 000

If one considers the rate of cost increases on the mines has been at least 15%, it is easy to appreciate the extent to which operating margins are being eroded Yet the JSE All Gold index, despite having come down for most of the year, remains about 16% above the level of two years ago, when the rand gold price was last in this region Unless the rand price recovers from the current level around R950, the All Gold index should fall by at least 25% to maintain relative values

Much has been written about the fact that at least 13 mines now are not breaking even and that some closures are in the offing Genmin's Gary Maude estimates that gold supplies need to be reduced by at least 50 t in order to shake the price out of its lethargy, while Stewart Murray, of Gold Fields Mineral Services, feels the reduction required is closer to 100 t

However, all it would probably take is for one or two of the mines to close before the price rebounds on the reduction in supply Historically, it has taken only the threat of supply disruptions to cause significant price rises Many producers now making losses must be hanging in, waiting for someone else to go out of business so that they may once again become profitable

Maude reckons unrest on the mines could lead to a loss of 30 t of gold this year which, in turn, would go some way to alleviating oversupply In addition, mines such as Marievale and Bracken, though operating at very low levels, are near the end of their lives and will close shortly, regardless of the gold price

"There is possibly an annualised 50 t of SA gold in jeopardy at the moment as a result of the low gold price," says Davis Borkum Hare's Dave Giese "Of that, probably half will be lost through closures and cutbacks over the next three months"

Genmin has said often that if one of its mines suffers three consecutive loss-making quarters, serious consideration would be given to its closure Of course, each mine's situation will be taken into account and, presumably, everything possible would be done to avoid closure if only to side-step lengthy and costly reopening procedures

"It is almost inevitable that there will be a forced reduction in total output," says Maude "Many of the mines have already been using their retained earnings to stay in production this far and there is a limit to which borrowings can be raised"

Most mines will pull through Sticking to top-quality gold shares and waiting for a rationalisation in the marginal mines and subsequent price recovery or holding bullion could still be the best strategy for an investor wanting to be in gold *Gillian Findlay*

REMGRO FIM 15/6/90

Changing profit mix

Latest results from Rembrandt Group underline the growing importance of investment income in the profit sources and cash flow

As is usual when Remgro publishes its preliminary year-end figures, there is minimal disclosure and virtually no explanatory comment However, the income statement does show that pre-tax net income — affected substantially by the major tobacco and liquor subsidiaries — rose by 16,4% to R770,4m

In contrast, the share of net income retained by associated companies was 38,8% higher at R317,6m This presumably is influenced partly by the larger stake taken last year in Gold Fields of SA (GFSA), when the mining house reshaped its control structure in the wake of the Hanson Plc takeover of Consolidated Gold Fields

In addition, some groups in which Remgro has significant holdings have posted solid results Among these, 29%-held Gencor lifted interim earnings by nearly a third, 10%-held Dorbyl was up 12% (benefiting its holding company Metkor, held 50% by Remgro), 30%-held Volkskas was up 26% and 10%-held SBIC also raised earnings by 26%.

Among the listed subsidiaries, there was a turnaround in Medi-Clinic, which tripled EPS and paid a dividend, and the timber and food arm, Huntcor, saw earnings rise by about 22% as acquisitions, particularly in the food sector, took effect

But, in perhaps most of the listed investments — barring those in the financial sector — latest profit announcements have given clear indications of a downturn in trading conditions during recent months

Though it is generally assumed that the

GFSA'S GOLD

(214)

Anyone counting on quality gold shares to provide some protection from the metal's price slide should think again That's the hard message from the GFSA group's mines FM 15/6/90

Drie Cons and Kloof, SA's highest-grade gold producers, have continued to slash their dividends, with Drie's 80c final making a total of 145c for the financial year to end-June 1990 against 200c a year before.

Kloof's drop was less extreme, with its 45c final making 105c for the year against 1989's 120c, while Deelkraal pulled a small rabbit out of the bag with a 35c final making a 60c total against last year's 80c.

As for the rest, Doorns, Libanon and Venters have all passed their finals and are most unlikely to resume distributions this year almost no matter what happens to the gold price. Retentions for capital expenditure will take precedence over payments to shareholders. *Jim Jones*

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LORAINE'S UNKIND CUT

FM 15/6/90

Loraine's decision to cut back production and retrench miners casts a pall over parent Anglovaal's contentious plans to establish the Sun mine on neighbouring ground.

If Loraine cannot make profits, how can the Sun venture ever justify a capital cost of R2bn or so? Its first gold would only be poured seven or eight years after construction starts, which would play havoc with the project's present value, and the cost of mining way below 2 700 m where rock temperatures can reach as high as 70°C be horrifyingly high.

Loraine's ore production will be cut by around 10% to about 120 000 t/month and about 6% of the mine's 10 000-man payroll will be laid off over the next four months But management does not say the resultant cost cuts will keep the mine in profits — simply that they will help minimise future losses.

Ironically, Loraine returned to a small profit in this year's March quarter even though its overall gold recovery grade slipped to 5,0 g/t from December's 5,1 g/t. The company has not said what the production cutback will mean as far as grades are concerned, but presumably it will be accompanied by the same sort of high-grading which helped return Gencor's small, marginal producers to the black

Loraine's retrenchments will place pressure on the NUM to settle for moderate increases in its wage dispute with the chamber.

Jim Jones

FINANCIAL MAIL JUNE 15 1990

SA golds 'not wildly over-priced'

MERVYN HARRIS

SA GOLD shares might be looking expensive on a forward dividend yield basis but are not "wildly over-priced" or in the same category as US golds whose rating has been described as "weirdly irrational".

This is the view of local analysts who were reacting to a report yesterday by Rob Weinberg, head of the mining team at James Capel financial services group, who described US gold shares in these terms.

Weinberg said at the recent Boston Gold Show that the market capitalisation of all the major North American gold companies was about $22bn.

The total market capitalisation of SA gold shares on the JSE on Wednesday was R50bn which, converted through the current finrand rate, amounted to $12,4bn.

After yesterday's market decline, the market capitalisation of gold shares on the JSE would be about R46,5bn and under $12bn, respectively. This represents a decline from the R64,5bn at the end of March

However, latest estimates show that of the 65 000 tons of global gold reserves still to be mined, SA has about 40 000 tons and the US and Canada about 8 500 tons.

Analysts moreover point out that the risk factor of US gold shares is totally different to SA gold shares. The much higher PEs of US gold shares reflect the lower risks. BDay 15/6/90

Compared with the deep level mines in SA, gold is extracted from shallow mines in North America where working costs are lower and not prone to the high inflation occurring on SA mines. (214)

There is also no discount on US gold shares for political risks

ERPM F/M 15/6/90

Nail-biting wait (214)

Who will blink first in the ERPM poker game? Rand Mines is playing for high stakes, warning that the veteran gold mine will be closed with large job losses unless the State stumps up more finance, while the government is showing every sign of wanting to abdicate responsibility for any decision on the mine's future

That, at any rate, is one interpretation of the Cabinet's decision to appoint the Melamet Commission of Inquiry to investigate the pros and cons of helping ERPM further Why, civil servants ask in private, has the decision effectively been taken away from the Government Mining Engineer (GME) who is officially responsible for State assistance recommendations to the Cabinet? Is the Cabinet sensitive to possible criticism from the ANC if it decides to close a mine on the nationalisation hit list? Or is it concerned about a further white voter backlash on the East Rand?

F/M 15/6/90 (214)

GME Jan Raath is "not available, nor will he be for the next three weeks" while the Melamet Commission is deliberating That, at least, puts something of a time constraint on ERPM's uncertainty

On the face of it, any further State aid to ERPM would smack of good money being thrown after bad The rot set in back in 1980, when shareholders stumped up R47,5m to finance the mine's expansion and bought options to buy more shares Based on a gold price estimate of US$600/oz, management predicted that profits and the exercise of options would provide enough to finance the R300m expansion as well as annual dividends of 360c a share between 1981 and 1985

But the gold price fell apart, ERPM was not protected by forward sales and expansion ground to a halt, as government turned down some frantic pleas for R20m assistance needed to ensure work on the new Far East Vertical (FEV) shaft could continue

By 1986, government was on a different tack ERPM had put up new plans which envisaged an expansion to raise the mine's annual milling rate to 3,9 Mt with an average gold recovery grade of 4,8 g/t by 1992 That is half as much again as the 3,19 g/t recovered from underground in this year's first quarter

The 1986 plan envisaged underground mining alone, with no processing of surface sand dumps and employment of 21 000-odd miners It also involved the State in guaranteeing loan finance of R200m, for which the State was supposed to have been granted mortgage bonds over ERPM's fixed assets The bonds were never registered — whether

F/M 15/6/90 (214)

because of an oversight or deliberate act is unclear — and it is not clear why, as the State has since given further undertakings, the question of bond registration has not been raised

Two years later, early in 1988, there was a R91m rights issue, R60m of which was earmarked to repay loans from First National Bank (FNB) The bank was not repaid and the latest state of play is that the government has guaranteed loans up to R220m Also, the State and FNB have agreed not to call for repayment of any loans until the year 2002, government has agreed that payment of R67m interest be deferred, it is subsidising pumping costs and providing interest rate subsidies ERPM is, to all intents and purposes, broke and unable itself to finance any further development

Clive Knobbs, ERPM's chairman sitting across the other side of the poker table from the government, has a couple of cards to play He points out that sand dump processing is profitable and reckons underground mining could generate recovery grades of between 5 g/t and 6 g/t if mining is concentrated in the comparatively rich FEV, "O" and "K" shaft areas This grade, Knobbs says, should be enough to generate the profits needed to repay loans provided working costs can be reduced and gold rises to R32 000/kg in 1990 terms from this week's R30 500 or so

Trouble is, he argues, that underground grades are variable around a fairly well-defined mean and ERPM has neither the cash nor the operating flexibility to handle the present period of lower-than average grades That's the mine's "last ditch" position — unless government approves ERPM's funding package fast, rationalisation plans will be impossible, the mine will close almost immediately, the remaining 8 000-odd employees will only receive retrenchment payments decided by a liquidator and the currently outstanding loans will be at risk For the present, Rand Mines is subbing operations, but it is certainly not prepared for an open-ended funding commitment

ERPM's Knobbs ... playing the last hand?

Everything now depends on whether the commission believes Knobbs's latest 5 g/t-6 g/t recovery projections, Judging by past performance, the grades seem inconceivably high, particularly as high grading in this year's first quarter coincided with grade reduction to 3,19 g/t from the December quarter's 3,64 g/t

Meantime, shareholders remain in the dark Knobbs is undecided about when to issue the annual report Should he disclose rationalisation plan details ahead of Melamet's findings, or hang in there for almost another month and give shareholders the good or bad news after the commission's decision? As it is, the mine's remaining miners are unlikely to be paid chamber-scale increases this year

Jim Jones

Gold industry faces major crisis as battle for survival looms

214

BDM 15/6/90

BARRY SERGEANT

SA's gold-producing industry is faced with the toughest decisions in its history after yesterday's decisive fall in the gold price to about R915 an ounce

At that level, just over 50% of SA gold was being produced at a loss when capital expenditure is included The fall has exposed some truths about SA's gold producers, not least the tragic human costs This week, two mining houses announced more than 1 000 workers would be retrenched Chamber of Mines figures show that, since the end of 1986, employment in the gold producing industry has shrunk from 534 255 to 479 874 people at end-March

Apart from retrenchments, says Gengold MD Gary Maude, other possibilities in mines' survival kits include moving into higher grade areas and increasing reserves, where possible, slashing capital expenditure to the bone, and, in the worst possible instance, using retained earnings/debt to subsidise a loss-making mine

Gold mines producing at a loss

Mine	Annual production (kg)	Costs including capex R/oz
Ergo	12 040	994
Blyvoor	9 684	907
South Roodepoort	1 234	903
Doornfontein	8 210	1 018
Durban Deep	3 792	950
SA Lands	1 488	957
Bracken	2 120	900
Harmony	28 996	995
Venterspost	6 354	996
WR Consolidated	2 120	935
Loraine	7 916	1 031
Grootvlei	2 648	1 027
Stilfontein	4 616	1 007
Western Areas	15 316	1 081
Libanon	7 000	1 137
Aflease	680	1 456
ERPM	6 276	1 367
Kloof	23 256	1 024
Elandsrand	12 464	963
Western Deeps	37 272	934
Randfontein	27 800	943
Freegold	110 908	1 019

Source March quarterlies Ed Hern Rudolph Inc

Of 41 long-established SA gold producers, 22 were running at a loss yesterday, including costs of capital expenditure The figures, based on the March quarterlies, showed that some of SA's biggest and highest-quality gold mines had joined the potential casualty list. Apart from the 41 long-established producers, a number of another 17 that have not been in full production for more than three years are also sweating blood.

Yesterday's price meant that at least 53% of SA's gold was being produced at a loss Figures from the 17 young producers would push this figure higher A senior gold industry executive yesterday said that SA's mines running at a loss were effectively subsidising the gold price for international investors

"I don't know any shareholder who would go along with that With half of our current gold production financed by retained earnings or by increasing debt, international investors must be having a field day"

Analysts and dealers always point out that the gold price is determined by many more factors than supply and demand Currently, the major factors outside the technical levels (such as the "psychological $350 level," which was breached yesterday) appear to be widespread speculation regarding the effects of sales by Soviet and Middle East sources However, Tom Dale of Ed Hern, Rudolph Inc said the current low price was most likely an aberration, and the longer-term picture was distinctly bullish

In 1989, Western world gold production was 1 653 tons, of which SA produced 608 tons, or 37%, down from 70% of Western world new production At the same time it has changed from the world's lowest to highest overall cost producer

With new Western world gold production at 1 653 tons, and communist sales of 296 tons in 1989, total "new" metal was 1 949 tons However, fabrication demand alone at 2 207 tons was greater than total new production This is probably the major factor used by gold bulls who are looking at the longer-term picture

The effect of the wickedly low current gold price also means bad news for the rand exchange rate (the most important price in the economy), SA's reserves, domestic inflation and the ability of SA to repay its foreign debt At yesterday's exchange rate of about US$1/R2,65, each $10 fall in the gold price means, crudely annualised, a fall in foreign exchange earnings of R500m

The most alarming entry on the list of SA gold producers running at a loss is Anglo American's Freegold, the world's biggest mining complex, with 110 000 employees (23% of gold producers' employment) Freegold, which produced 18% of SA's gold in calendar 1989, reflected working costs and capital expenditure of R1 019/ounce in the March quarter It is losing about R100 on each ounce of gold it produces

Other alarming entries include two other massive mines, Anglo's Western Deep Levels (costs R934/ounce) and Gold Fields of SA's Kloof

Anglo American chairman Julian Ogilvie Thompson recently said SA's largest mining house would consider cutting capital expenditure at its mines in order to stem losses

At Kloof, March working costs were R571/ounce, and R1 024/ounce after capex Clearly there is much scope to cut losses on this and other high-tech mines if capital expenditure is pared to the bone

Other gold producers now operating at a loss that spend large amounts on capex include Elandsrand, Ergo, Doornfontein, Libanon and Aflease In using such a broad brush to analyse SA's gold producers, one should not lose sight of several complicating factors

The 41 established gold producers may produce gold in two main ways underground mining or treatment of dumps, or a combination There is one other way, open-cast mining, but it is found in only one SA producer, West Wits

The implication is that each mine has its individual risk profile, similarly, each mine has completely different ways of coping with a decisive fall in the gold price Some gold producers, however, will simply go bankrupt at a given gold price.

In the strictly clinical sense, East Rand Proprietary Mines is bankrupt, Its March costs were R1 367/ounce, meaning losses of R452/ounce on yesterday's gold price With loan facilities of R300m exhausted, ERPM continues production as a Commission of Inquiry to determine its future starts hearings next week

The broader picture in the industry seems to be taking shape over estimates of how much further SA gold production will contract this year Supply and demand notwithstanding, it is argued that a significant fall in SA gold output will exert upward pressure on the gold price. Dale reckons that at yesterday's gold price, SA production will contract to 550-575 tons in calendar 1990 (1989 608 tons) On the same basis, Dale estimates that calendar 1991 production will be in the order of 450 tons

Using these estimates, and the effects on employment, foreign exchange earnings and the vast secondary industry supported by gold mines, SA must prepare itself for a sea change What is left in the air for the meantime is the question of new gold mines Kaplan and Stewart Inc's John Handley estimates that world gold ore reserves stand at about 65 061 tons — of which SA has the lion's share at 39 862 tons, about 61%

A recent Wits Business School thesis showed that unless government made critical changes to mining tax laws, 11 massive deep-level mines would remain on ice

It is these potential mines that could stem the decline in SA's gold industry

Jobs in danger as gold price slides

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Sowetan 15/6/90

Sowetan Reporters

ABOUT 18 South African gold mines employing more than 100 000 workers are in danger of running at a loss as the gold price struggles to stay above 350 dollars an ounce.

Analysts said today thousands of workers were in danger of losing their jobs as gold yesterday sank to its lowest level in four years.

At the London afternoon fixing, the metal fell five US dollars to close at $350,75. This morning it opened in London at $351,30

Retrenchments have been announced at two mines - Loraine in the Free State and Stilfontein in the Transvaal - and the future of ERPM mine in Boksburg hangs in the balance.

At Anglovaal's Loraine a rationalisation programme will cut 600 jobs over the next four months. The mine has 10 000 employees.

Gencor is to retrench 500 workers at Stilfontein in the western Transvaal.

"The extent of the reduction in staff will depend on how far the gold price drops The situation has meant we can only mine parts that are payable," said Gengold managing director Mr Gary Maude.

Programme

This was a continuation of a programme which had resulted in the loss of 13 000 jobs in the group over the past 12 months

Maude said unless the gold price recovered, another 2 000 to 3 000 workers could be retrenched within the next three months

Spokesmen for other mining companies said there were no plans at present for retrenchments

The country's biggest gold producer, Anglo American Corporation, said it was constantly monitoring the situation and was keeping its options open.

Chamber of Mines president Mr Kennedy Maxwell has listed 15 gold mines that operate at a loss when the gold price falls below $390

They are ERPM, Venterspost, Western Areas, Durban Deep, Doornfontein, Libanon, Marievale, Loraine, West Rand Cons, Blyvooruitzicht, Harmony, Barberton, Bracken, Randfontein and Grootvlei.

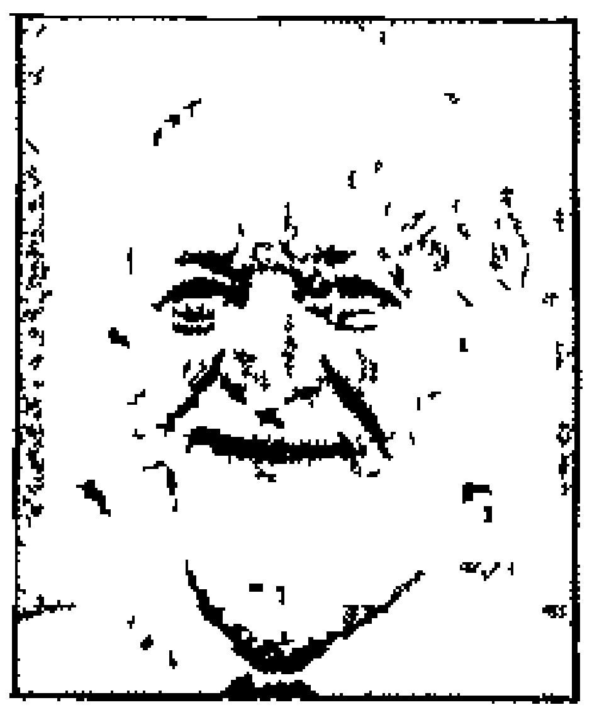
A chamber spokesman said "It is premature to even speculate about the risk of any possible closures, but the mines involved between them employ a combined labour force of well over 116 000"

EDWARD OSBORN

Gold and GDP growth

214

F/M 15/6/90



Edward Osborn is Nedcor chief economist

The customary measure of economic growth is the official GDP estimate at constant prices The measure is correct, as far as conventional concepts are concerned, though everyone agrees there are omissions in respect of the informal sector

Those aside, GDP correctly reflects levels of and changes from one period to another in incomes, product and expenditure — in concept, but not, of course, with exact accuracy.

GDP is, however, misleading as a measure of what one might call economic activity because of the domination of a single industry gold mining This is most evident, for example, in international comparisons of productivity changes, where productivity is simplistically measured as the ratio of GDP to numbers employed SA compares unfavourably because of the ageing of the gold mining industry

It is nonsense to argue that productivity has fallen in gold mining because the end-product of pure gold has fallen from 1 000 t in 1970 to 610 t in 1989 There have, on the contrary, been great technological strides over those 19 years in overcoming problems of deeper mining, lower grades and raising the volume of ore milled from 75 Mt in 1970 to 106 Mt in 1989

Clearly, the level of economic activity in gold mining in particular, and in SA as a whole, has risen more than is indicated by the conventional GDP measure

Two questions arise what has been the rate of growth in the rest of the economy and what has been the growth rate in economic activity for SA as a whole? An attempt to answer these questions has been made on the basis of

☐ An assessment of value-added in gold mining for 1985, based on Chamber of Mines information, and

☐ Value-added estimates obtained for the entire period by extrapolation with recorded gold production and tonnage milled These series were then applied to the official quarterly estimates of GDP (see graph)

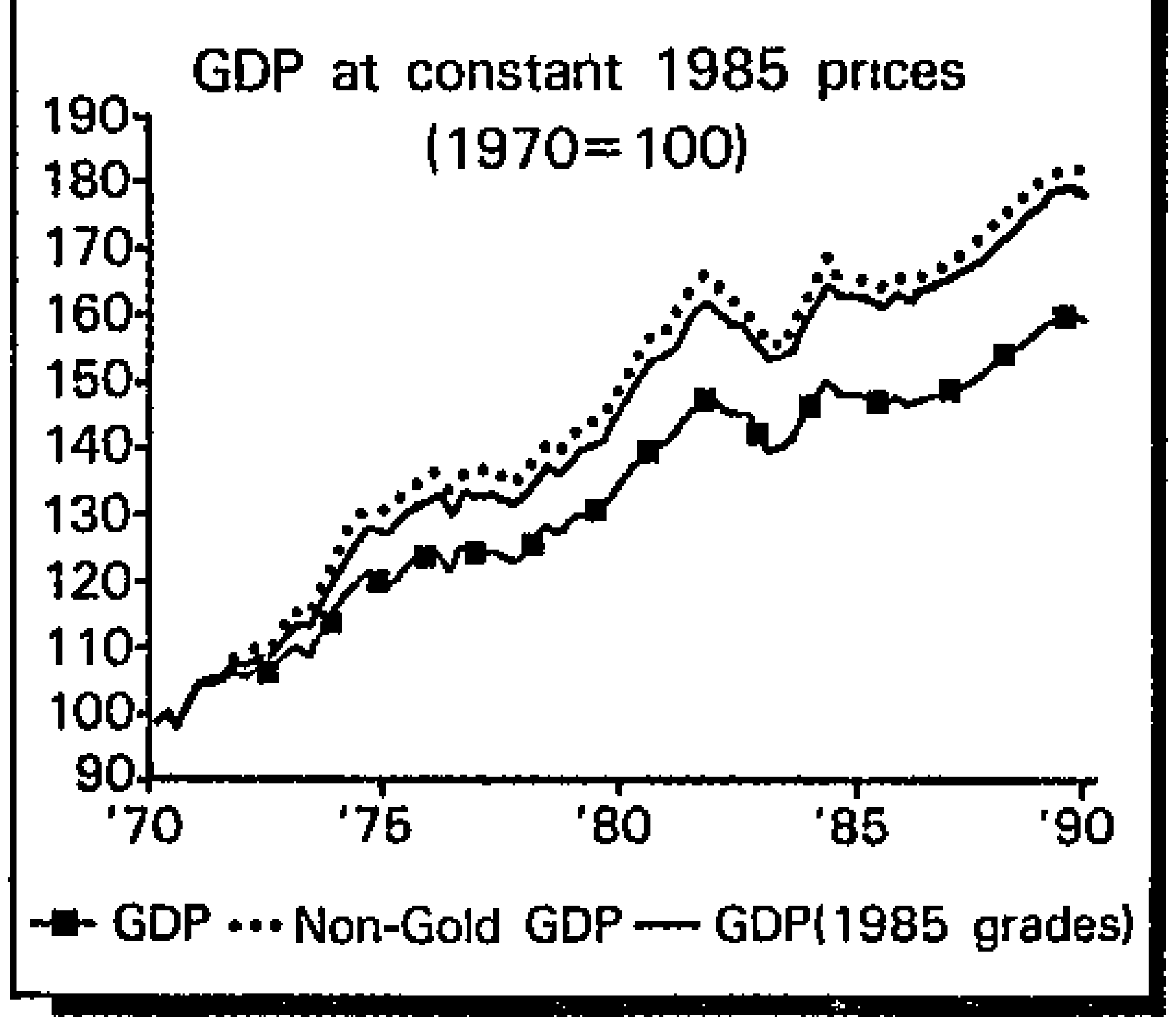
The bottom curve shows official GDP estimates The top curve shows non-gold GDP at a much higher level of growth and the adjacent curve shows the modified GDP of SA as a whole as if economic activity in the gold mining industry were measured by tonnage milled — the equivalent of assuming constant 1985 grades

The respective rates of growth are given in the following table

	GDP Official	GDP 'Economic activity'	GDP Non-gold
1970-1979	3,11	3,98	4,24
1979-1989	1,96	2,34	2,28
1970-1989	2,51	3,12	3,20

For the period as a whole, ageing of gold mining tended to understate the growth of economic activity by as much as 0,6% a year. Furthermore, the economy, other than gold mining, has been growing significantly faster that generally assumed The non-gold economy has averaged 3,2% over the long haul but with a much faster 4,24% in the Seventies slowing down to 2,28% in the Eighties

Good measure



8 000 gold mine jobs on the line

Star
16/6/90

214

Low price may force cutbacks, warns Anglo

SVEN LUNSCHE

ANOTHER wave of widespread retrenchments at South Africa's gold mines is looming as the gold price shows little signs of recovering from this week's four-year low.

Adding to the gloom of recent lay-offs, Anglo American announced yesterday that up to 8 000 employees could lose their jobs at the world's biggest mining complex, Freegold, if gold failed to rebound from its current levels

Gold was fixed yesterday afternoon in London at $346,90, slightly up from Thursday's close of $345,80

The managing director of Anglo American's gold and uranium division Lionel Hewitt, said about 7 800 workers faced retrenchment as Freegold curtailed operations at its South Region.

Discussions invited

"At current gold prices and operating costs, certain mining areas were now incapable of sustaining mining operations at their present levels, and steps will be taken to curtail these operations over the next nine months,' Mr Hewitt said.

He added that management had invited discussions with representative bodies of employees who would be affected by the curtailment of these operations

Mr Hewitt said that operations at other Anglo American mines could also be affected.

'Vaal Reefs No 6 and No 7 shafts will be curtailed, together with underground operations at Afrikander Leases, but this would not necessarily result in loss of employment," he said, adding that where possible employees would be re-deployed within other shafts at Vaal Reefs.

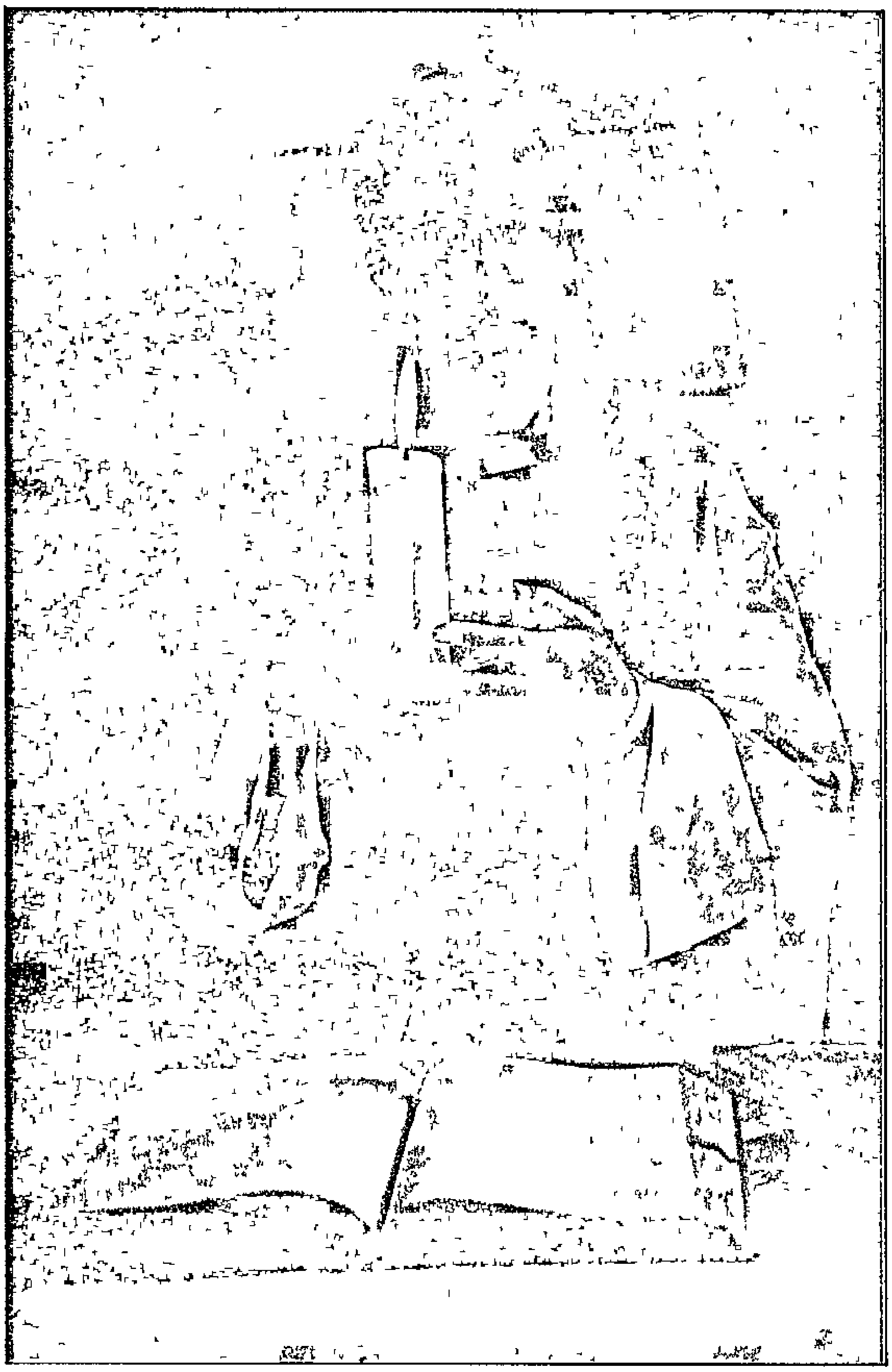
The entry of Freegold on to the list of gold mines operating at a loss at the current gold price has alarmed the industry, already battered by retrenchments this year

Chamber of Mines figures released this week show that 25 400 people were retrenched in the first three months of this year

Lay-offs have accelerated since then, and last week marginal producers Stilfontein and Loraine announced the retrenchment of 1 100 people.

In response to the slump, the mining industry has called on the Government to urgently examine a strategy to aid the beleaguered mines.

A report on the Government's strategy towards marginal mines, however, will only be released for public comment early next month, Deputy Finance Minister Dr Org Marais has said.



UNITY PRAYER Father Eamon O'Reilly's prayer is that today, June 16, be used as a day of unity A commemoration will be held at Regina Mundi today ● Photograph Herbert Mabuza

Parents defy DET's order to leave

JOVIAL RANTAO

Star
16/6/90

EIGHT Soweto parents on hunger strike at the Johannesburg offices of the Department of Education and Training (DET) yesterday defied an order from the Minister of Education and Development Aid, Stoffel van der Merwe, to leave the building

The eight, members of the Soweto Education Coordination Committee, occupied the building on Monday after talks between themselves and DET officials broke down They said they would not leave until each Soweto pupil was provided with a text book

At 12 15 pm yesterday, Mr Peet Struwig, director of the DET's Johannesburg region, delivered notices to the parents' delegation ordering them to vacate the building within an hour

"Your continued presence in the building is unlawful, notwithstanding your motives for such conduct," said the letters, which were signed by the State Attorney, Mr J F Zwiegelaar

Mr van der Merwe warned the delegation in the letters that if they did not comply with the order, he would make an urgent Supreme Court application to

● TO PAGE 2

TV fees set to rise to R96 a year

CHRIS MOERDYK

TELEVISION licence fees are soon to be increased to R96 a year after Government approval of the SABC's application It is believed that the Cabinet took the decision on Wednesday and that an official an-

Star 16/6/90 ([illegible]) (214)

Gold junkies in search of a fix

Money Matters

MAGNUS HEYSTEK

SOMEONE once said South Africans were a bunch of gold junkies waiting for the next fix. And you don't even have to own gold shares for this to be the case.

Because, despite our efforts to move away from our dependency on gold, our fortunes are tied up closely with it.

Everyone must be watching the daily price fix with a great deal of consternation.

While gold production has been falling steadily in recent years, dollars earned from gold sales still contribute the lion's share of our foreign exchange earnings — currently about 30 percent.

There is no doubt that the drop in the price, from a high of $420 in February this year to lows of about $351, is hurting very badly.

It has also turned what was to be a soft landing for the economy into a much harder one — perhaps even a crash landing.

Even with the benefit of a strong gold price in the first quarter of this year, economic growth was negative.

There's scant hope now that the economy will show any growth at all this year.

This is depressing when one takes into consideration that the population is growing at a rate guestimated at two to three percent. It might even be higher. This means we all will get poorer this year

For a while lucky individuals might escape the rot by having larger-than-average salary increases, but ultimately we will all suffer from a steady erosion in living standards.

A stagnant economy cannot create jobs. This means that more people are unemployed or half-employed.

Also, a stagnant and shrinking economy reduces the ability of the government of the day to raise taxes, a vital instrument in any redistribution of wealth.

Without taxes, spending on necessary infrastructure starts declining, and ultimately stops.

With gold at its current depressing level, much against the forecast trend, interest rates will remain higher than would normally have been the case.

It might even, as Mike De Blanche, MD of United, said earlier this year, lead to another rise in mortgage rates.

This would set in motion a chain of events leading to more bankruptcies, even higher unemployment, sequestrations and liquidations.

It would also seriously hurt the residential property market, already starting to show signs of strain in some categories.

In the Eighties a falling gold price was normally counterbalanced by an equal weakening of the rand exchange rate.

This time round, it seems the same does not apply.

In fact, the steadiness of the rand in the face of the sharply dropping gold price has astonished many commentators

It has also severely hurt the price of gold shares, which found themselves without the lifeline thrown out to them every time the gold price fell in the past.

As my colleague Derek Tommey said earlier this week, gold shares have lost about R50 billion in just under three months

Investors in interest-bearing instruments such as fixed deposits and participation mortgage bonds, however, are benefiting from the changed scenario.

Governor of the Reserve Bank Dr Chris Stals is adamant that REAL interest rates are here to stay.

He will only consider a drop in prime ovedraft rates if the inflation rate declines to below 13,5 percent.

This resolve is going to be tested severely in the next couple of months as bad news piles up and he finds himself under increasing political pressure.

Dr Stals is right, however. As a country we cannot devalue ourselves out of trouble, or just to protect one segment of the economy, albeit an important one

Look what happened to Zambia. When the copper price started falling in the Eighties, Zambia devalued its currency in line with the drop in the copper price.

This was a short-sighted policy, as it turned out for the country is now bankrupt.

Hopefully, we will not end up in the same boat

Gold's slump costs 8 900 jobs

OFFICE DOCTOR David Lavelle who says plants can 'treat' sick buildings plagued with poor air conditioning Picture TOM EDLEY

Sick buildings can be cured by plants!

By CHARMAIN NAIDOO

JUST when you thought it was safe to go into the office the Sick Building

on how best to counter indoor pollution

'In Holland a company

SI Times 17/6/90 (214)

Union insists on 20% minimum wage rise

Business Times Reporters

THE slump in the gold price has wiped out 8 900 mining jobs on the eve of a crucial round of pay talks.

The 6,4% decline in the JSE's All Gold index on Thursday wiped R16-billion from the market capitalisation But the fall slowed on Friday

Anglo American's shock decision to cut back mining at two of its big operations will cost at least 7 800 jobs, with 500 people laid off at Gencor's Stilfontein mine and 600 retrenched at Anglovaal's Loraine mine in the next four months An industrial conciliation board meets tomorrow

The board will begin hearing evidence in the dispute declared between mining companies and the National Union of Mineworkers over pay demands ranging from 20% to 32% from July 1

The gold price has fallen nearly $77 an ounce since February — and there s little hope in London of an early improvement from its low of $347 05

Anglo s decision to curtail operations at Freegold s South Region at Vaal Reefs No 6 and No 7 Shafts and at Afrikander Lease took the industry by surprise

ADVERSE

Gold and uranium division managing director Lionel Hewitt said the cutbacks would be made over the next nine months

He said the mines had introduced many programmes to maintain existing levels of operation against adverse cost and price movements

These included cost reductions and the deferment of capital expenditure.

"Despite these efforts at current gold prices and operating costs certain mining areas are now incapable of sustaining operations at present levels said Mr Hewitt

All the declared redundancies will take place at Freegold but the mine s production will be cut by less than 1%

No jobs should be lost at Vaal Reefs because where possible workers will be redeployed within Vaal Reefs.

Johannesburg Consolidated Investments and Gold Fields have no plans to retrench workers but are constantly doing costing exercises Wherever possible, hi, be grade ore is being

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Investor returns to the basics of Acrem

SI Times 17/6/90

By JULIE WALKER

BACK to basics is how Gordon Polovin of Columbia Consultants describes his group s investment in retailer Acrem

The Columbia flotation in 1986 was a sensational success Pitched below a rand the share price of the financial services and investment banking outfit topped R8 before its gradual slide to the current 95c was triggered as far back as October 1987

We have got away from being a glamour company said the chief executive

Over the last two years Columbia has sold off its holdings in 11 companies mostly listed and is left with two-thirds each of Powernet and Blocktec.

Mr Polovin said any proceeds or cash which Columbia generates will be invested in Acrem a long term credit retailer of non-food goods.

Columbia bought the chain a few years ago out of the estate of Benny Sloame Following the recent rights offer Columbia will own 90% of the company, which will be capitalised at close to R43 million

Rapid

Some of the R15-million raised in the ri hts offer

TOPS IN TRUCKS

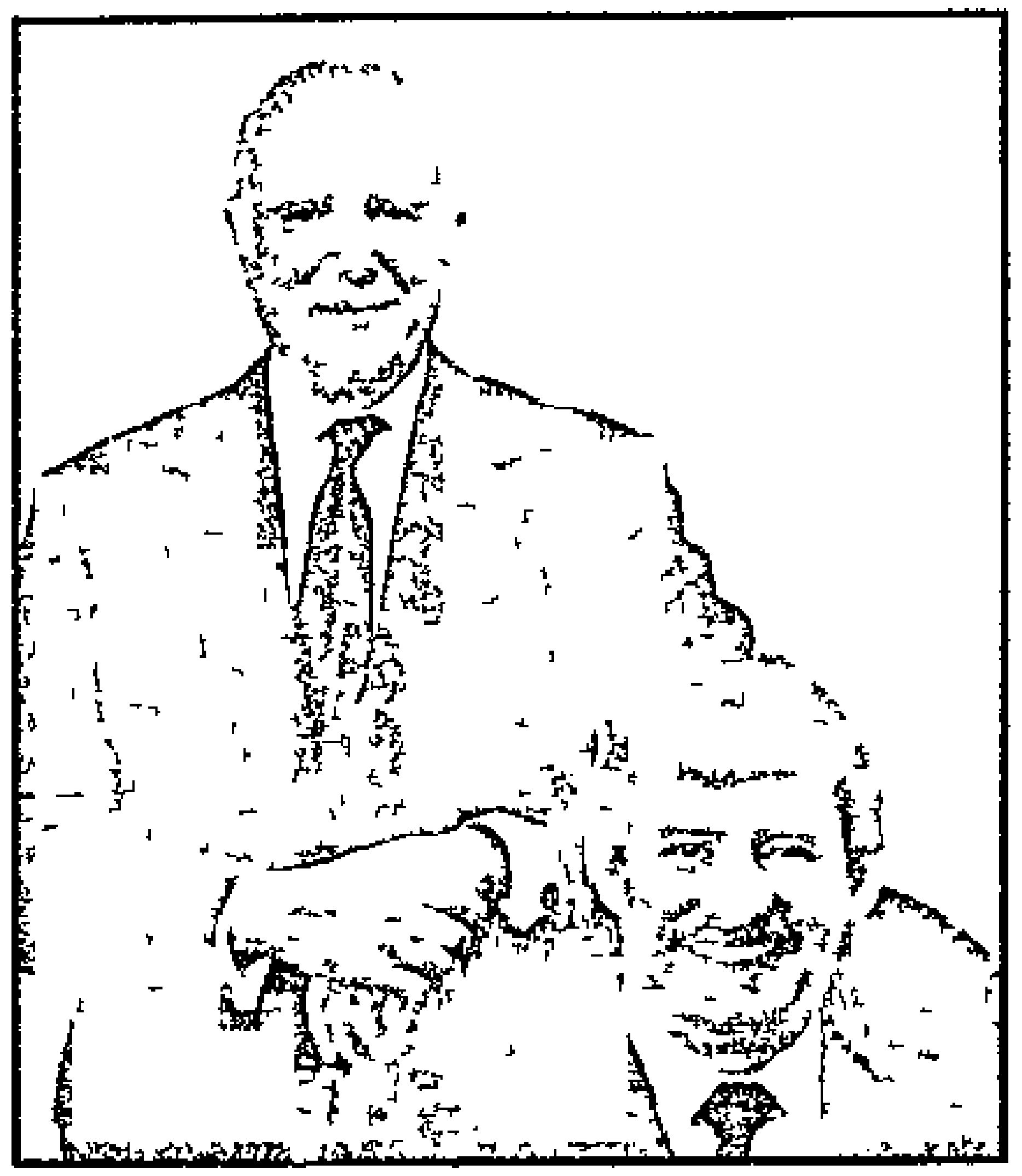
THE first issue of *TRUCK TIMES*, the redesigned and relaunched Business Times quarterly publication, appears today as a separate supplement

Edited by the highly respected transport journalist Max Braun, *TRUCK TIMES* looks at relevant and controversial issues concerning all involved in South Africa s trucking and transport industry

In today's issue we investigate the implementation of RTQS, the risks of overloading the availability of spare parts, fleet insurance and truck stops Don t miss it!

OMNIA AT THE CROSSROADS

By IAN SMITH



POISED FOR GROWTH Omnia's founder Dr Joe Winkler (standing) and group MD Neville Crosse

THE Swiss based founding chairman of the Omnia fertiliser group has flown to SA to preside over a vital board meeting this week.

Dr 'Joe' Winkler will hear arguments as to whether the group should diversify or continue to grow in its chosen fields

'I have an open mind and will be listening carefully to my fellow directors he said

Omnia the smallest of the 'big three in South Africa's R1 5 billion-a year fertiliser industry has done remarkably well despite the recent drought, floods and a vicious fertiliser price war

SI Times 17/6/90

Stable

The year to December 31 saw record sales and profits Turnover jumped 39% to R336.2 million net income rose 43% to R25.2 million and earnings 53% to 66 64c a share

Omnia is confident it can maintain its 25% share of the local fertiliser market. About 10% of production was exported 'very profitably' said group managing director Neville Crosse.

There is also hope that agriculture has moved into a more stable era improving prospects in the longer term.

But the group s tentative moves to diversify all prompted by markets or raw materials have proved a useful hedge against the vagaries of farming

Omnia has about R42 million in retained earnings and decisions will be made soon on the direction in which the group will move

Omnia moved successfully into explosives through Bulk Mining Explosives because its facilities are common to both fertiliser and explosives production.

Its takeover of the SA arm of US-based Cargill and Ciba-Geigy s seed operation in 1988 led to the formation of Carnia Seed.

'This takes us into the high-tech area of agriculture in the development and marketing of improved varieties of seed for a number of crops said Dr Winkler

A small trading operation acquired in the Cargill deal was transformed into Omica Trading which became the biggest grain trader in SA last year

Omnia Farming Enterprises was set up to gain first hand knowledge of farmers problems and to demonstrate the effectiveness of fertilisation.

"We are very happy with our diversification, but we are not certain that we want to go further in this direction," said Dr Winkler

(3) General (183)

Clerks

He believes that Omnia s profitability compares well with its giant competitors — Kynoch and Sasol.

Not bad for a company registered in 1953 by Dr Winkler and his parnter Willem Marais, who met when they were clerks working for Anton Rupert s fledgling Rembrandt group.

The initial capital was £125. Market capitalisation today is nearly R130-million.

The share is standing at 330c, close to its 365c high. But Mr Crosse reckons that it is still underrated.

Acrem

By JULIE WALKER

BACK to basics is how Gordon Polovin of Columbia Consultants describes his group's investment in retailer Acrem.

The Columbia flotation in 1986 was a sensational success Pitched below a rand, the share price of the financial services and investment banking outfit topped R8 before its gradual slide to the current 95c was triggered as far back as October 1987

"We have got away from being a glamour company," said the chief executive

Over the last two years Columbia has sold off its holdings in 11 companies, mostly listed, and is left with two-thirds each of Powernet and Blocktec

Mr Polovin said any proceeds or cash which Columbia generates will be invested in Acrem, a long-term credit retailer of non food goods

Columbia bought the chain a few years ago out of the estate of Benny Sloame Following the recent rights offer, Columbia will own 90% of the company, which will be capitalised at close to R43-million

Rapid

Some of the R15-million raised in the rights offer will be used to bring down Acrem's gearing from a hefty 124% to 33% This is after taking into account the R4 million cash acquisition of I Lubner & Sons, a cash discounter in consumer electronics and furniture

Acrem's pre-tax profit margin was 14% in the financial year to March It has a rapid stock turn — 7,7 times — and returned 18% on assets managed

Acrem earned 15,6c — 35% more than last year and 2c ahead of the forecast A 5c dividend has been declared

Mr Polovin said it had been a difficult year for Columbia, which will probably earn about 16c in the year to March 1990 As investments were sold, so were earnings

But he is confident that the year to March 1991 will be one of good growth from the group, now capitalised below R30-million

"Acrem is going places, and Powernet and Blocktec are performing well"

Anglo's decision to curtail operations at Freegold's South Region, at Vaal Reefs' No 6 and No 7 Shafts and at Afrikander Lease took the industry by surprise.

ADVERSE

Gold and uranium division managing director Lionel Hewitt said the cutbacks would be made over the next nine months

He said the mines had introduced many programmes to maintain existing levels of operation against adverse cost and price movements

These included cost reductions and the deferment of capital expenditure

"Despite these efforts, at current gold prices and operating costs certain mining areas are now incapable of sustaining operations at present levels," said Mr Hewitt

All the declared redundancies will take place at Freegold, but the mine's production will be cut by less than 1%

No jobs should be lost at Vaal Reefs because "where possible" workers will be redeployed within Vaal Reefs

Johannesburg Consolidated Investments and Gold Fields have no plans to retrench workers, but are constantly doing costing exercises Wherever possible, higher grade ore is being mined

TRANSFERS

William Conn, general manager of Johnnies' gold division, said no decision on retrenchments would be taken for the next few weeks until he and Ken Maxwell, head of the gold division, return from the Financial Times gold conference in Venice on June 25 and 26

Kobus Olivier, senior consulting engineer at Gencor, said he was "very concerned" with the current gold price

In the past 18 months, Gencor has rationalised its mining operations and has reduced its staff by about 13 000 people through transfers, retirements and retrenchments

Johann Liebenberg, the Chamber of Mines' general manager for external relations, said despite the seriousness of the situation there would not be any panic decision making

"Mines do not make major decisions on a low gold price for a week or a month They take a longer view"

The current gold price and exchange rate have pushed 19 of the country's 33 major gold mines into losses

Mr Liebenberg said the low price would not be used as a weapon in the pay dispute with the NUM "We will continue to negotiate in the normal way"

BLAME

Analysts were puzzled by the bear attack on bullion, which drove the price down $15 in 48 hours to $339 an ounce just before the London fixing on Thursday morning

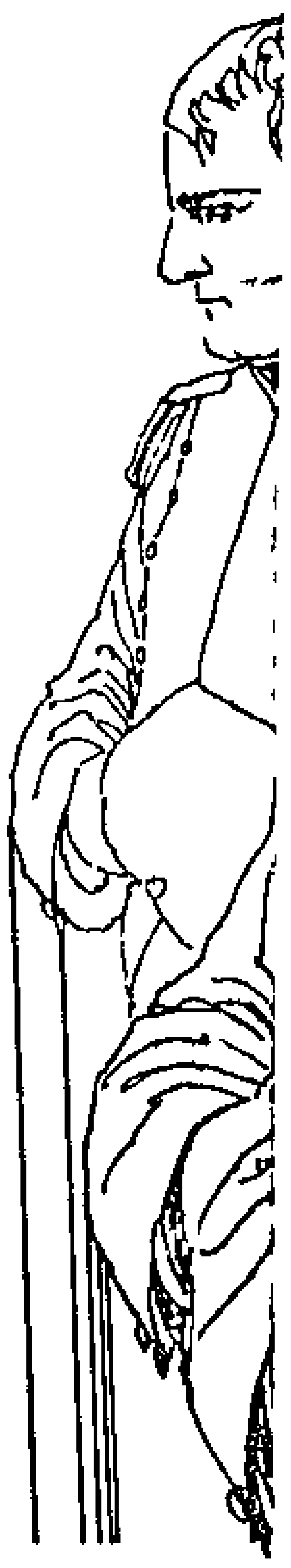
Once again blame was levelled at the National Commercial Bank of Jeddah — reported by the Financial Times and The Economist to have dumped 100 tons of bullion in the past 10 weeks

A trader at one of the main London bullion houses said "If the reason was to sell gold to offset falling oil prices one would expect it to be done more responsibly But these people are not subtle

"It does beg the question of whether the underlying reason is to buy gold at lower levels"

TRUCK TIMES looks at relevant and controversial issues concerning all involved in South Africa's trucking and transport industry

In today's issue we investigate the implementation of RTQS, the risks of overloading, the availability of spare parts, fleet insurance and truck stops Don't miss it!



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to ruin

unting against Presto is the fact all contracts with customers are ong term and therefore without intees

e word in the transport industry, e fixed overheads are high and n on capital small, is that every-s struggling to keep their heads e water

e main creditors are banks and ce institutions — owed about R14-on With current liabilities at id R9-million, this brings the sum to R23-million

Claims

h shareholders equity at R7-m, fixed assets in the form of s, tractors and trailers is R14-mil ith stock and debtors around R4,5-n (recoverable)

ims against the owner-drivers lators are hesitant as to whether um is recoverable) is R5-million sto will be remembered for one of astest management buy-outs in istory

hin 50 weeks, controlling share-rs upped their interest from 27% by buying out the major share-rs and making an offer to minor-with birdshot, shotgun fire and rubber bullets

Gold continues nudging higher

Star
18/6/90

By Michael Chester (214)

The gold price nudged back higher today when it started trading on the key London bullion market at $348,70 to $349,20, an improvement of $1,50 on the weekend's closing price

It continued a cautious upward trend that began on Friday after the price had plunged to around $340 and caused panic on the Johannesburg Stock Exchange on Thursday.

But the outcome of the annual round of pay demands by the National Union of Mineworkers hung in the balance as the gold price struggled to recover from its lowest levels in four years at less than $350.

The industrial conciliation board was meeting in Johannesburg to hear evidence from mine employer and the NUM on union demands for wage increases ranging between 20 and 32 percent.

As the board went into session, Anglo American Corporation was planning a series of meetings with worker representatives at its Freegold gold complex to explain details of the cutback of 7 800 jobs over the next few months.

Anglo plans talks on mine cutbacks

RIAAN SMIT 214

ANGLO American Corporation would start discussions with all representative bodies of Freegold employees "within the next couple of days" on a planned cut in the labour force of 7 800 jobs, spokesman Adrian du Plessis said yesterday.

Operations at Vaal Reefs No 6 and No 7 shafts would also be curtailed together with underground operations at Afrikander Lease, the corporation said.

This curtailment would not necessarily result in loss of employment because, "where possible", employees would be redeployed within Vaal Reefs.

The steps at Vaal Reefs should improve total gold production above current levels, while production at Freegold was anticipated to be reduced by less than one percent, Anglo said. B/Day 18/11/90

Freegold and Vaal Reefs had adopted different strategies because Vaal Reefs has greater flexibility in the opening of new ore reserves than Freegold, it said.

"Over recent months management has effected numerous programmes in an effort to maintain existing levels of operation against adverse cost and price movements. This has included cost reduction initiatives and the deferment of capital expenditure"

Anglo said in spite of these efforts, at current gold prices and operating costs certain mining areas were now incapable of sustaining mining operations at their present levels.

Management's view was that the cutbacks at Freegold, Vaal Reefs, and Afrikander Lease would optimise the levels of operation and employment under the adverse economic circumstances.

ERPM workforce down to 4 150

214

14/6/90

By Ann Crotty

ERPM now has a labour force of 4 150 after the retrenchment of 6 000 workers This retrenchment was deemed one of the conditions necessary to getting the mine back into profit.

This was revealed yesterday by the State Mining Engineer, S Du Plessis, at the first day of the Melamet Commission of Inquiry into the viability of providing additional funding to save ERPM.

Mr du Plessis was setting out on what basis the Government had been motivated to providing assistance to ERPM between 1977 and 1989

He said in terms of a plan presented by ERPM to the Department of Mines (ahead of this month's decision to appoint a commission of inquiry), ERPM was to raise R40 million through the sale of assets.

The main items under consideration were the mine dumps. Mr Du Plessis said tenders for these dumps had already closed.

He said the Government had not yet received ERPM's audited financial statements for the year to December 1989.

Contracts double on expiry due to gold close-outs

214

LIZ ROUSE

B Day 19/6/90

DEALINGS in June contracts doubled on their expiry on Friday due to heavy close-outs in gold contracts, according to Safex figures

Safex reported a total of 95 deals and 4 095 contracts The breakdown was September all share contracts — 46 deals and 452 contracts, June golds — 107 deals and 2 180 contracts, September golds — 86 deals and 925 contracts, June industrials — three deals and 40 contracts, and September industrials — seven deals and 61 contracts

Hearing into ERPM begins

(214)

RIAAN SMIT

ERPM management proposed a 60% cut in its workforce of 10 000 as part of a rescue plan submitted to government in May, assistant government mining engineer Samuel du Plessis yesterday told the Melamet Commission of Inquiry into continued government aid to the mine.

Other proposals in the rescue plan which, he said, an interdepartmental committee thought had "reasonable chance of success", were reducing tonnage from underground to 71 000 tons a month while increasing grade to 5,6g/t.

He said the committee felt the plan could return the mine to profitability this year B Day 19/6/90

Questioned by Advocate Brian Spilg, for shareholder Horace Sammel, Du Plessis said the committee had made its evaluation of the plan without having seen audited financial statements for 1989.

The rescue plan assumed an average 1990 gold price of R32 000 a kilogram, R34 200/kg for 1991 and R42 000 for 1992, Du Plessis said

Further assumptions were inflation at 11% for the period to 1992, an interest rate of 16%, R4,2m in retrenchment costs, a 10% wage increase and disposal of assets worth R42m.

Du Plessis said his personal opinion was that "if what we have on the table does not work by 1992, then that is the end of it (the mine)".

Government was the guarantor of ERPM loans and interest to a maximum of 10% above 7%, which now had a value of R220m

Du Plessis said yesterday government held no security in the form of registered bonds, but in terms of a December 1989

☐ To Page 2

ERPM

B Day 19/6/90

(214)

☐ From Page 1

agreement between the mine, government and a banking consortium, ERPM could not dispose of its assets without consulting these parties

He estimated the break-up value of the mine at R115m, but added it could be worth more as a going concern

The three-man commission chaired by Mr Justice D A Melamet yesterday started its public inquiry — in the Mineralia Building in Braamfontein — into whether government should supply additional aid to the mine, which has debts totalling more than R300m

He is assisted by retired Wits University professor of minerals economy D G Krige and practising accountant S Rossouw

● Picture Page 4

Gold not alone as world sees slump in commodity prices

Star 19/6/90

214

By Derek Tommey

The gold price has been under pressure in recent weeks — but so have the prices of other commodities.

The general weakening in prices raises the spectre that the Western world may at last be heading for a long over-due cyclical trade recession

Since the beginning of May the London sugar price has fallen 23 percent from £233,40 to £179,80 a ton.

The wool price has dropped about 17,5 percent, depending on the currency used. In this instance it is the Australian dollar.

The copper price has fallen 12,6 percent from £1723 to £1506 a ton. Other base metal prices have fallen by smaller amounts.

There have been other less publicised price reductions. The price of vanadium pentoxide has come off sharply, as has that of managanese and manganese alloys

Since early May Reuter's commodity index has dropped 5,26 percent from 1940 to 1838, though the appreciation of sterling against the dollar has played a part in the fall.

Set against these reductions, the 5,4 percent drop in gold from $369 to $349, or even the severer 17 percent fall from February's $420 does not seem so apocalyptic

What these figures do show is that the world could be running into a recession and that the wise and prudent have been switching from commodities into cash

The question is what sort of recession are we heading for? Is it going to be a small one, caused by what some regard as high US interest rates, and therefore unlikely to be of long duration?

Or, what is beginning to seem likelier, could it be a serious affair like other recessions that followed an ending of "hostilities"?

Economists have been glorying in the fact that the West is in its eighth year of growth, which is unprecedented.

They have tended to take credit for this and have been asking what has happened to the business cycle.

But if one can argue that the West's economy has been sustained by eight years of heavy US military spending, then the business cycle is still with us

Moreover, it could quickly re-emerge if military spending drops

East Germany is on the way to becoming part of Nato, the other East European members of the Warsaw Pact are choosing neutrality

And if news reports that Soviet leader Mikhail Gorbachev, when he was alone with US President George Bush during his recent visit to Washington, pleaded for economic assistance, then Russia is in no position to start a war

Clearly the West now has overwhelming military superiority and can remain top dog and afford major disarmament.

The drop in commodity prices suggests such disarmament is starting

It is the metals heavily used by the armaments industry that have experienced the biggest price falls.

Another key indicator to this probable disarmament has been the armies in Europe and North America, which traditionally use wool in their uniforms

Old-timers will remember when the Eastern Cape wool industry went from boom to bust to boom at the end of World War II. This could be happening again

While a major recession could be bad news for many commodities, it need not be bad news for gold.

Any major slowdown in economic activity as the West's economy adjusts to the switch from military to peace-time spending will lead to lower interest rates and increased government spending.

In this situation gold comes into its own as a hedge against inflation and devaluation ket any diamonds found every 100 tons

Winkelhaak progress

The shaft sinking of phase one of the Six Shaft complex at Genmin's Winkelhaak gold mine situated in the Evander area has been completed The No 6 Shaft complex will eventually provide access to gold bearing ore at a depth of 2 500 metres

This will make Winkelhaak the deepest gold mine in the Evander area The second phase of this project, which was approved and announced in January 1990, involves the sinking of the subvertical shaft at a cost of some R700 million in January 1990 monetary terms

It is estimated that the Six Shaft complex will have a life of more than 20 years and that it will enable Winkelhaak to maintain its production level for the next 15 to 20 years

(24) Star 19/6/90

20 gold mines now facing loss situation

Star 26/4/90 (214) [illegible]

By Michael Chester

New surveys by the Chamber of Mines have revealed that the number of gold mines threatened with operating at a loss because of the collapse of the bullion price has grown to 20 — with a combined labour force of more than 200 000

The growing threat was disclosed by Kennedy Maxwell in his presidential address at the annual meeting of the Chamber in Johannesburg yesterday.

As the warning was being delivered, the gold price was still struggling below $350 an ounce on world markets, its lowest in four years.

Mr Maxwell warned that unless there was a dramatic improvement in the bullion price, total gold production — at a peak of 1 000 tons a year in 1970 and already down to 608 tons last year — looked likely to fall as low as 600 tons or even 580 tons for 1990.

Production at the 20 mines on the sick list had been running at about 210 tons, worth no less than R6,3 billion a year in total foreign exchange earnings.

But Mr Maxwell made it plain the actual closure of any of the mines would be considered only as a last resort. "Closing a gold mine is a traumatic and difficult business," he said.

"Not only does it give rise to the demise of thousands of jobs but it invariably means that even if the gold price were subsequently to recover the mine could have to be closed permanently."

A lowering of the rand exchange rate would help a number of the mines, but the danger was that inflationary pressures would be encouraged rather than curbed.

However, the situation was more positive in the coal mining industry. According to Chamber estimates nearly 50 000 new jobs could be created by the lifting of sanctions on coal exports and a positive economic growth rate.

Mr Maxwell said the result could be a dramatic climb in total coal production to as high as 230 million tons a year by the end of the 1990s

He saidit would mean the direct recruitment of 29 000 more mineworkers by the collieries themselves, and the creation of an additional 18 000 new jobs elsewhere in the economy

The coal mines had already achieved new export records, with overseas sales last year jumping to 47 million tons, bringing in R3,6 billion in foreign exchange, or R800 million more than in 1988.

ERPM involved in balancing act

Star 20/6/90 **By Ann Crotty** (214) ([illegible]) ([illegible])

If ERPM had to exploit its rich ore reserves now, the mine would only have a life of about 18 months and not be in a position to re-establish reserves below its Far East area

This was the view of ERPM MD Karl Eich when he was questioned yesterday by Mr Justice D A Melamet at the commission of inquiry into the viability of additional government funding to save the mine.

The judge asked why ERPM was worried about reserves for the future when it was faced with the near-term possibility of having to close down. Mr Eich said it had been necessary for ERPM to present a plan to meet its long-term commitments, including its interest payments.

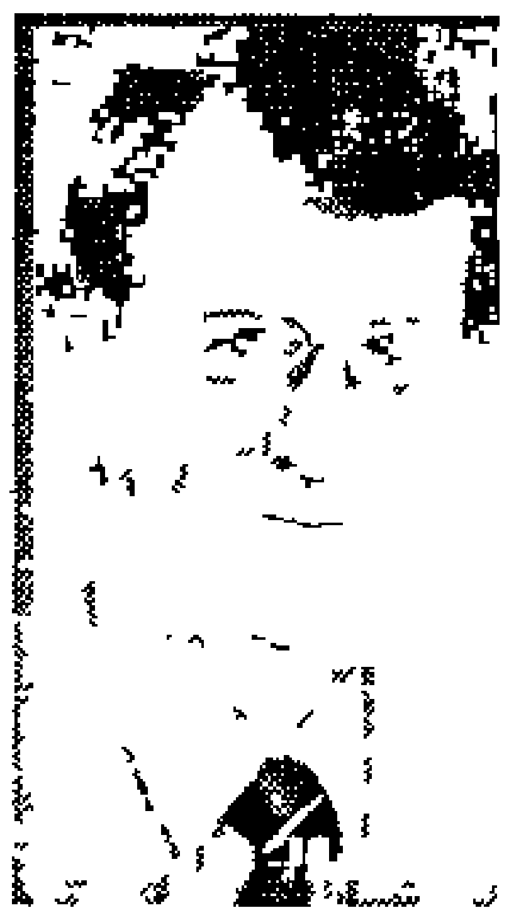
Earlier at yesterday's hearing Mr Eich said ERPM had reduced the number of underground workers from 7 641 in April to 4 400 and was planning to cut this figure to 3 400.

600-ton fall in gold production predicted unless price goes up

B Day 20/6/90 (214)

Business Day Reporter

SA's gold production would probably fall between 580-600 tons (608 tons) this year unless the gold price improved dramatically, Chamber of Mines president Kennedy Maxwell said yesterday.



● MAXWELL

This would have a major impact on the country's balance of payments and general economic welfare, he added

Maxwell, speaking at the Chamber's 100th AGM, also criticised the draft Minerals Bill, which he said would jeopardise the multi-million-rand investments the mining industry had made in obtaining mining leases for state-owned mineral rights in land previously owned by the state but subsequently acquired by individuals (mainly farmers) and companies

In its present form, Maxwell said, the Bill threatened to abrogate the existing rights of owners and their nominees (mainly mining companies)

Maxwell said 20 of the 33 gold mines which were members of the Chamber could face heavy financial losses at the current gold price, and six mines were already in a loss-making position These 20 gold mines produced 210 tons of gold a year worth about R6,3bn

While a lowering of the exchange rate would assist a number of these mines, offsetting the low dollar-gold price, this could encourage inflationary pressures, Maxwell said

Unprecedented

Maxwell said in the long term he was cautiously optimistic the gold price would increase

Apart from the anticipated fall in SA's output, the unprecedented growth that had characterised the industry in the US, Canada and Australia was unlikely to continue, he said Soviet production was likely to be restrained

However, he said he was not particularly sanguine about the strength of the gold price this year and "therein lies the rub for SA"

Maxwell said the ending of coal sanctions could boost coal output to 230m tons a year by the year 2 000

He said this could mean an increase of about 29 000 direct jobs in the industry and a further 18 000 in indirect employment

Record coal exports of 47-million tons in 1989 earned the country R3,6bn (2,8bn) in foreign exchange

Domestic sales which fell by some 11,4 million tons in 1989 were expected to remain weak in 1990 Export sales were expected to increase slightly by volume but profit margins were likely to be eroded because of inflationary operating cost increases

MD outlines new plan to save ERPM

(214) B Day 20/6/90

EDWARD WEST

ERPM MD Karl Eike yesterday outlined a "flexi-plan" to save the mine, which, with further loans, retrenchments and the sale of assets, involved the extension of a subvertical shaft and deepening of the Far East Vertical Shaft at ERPM

Eike outlined this proposal to the three-man Melamet Commission inquiring into whether government should supply aid to the mine which has debts of over R300m

The Far East Vertical project was 95% complete, he said. The ventilation and subvertical shaft were complete while the rock and man winders were installed. However, the service shaft and the 7 000-ton ice-producing plant to cool the mine had not been completed.

The equipping of the service shaft could be completed in three to four months, while completion of the ice plant would take six months, said Eike.

These developments would cost about R10m and together with the cost of retrenchments, would be funded by the sale of assets of just over R40m

The extension of the subvertical shaft, by 980m at an inclination of 15%, would take about 18 months Should the ore and grades be reached as had originally been predicted, the shaft would be deepened by 250m

About R260m had already been spent on development of the Far Eastern Shaft, though this expense had been incurred a long time ago. There were 34-million mineable tonnages left in the Far Eastern portion of the mine provided the grades were as predicted, he said

He said ERPM at present had 949 704 tons of ore-bearing rock available for exploitation at 6,7g/ton, but the mine was prepared to let these reserves lie idle for the time being in the event of an unforeseen circumstance

Should such an unforeseen circumstance occur, labour, which accounted for just over 51% of ERPM's costs, could be deployed to these reserves

Chairman Mr Justice D A Melamet said it seemed the immediate problem for ERPM was cash flow and he questioned whether it would not be to its benefit rather to exploit these reserves.

Viable

Eike answered that the proposed plan to save ERPM would be to its long-term benefit so that loans and deferred interest payments could be repaid Though exploitation of these reserves might seem profitable in the short term, it would not neccesarily benefit the mine in the long term.

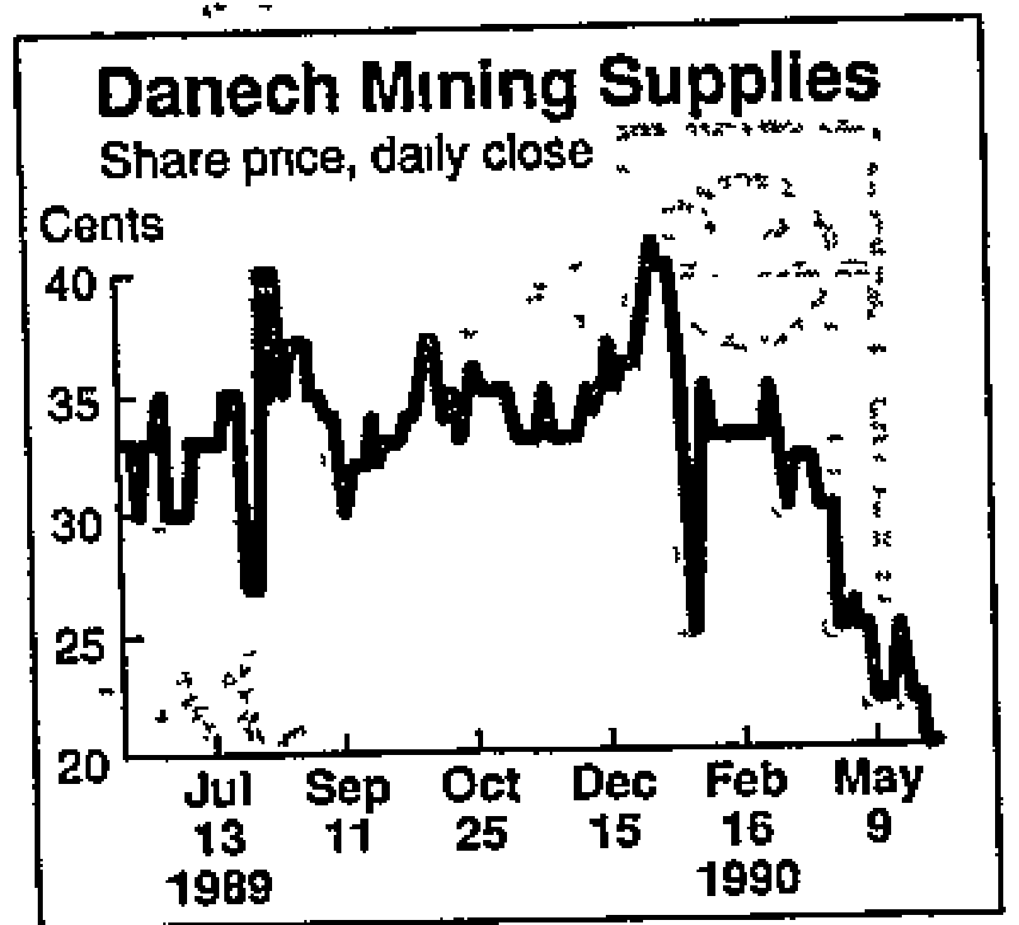
He said ERPM, with its vast tonnages in reserve, had all the potential to become viable in the long term and it would be a tragedy if the mine closed

The long-term plan was to scale down operations, develop and prove reserves and then extend operations, he said

Today the commission will hear an ERPM presentation on the financial aspects of the plan to save the mine

B'Day 21/6/90 (214)

Supply firms offset squeeze from cutbacks by gold mines



Graphic: FIONA KRISCH Source JSE

RIAAN SMIT

MINING supplies companies are feeling the pinch of the spending cutbacks by gold mines, but this is largely offset by supplies to platinum and coal mines and also by exports, senior company officials said yesterday

Share prices of supply companies reflect negative market sentiment. Consumables supplier Danech Mining Supplies, which reported a drop in attributable income to R11 000 this week, is trading at a 12-month low of 20c

Cemenco, which has shaft-sinking, tunneling and cementation interests, is trading at 690c a share after recording a 12-month low of 650c in March

Drilling equipment suppliers Smith Mining Equipment (Smithmn) is trading at 10c above its 12-month low of 65c recorded in February

Chairman Neville Parry of Danglo, which owns 60% of Danech, said yesterday gold mines were cutting back on inventory Danech's volumes were not decreasing, but prices dropped about 10% because of competition

"Remember, the gold mines have not stopped mining. They have to replace consumables, which means business will come back in the medium term," he said.

Parry was echoed by Valard MD Stephen Connelly, who said supplies to diamond, coal and platinum mines were booming He estimated the decline in spending by gold mines at about 25%.

Executive chairman of Smithmn David Stevens said his company's raise boring at gold mines has dropped "more than 50%", but that exports had been pushed to produce reasonable results

Cemenco chairman Ronny Shaw said financially the problem was not only the postponement of gold mining projects, but also the time lag in awarding contracts when such projects eventually got the go-ahead from mining houses

Gold price slump dims hope for 1000s of miners

Sowetan 21/6/90

FOR the past two weeks the gold price has been problematic for the country's economy with the price going more down than up. There are fears that mines may be forced to close and there is general gloom on the stock exchange. In this article Lynn Pikholz gives us the background to what is happening

WHILST common sense dictates against the risks of relying too much on a single commodity, the temptation provided by South Africa's plentiful gold mines was too great.

In just 20 years after the discovery of gold in 1886, Johannesburg was transformed from a stark veld into an affluent mining town The supposed "unlimited" pool of 'cheap' leabour that was made available to work n the mines, and the fact that gold is an industry that 'feared neither locusts nor cattle diseases, neither drought nor summer flood', caused increasing specialisation and dependence on the mines

Very quickly, the South African economy began to rely very heavily on the 'barborous relics of gold' as a major engine for domestic growth as well as being the main source of our foreign exchange earnings

The risk of relying on a single commodity to such a massive extent becomes more acute when one takes into account that the demand for gold is completely determined by foreigners, the price being heavily influenced by international events, often unexpectedly

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Oil crisis

Less than 10 years ago, owing largely to the oil crisis in 1979, the gold price soared through the $800 level This boosted domestic growth considerably and served to encourage people to ignore the need to expand South Africa's narrow economic base

Today, with a gold price that dipped recently below the crucial $350, the necessity for South Africa to reduce its massive dependance on the metal can no longer be ignored

Whereas in the past, declining international demand for gold causing insufficient foreign earnings to be brought in to finance our imports resulted in borrowing funds from abroad, this is no longer possible.

Since September 1985, when financial sanctions were imposed on South Africa for political reasons, the country has been excluded from the international financial community With large amounts of foreign debt still owing, the current slump in the gold price is a very worrying phenomena.

The gold bulls, who were in January punting for a gold price to $450 by mid-year, have been bitterly disappointed Their optimism, based largely on technical factors as well as the turmoil in Eastern Europe and the USSR seems to have back-fired.

Gold sales

In fact, it is the very disarray in the Soviet Union that has, to a large extent, been behind the gold price decline

Reports have indicated that tons of gold dumping by the USSR have been almost completely responsible for the metal's slump

The gold sales are believed to be coming from the USSR's reserves If this is indeed the case, and the Russians are close to depleting their gold reserves, the potential for gold to move much lower is unlikely

The more bearish analysts are seeing $320 as a "rock-bottom" floor. Although this is only $25 below present levels, the implications for the South African economy are devastating

At a dollar gold price of around $320 and a rand gold price of R920 an ounce, it is estimated that over 50 percent of South Africa's gold is being produced at a loss

About 22 mines are in the "marginal" category which means that in the absence of a speedy recovery in the gold price, they could be forced to close down

Fortunately, many have been able to cut costs through reducing capital-expenditure and by mining higher-grade reserves Unfortunately, labour is suffering the brunt of the crisis as the mines truggle to maintain profitability

It is ironical, although perhaps not surprising, that it is the same workers who hands made the wealth-creation possible that are currently being dispensed owing to the mines' cost-cutting programme

The announcement, on June 14, that gold had slipped through the psychologically important $350 level above which it had been hovering for the previous two weeks, was met almost instantanously with the announcement of a further retrenchment of 1 100 workers by two mining groups

Laid off

In the past 12 months, a particular mining group has laid off 13 000 workers The same group is anticipating a further 3 000 loss of jobs within the next three months if the gold price does not recovery substantially

The mines have been taking advantage of the drop in the gold price, currently at its lowest level in the past four years, to justify their retrenchment programme

The Chamber of Mines disclosed that 54 381 people were retrenched between 1986 and March 1990 In the first three months of this year alone, a total of 25 388 jobs were lost.

Since the gold price was above $400 for January and February this year, it is more likely the higher wages that are being demanded by unions that have been behind the labour rationalisation programme

The increase in imported capital-intensive equipment, on the mines, has also added substantially to their production costs owing to the sharp depreciation in the rand in recent years

In terms of the future scenario for the gold price, the odds are not in favour of it going much lower

Yields from ERPM 'below expectations'

EDWARD WEST 214

IN THE past five years, gold yields at beleaguered ERPM compared with available reserves were less than expected on a supposedly well-run mine, the Melamet Commission was told yesterday

Retired mining engineer and former Wits lecturer Jack Curtis was giving evidence on behalf of shareholder Horace Sammel

The commission is investigating whether government should come to the financial aid of the mine which has debts in excess of R300m

Curtis said though total costs at ERPM were reduced by 19,1% in 1989 compared with 1987, administrative costs paid to Rand Mines management services by ERPM increased by 94,2% over the same period.

He said the dearth of yields recovered was either due to production or seismic disruptions or due to undermining of available reserves.

B\Day 21|6|90

Bursts

In 1989 the mine would have had to achieve yields of 5,9g/ton to match mining costs, but the mine achieved 3,8g/ton The yield required to reach break even point was in excess of available ore at the mine, he said

Working costs rose sharply in the early '80s when the gold price was high, yet the cost per ton milled rose equally sharply when production was reduced from 1987 to 1989.

Curtis said further development of the Far East complex to 3 500m would result in rock bursts and people could be hurt

"If work on the mine was done by whites, mining would have already ceased No miner I have encountered in countries around the world would tolerate such conditions," he said

There was no reason to suppose the Far East Complex would be any different to the rest of the mine which had already been largely abandoned

Chamber of Mines senior GM of operations Horst Wagner said ERPM's proposal further to develop the Far East Complex was based on an objective and generally accepted hazard within the mining industry

F|M 22/6/90 (214)

devolved under its own management (group head office staff is down to 35 from 180 pre-Edwardes)

The biggest is Cape Industries (69% owned), now out of asbestos and SA, with a niche market in building products and services but only 10% reliant on the UK housing market On sales up 11% to £159,5m, Cape's gross profits climbed 29% to £15,4m and it is expanding into Europe

Next is Anderson Strathclyde, mining equipment, where turnover grew 13% to £136m with operating profits 11% higher at £8m It, too, is refocusing to meet the probable decline of coal in the UK and moving more into the US with aspirations in eastern Europe and China

Self-confident

The growth star was Pandrol, the rail track equipment subsidiary, which chalked up sales growth of 40% to £58,7m with a surplus of £6,1m, a rise of 30% Acquisitions and expansion of the track maintenance division in the US should double turnover and earnings from Pandrol in the current year

CAST Resources, the division covering quarrying, concrete and coal mining, suffered a set back Operational profits fell 16% to £2,5m on turnover up a third to £55m — blamed on temporary problems at its US open-cast mine and the British construction market The contribution of Hargreaves Quarries, bought in January, will come in fully this year and the US low-sulphur coal operation is recovering

Overall, Charter's self-confidence seems justified In a London market covered in red ink on the day of the announcement, Charter's share price slipped 9p to 454p, representing a discount of only 5% to net worth deflated from last year's 538p by Johnson Matthey's performance *John Cavill*

GOLD MINING F|M 22/6/90

Counting the cost

Realisation that the rand gold price will not continue to rise indefinitely has hit gold producers right between the eyes. The long-term trend — over the past 20 years — has been steadily upwards, firstly as a result of a rise in the dollar price and then because of the collapse in the rand But last year, a combination of factors has caused the average rand gold price to level off, to be followed by this year's downturn and a severe reduction of profitability

(214)

Since we wrote on the gold industry last week (*Fox* June 15), some of the expected rationalisation has been announced. Notably, Anglo has plans to curtail operations at Freegold, Vaal Reefs and Afrikander Lease **(see lead article).**

But, perhaps significantly, the plan to reduce Freegold's work force by 7 800 over a nine-month period is just that a plan with nothing definite yet announced One stockbroker's analyst wonders whether this is a tactic to prod government into allowing the rand to drop as this is the first time a significant fall in the dollar price has not been accompanied by a weakening in the rand "It seems as though this is the beginning of a poker game between the two," he says

Not so, says Anglo Gold & Uranium Division public affairs manager Adrian du Plessis "It is a purely economic decision," he says "This move comes at the end of a long chapter of trying to contain costs and deferring capital expenses We have reached the point where operations need to be curtailed if they and employment are to be optimised under present adverse economic conditions "

Output is unlikely, in fact, to be greatly affected Freegold expects production to drop by less than 1% while gold production at Vaal Reefs is slated to rise slightly with the mining of higher grade ore There should also be no reduction in the labour force at Vaal Reefs, but rather a redeployment of miners within the company

One wonders why these moves were not introduced sooner if the mines have been feeling the pinch for a while now but Du Plessis feels they represent an extension to the measures already implemented

"The trend in the rand gold price has ensured that gold mining over the past 20 years has been a comfortable business to be in and the industry has developed into a colossal bureaucracy, which was further aided by the iniquitous 70%-80% tax rate," says another JSE analyst "What is needed now is a shake-out of the industry to bring it back to greater efficiency "

This is possibly just the start of such a restructuring Should the government bow to pressure, be it intentional or circumstantial, to lower the rand, this would merely enable the inefficiencies to continue and amount to a subsidisation of the international gold price Such a step is unlikely Government at last seems serious in its strategy regarding both inflation and the foreign debt If the rand is allowed to fall now, the prospects for reducing the two could vanish

Assuming an increase of 16% in the mines' wage bill, this will mean an additional 8% directly on to bottom-line costs during the second half of this year Even if the price recovers to R1 000/oz over the next six months, about 200 t of current SA production could be in jeopardy We will probably see more announcements of rationalisations before the industry turns around But once done, the outlook should be good

Gillian Findlay

OTIS F|M 22/6/90

Between floors

The lift business depends on both the property market and construction industry and, in the six months to the end of May, Otis had problems with both The mix of business between service sales and new equipment sales shifted in favour of the latter While both divisions increased sales the service sales grew noticeably more slowly than new sales

MD Roy Markham, who seems to have been brought in to sort out the company, explains "Though our new equipment business picked up from the end of last year, we were hit by a number of sites being late This, together with other sites being on time, resulted in a concentration of activity Overcoming these problems led to cost overruns

FM 22/6/90 (214)

EMPLOYMENT AND THE GOLD PRICE

Juggling with margins

Shivers in mining will dictate a tougher line with unions

The Chamber of Mines says it will not use gold price fluctuations as a bargaining chip in wage talks with the National Union of Mineworkers In the event however this year's negotiations deadlocked and were referred to a conciliation board before bullion's dramatic dip technically plunged at least 20 of the chamber's 33 gold mines below break even cost

That said, though, the spectre of mine or shaft closures, and with them huge lay-offs should gold stay below US$350, casts a pall over the industry and seems likely to check any appetite for a strike this year The NUM has moderated its wage demand to 20% against the chamber's 13%-15% opening offer Settlement somewhere between seems probable

As part of the crucial need to contain costs the industry grappled with the productivity problem long before the shine came off gold The fall in the metal's price will concentrate efforts

On the labour front, Gencor, for instance is examining options to lay-offs and Anglo American which recently took a view on curtailing operations at Freegold and Vaal Reefs involving a cut of 7 800 jobs, is committed to negotiating the matter with unions

Labour costs represent over 25% of total expenditure and more than 45% of working costs "They, therefore, must be controlled and the unions must realise that wage increases must be rewarded by productivity gains,' chamber CE Tom Main says

Labour is but one factor in mining's cost spiral Addressing the Association of Mine Managers in March, chamber president Kennedy Maxwell illustrated the unhappy outlook generally in the gold mining industry

Based on 15,3% cost inflation to July 1 1990, a projected average gold price of R33 403/kg (about $395/oz) and *excluding* capital expenditure, his graph shows that 15 of the chamber s 33 member gold mines "will have production costs in excess of the estimated average price of gold "

Add capex and 18 move into this marginal category

With the metal's fall to below $350 (hitting a low R921/oz) "there must be at least 20 mines that are now marginal," says a chamber spokesman This implies about 200 000 miners "have reason to feel insecure "

Though it is premature to say all those jobs are in jeopardy, they are certainly not secure

Even if not all automatically lose their jobs, should the worst happen, if the price stays as it is the situation becomes critical " Closing loss making mines is not something chamber members have contemplated before on the strength of a temporary or cyclical fall in price In short, the situation is "potentially calamitous "

That may be overstating matters However, concern is understandable because gold mining remains the bulwark of the economy Over the past five years chamber gold producers have generated revenues of more than $37bn profits approaching $16bn dividends of $15bn and invested $5,3bn in capital development

Five years ago we were the cheapest of the world s major gold producers, today we are the most expensive At current prices, however, not just SA but world production is under threat according to Anglo's Bobby Godsell

Yet shutting a gold mine is not a decision taken lightly as the stumbling saga at ERPM demonstrates The report of the Melamet Commission, investigating continued State support of the old Boksburg mine, ought to be interesting for any policy outlines it proposes on marginal mines

One argument holds that if the 15 mines first identified as marginal were to close, it would mean the loss of 50 t of gold a year (SA last year produced 606 t), which is not insignificant in terms of achieving a positive BoP And what happens when and if the price rebounds? It's not easy to re-open a mine State aid to loss making mines in the past was money well spent in view of the gold bonanzas of 1973 and 1980

Further, the argument runs on, it needs to be borne in mind that the 15 marginals account for 100 000 jobs (of the industry total of 486 000), not counting half as many again in related employment Though strict economics would dictate that they should be closed after long unprofitability there is now a socio political consideration

Main told a Perth gold conference in March that while SA s share of free world gold production has fallen from 70% in 1970 to less than 40% (606 t) last year it continues to be the biggest producer and the Witwatersrand Basin remains by far the biggest potential source of new gold

Exploration estimates show that nearly 17 000 t of gold (out of 40 000 t that still remain underground) have been identified for exploitation which means gold mining will continue well into the next century, according to Main

'But the industry does have some structural problems relating to costs, grades and increasing mining depths that have to be immediately addressed if it is to unlock its full future potential, he warns

Main explains that over 90% of SA's gold comes from mines established in the 'new" gold fields and while it is the older mines (like ERPM) that have experienced the most difficulties in recent years, ' the entire industry has been plagued by double digit inflation since 1971 and confronted by the inevitability of declining average grades as the industry ages" (see graph)

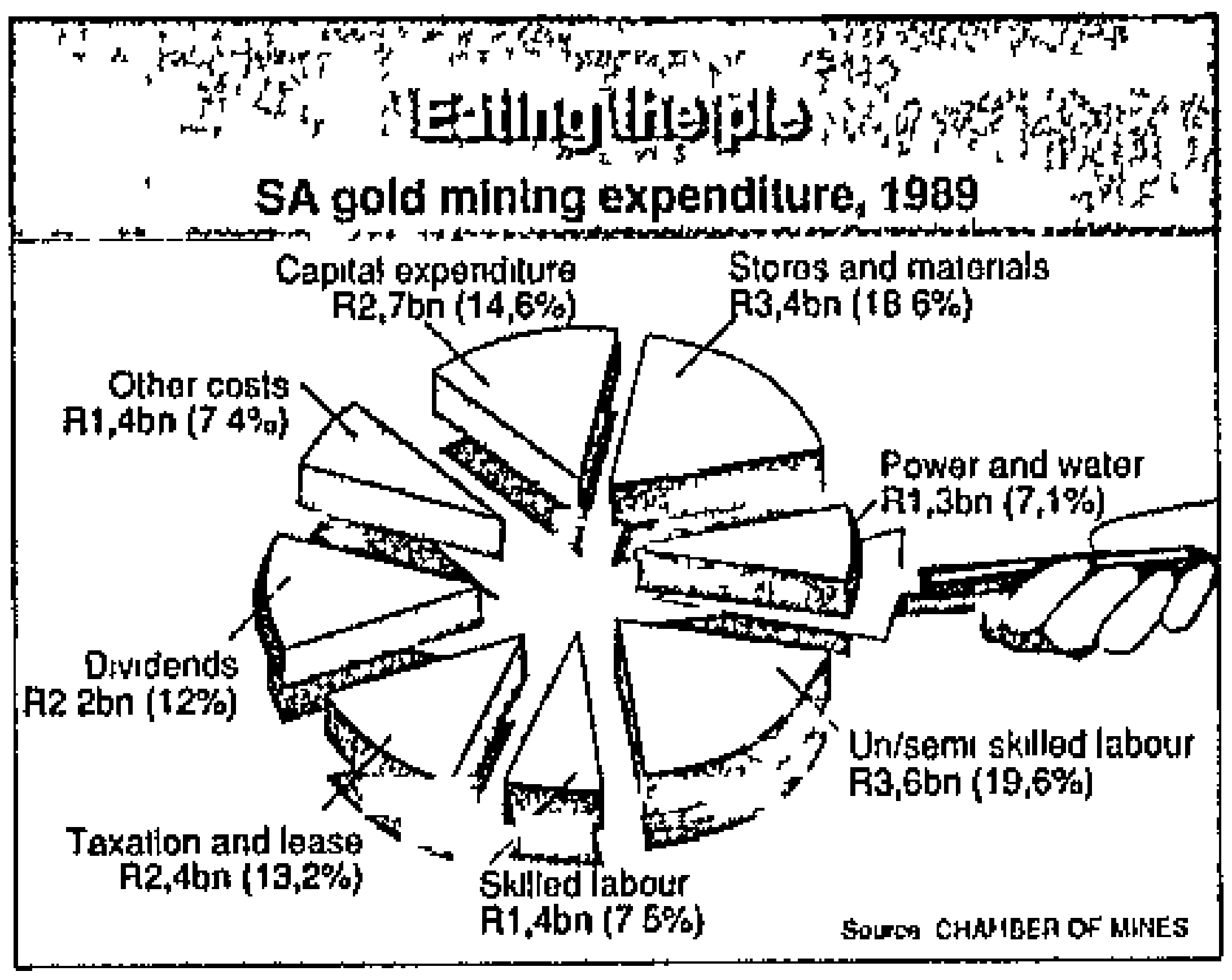
This necessitates the mining and milling of more ore for a given quantity of gold but, while the cost of this has been more or less in line with inflation since 1979 Main points out that the cost of producing a kg of gold outpaced both the CPI and milling costs because of the effect of declining grades "

Many mines, especially the older ones, he adds "are now unable to increase grades as working costs increase, or as the rand gold price falls, because they no longer have the flexibility to alter grades as they had in the past "

These fundamental problems of declining grades and rapidly increasing costs were obscured in the early Eighties by a firm dollar price on the one hand, and a declining rand on the other In real terms, though profits have been in decline, worsened by a weak dollar price in the past two years, he observes

Not much can be done about the dollar price of gold but SA s high inflation rate is self inflicted (though it is being addressed by the authorities) and far out strips that of competitors like the US and Australia

It also leads to strong union pressure for big wage increases


SA gold mining expenditure, 1989

Source CHAMBER OF MINES

Then there is the ironical problem of the recent strength of the rand, which has kept down the rand price for gold Together these problems present a formidable challenge to the industry, which Main says will require a re-assessment of its operational role and development of special skills to face competition

It would be unrealistic to expect a falling rand to come to the rescue of the mines, as in the past

The key is improved productivity, which, however defined basically comes down to producing more gold with a constant amount of effort It is especially difficult to measure productivity in gold mining because of grade and depth variations, which make changes in output unrelated to input Thus a marginal mine could well be efficiently run, while a high grade, high-profit mine could be inefficiently run

Main says better productivity can be achieved in two ways technological advances and improved management Both hold implications for labour unions Chamber and mining house researchers are developing a range of new technologies that will have far-reaching effects on productivity, he adds

They include trackless mining backfill and selective mining to tackle the problem of poor grades Reaching the 4 000 m now being plumbed relies on modern techniques rather than traditional, labour intensive hand-drilling and blasting methods

This is going to mean a gradual shift (not without union opposition) towards a much more skilled work force and structural change in the composition of the mine labour force

The NUM had yet to put out its statement on the matter of marginal mines as the *FM* went to press In the past, however it has argued for measures like using profitable mines to subsidise loss makers and negotiating the issue of lay-offs with a view to finding other jobs

' For the unionised part of our economy," observes Godsell, "unless we're able to make a joint issue of competitiveness this economy is not going to grow It requires new attitudes from both sides — labour and management — to deal with challenges of survival of the economy "

The Witwatersrand Basin remains, in Main's words 'the premier repository of exploitable gold deposits in the world and new mining ventures will take place in years to come

Government's adoption last year of the proposals of the Marais Technical Committee on Mining Taxation has encouraged mining men, as the new formula will phase out surcharges and amount to a flat rate of 50% for the mines — a saving of about R40m a year for the industry

Similarly, the loosening (though not the scrapping) of ring fencing, which prevents capex for a new mine being written off against an existing one, helps while the industry has to rely on domestic capital for expansion

Barring nationalisation, assuming the gold price will claw its way back, and with the apparent return of foreign investment in SA, gold mining s sun may not be setting after all

It just looked that way ■

Machines may save marginal gold mines

W Mail 22/6/90

South African mines must find a high-tech answer or go out of business But mechanisation will result in the loss of jobs

By **ROBERT LAING**

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MINING houses need a technological breakthrough to save economically precarious gold mines.

The gold price has plummeted because other countries have developed ways of profitably mining large low grade deposits South African mines must follow suit or close down, a Goldfields representative says

Goldfields have taken over development of the "impact-ripper" from the Chamber of Mines Research Organisation (Comro).

The Daily Mail recently reported that Comro was being forced to abandon research projects, said to be vital to the long-term health of South Africa's gold mining industry, after their budget was axed by 42%.

If the machine can be perfected, it will eliminate the present slow cyclical system of drilling, blasting, clearing and supporting. The impact-ripper would break rock without using explosives and then fling it onto an automatic conveyor.

This would be the ideal system in deep mines where rock has already been fractured by stress. But it is still experimental and far from being an immediate solution, the representative says

An alternative technology has been implemented by Johannesburg Consolidated Investments (JCI) JCI has committed all three of its gold mines to "trackless" mining methods

In trackless mining low-profile, rubber-tyred vehicles replace track mounted locomotives and hoppers in the stopes They also replace hand held drills at the stope face.

This does away with the arduous and dangerous process of having to clear rock by hand Load haul dump (LHD) machines do it quickly instead.

"Trackless mining involves converting from highly labour intensive methods to highly mechanised methods that use minimal labour.

"This may seem paradoxical in a country with high unemployment, but the uncertainty of market prices, a fluctuating exchange rate, escalating working costs, lower grades and business' right to profitability prompted JCI to proceed with it," says a JCI representative.

Trackless mining puts unionists in a dilemma. It may be safer but its introduction will mean fewer jobs

However, National Union of Mineworkers' economist Martin Nicol believes there is no need to fear widespread mechanisation soon

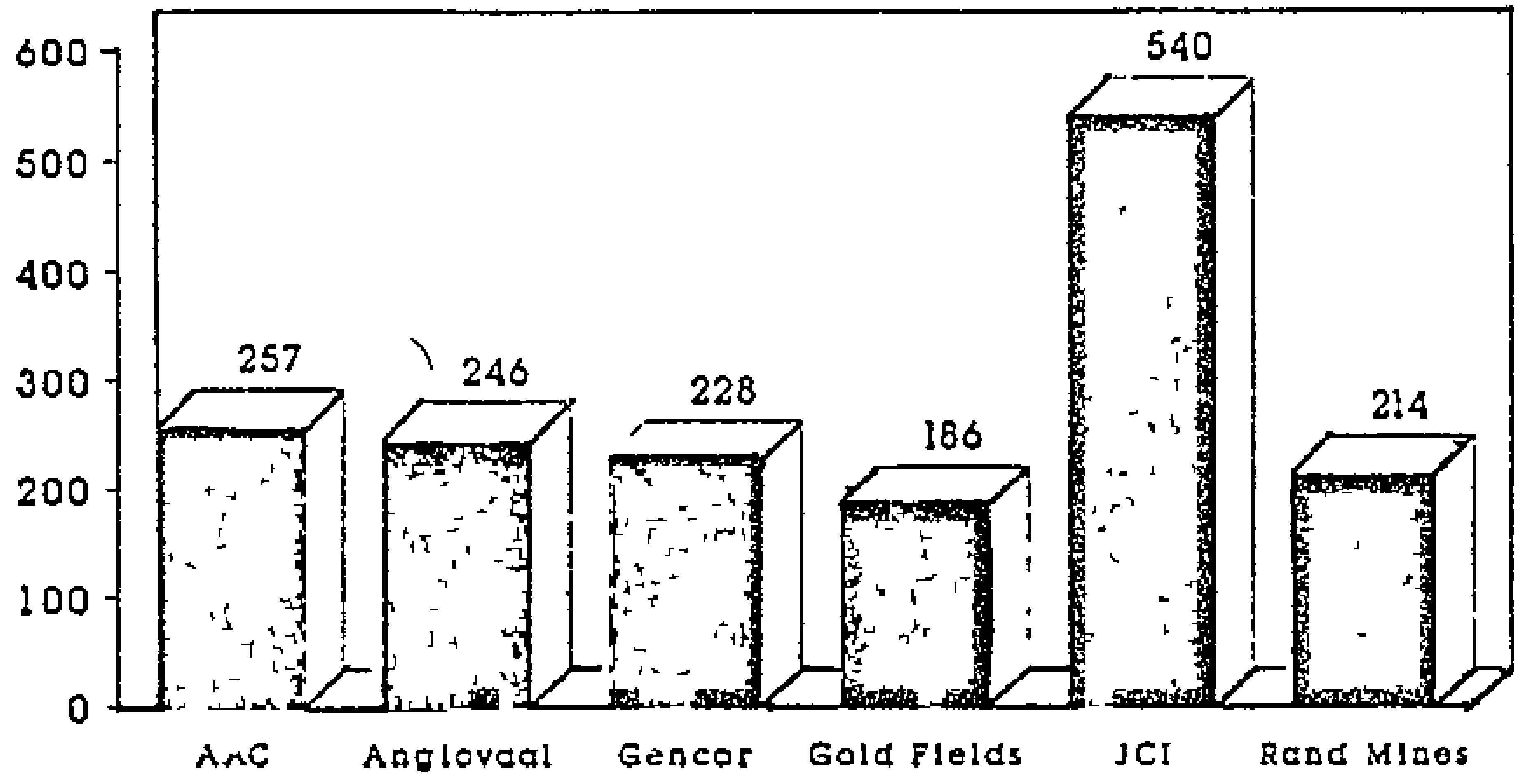
"The cost of converting conventional mines to trackless mines make it prohibitive," says Nicol.

"Possibly new mines and new areas of existing mines will be made trackless, but only if their geological conditions are right — and very little future development is being proposed by the industry now anyway.

"I don't believe we will see workers being replaced by machinery in the next five years"

Somewhat provocatively he adds "Mining houses would rather have miners killed than see half-a-million rands worth of equipment destroyed in a rock fall"

The JCI man argues that each fatality costs a mine R120 000, making the enhanced safety of trackless mines a major selling point — miners work in the vehicles' armoured cabins instead of at the rock-face and fewer people are put at risk



The benefits of mechanising — JCI gets more gold per man than its rivals

"The introduction of trackless mining at Randfontein resulted in a 65% productivity increase for a 5% labour increase

"For the mine's output to have risen from 385 000 tons to 625 000 tons by traditional methods, housing would have had to be built for an extra 10 000 people Mine hostels cost R20-26 000 a person

"The capital comparison of mechanising to housing made trackless mining cheaper, without even considering the cost of training new people," the JCI representative says

Randfontein managed to maintain 80% productivity with 20% of its work force during the 1987 strikes

"Trackless mining is ideal for JCI's mines because they are flat and have wide reefs, but it is not a cure-all for the whole industry," University of Cape Town economist David Frost says

He maintains that narrow reef-mines would have to dilute their rock's grade by widening the stopes to give trackless vehicles access

The cost increases of processing diluted rock go all the way on to the mill, cancelling any savings made by trackless clearing and hauling

Maintaining and repairing trackless vehicles is a huge problem, Frost says. Trackless mining was developed by Scandinavian base-metal mines, which are shallow enough to have ramps on which vehicles can be driven to the surface for servicing

South African gold mines are uniquely deep and vehicles have to be assembled underground. Training artisans to nurture the machinery and diagnose faults under extremely harsh conditions is expensive

JCI have encouraged local companies to manufacture trackless equipment and need other mining houses to join them for demand to rise and costs to drop

Unless Anglo perfects narrow-reef trackless mining there is little chance of the industry accepting it, Frost says

WMail 22/6/90 ·

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Stop sitting on the ring fence, and mines will grow – report

EIGHT new gold mines, producing some 145 tons of gold a year, will come into production by the turn of the century if ring fencing legislation is lifted.

In a research report submitted to Wits University's faculty of business administration, John Koel points out that the additional production of these new mines, with a milling rate of some 20-million tons a year, should maintain South Africa's total gold output at levels of 50 tons a year over the next 25 years. This should halt the precipitous decline in South Africa's relative market share which has characterised the past decade.

Basing the viability of the new mines on a real gold price of $1 200 an ounce, Koel says, moreover, that the cash production cost for these new mines is likely to average around $275 an ounce, which will have the effect of shifting South Africa's production cost distribution closer to that of her international competitors.

If ring fencing legislation, which does not allow capital expenditure on a new gold mine to be redeemed immediately against the full tax base of an existing gold mine, is retained, Koel warns that South Africa's gold output is forecast to decline from current levels of some 600 tons a year to around 360 tons a year in 20 years' time.

Lifting ring fence, too, will lead to a dramatic resurgence of capital investment in the gold mining industry, spread over at least the next 12 years. In this scenario, Koel says, capital expenditure on the eight new mines alone could exceed R2-billion a year (real 1990 terms) during the latter half of this decade. With the retention of ring fencing, on the other hand, industry capital expenditure is forecast to decline in real terms to less than half the current levels before the turn of the century.

Operating costs associated with the eight new gold mines are expected to total some R3-billion a year in today's terms, of which around 77% will comprise employee remuneration and operating stores costs.

Commenting on the benefits of the abolition of ring fencing, Koel says in the long term, industry shareholders over the next 25 years will benefit to the extent of R1,1-billion in discounted present value terms.

Industry employees stand to gain considerably. The present value of additional employee remuneration resulting from the opening of eight new gold mines, is estimated to be some R23-billion over the next 25 years, or around R1,4-billion a year (in today's money) after the year 2000. Furthermore, these new mines are likely to create, or save, some 85 000 jobs in the industry, Koel says.

Suppliers to the industry will benefit from expenditure on goods and services by these mines, estimated at R36,8-billion, at today's money, over the next 25 years.

These mines will also generate additional annual foreign exchange earnings of some $2-billion, at the current exchange rate, once in full production. This should ensure that the current foreign exchange earnings base from gold sales is not eroded for at least the next 15 years, Koel says.

If, on the other hand, ring fencing is retained, he notes that foreign exchange from gold is expected to decline by some 20% over the next 15 years. — Sapa

'ERPM is not insolvent'

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B/Day 22/6/90

RIAAN SMIT

EAST Rand Proprietary Mine (ERPM) has borrowings totalling R347m and owed creditors R41m, but the mine was not insolvent, Rand Mines (RM) gold and platinum division financial director Ian Stevens told the Melamet Commission yesterday.

The commission is hearing evidence on continued government aid to the mine.

Stevens said the value of the mine, as reflected in its balance sheet, was R600m. Assistant government mining engineer Samuel du Plessis on Monday estimated the break-up value at R115m. Stevens said this value was R130m.

He said ERPM's borrowings consisted of an unsecured government guaranteed loan of R220m with deferred interest of R21,3m, a R60m loan from First National Bank with R7,5m deferred interest, a RM loan of R20m with R1,5m deferred interest, an R11,4m pumping loan which grows about R1m a month, and an RM bridging loan of R5,5m.

At the end of May ERPM owed trade creditors R20m, leave pay owed to employees was R10m, deferred pay to employees was R4m and the mine owed "minor creditors" R7m, Stevens said.

Asked by Advocate Brian Spilg for shareholder Horace Sammel how ERPM proposed to pay this debt, Stevens said by a sale of mine assets worth R40m and by a RM loan of R35m in terms of a rescue plan turned down by government because of its favourable tax implications for the parties to the agreement.

This money would also have been used to complete the Far East Vertical Shaft on which the future of the mine depended.

W/CArgus 23/6/90 (214)

Mine closures to hit Eskom

From CLAIRE GEBHARDT

JOHANNESBURG. — Electricity giant Eskom's revenues will suffer to the tune of tens of millions of rands if marginal gold mines close.

Gold mines are huge consumers of electricity, accounting for nearly 20 percent (R2 billion) of Eskom's total turnover of roughly R11 billion

ERPM alone is believed to consume R40 million of electricity annually

But Mr Mick Davis, Eskom's general manager (finance), says that the extent of the impact on sales will depend on whether mines are permanently closed or mothballed on a care and maintenance basis which includes pumping

"Mothballing will impact on our growth rate in the future and will delay projects

"In the short term, we shall have to find ways to compensate for this, either through additional sales to other sectors of the economy or by borrowing funds to make up the shortfall in cash

"If mines shut down entirely, the impact becomes more dramatic and we shall have to reassess future growth scenarios"

The gloomy news comes at a time when Eskom, with excess capacity of 4 636MW, is already feeling the strains of a downturn in the economy

In the first half of this year electricity sales have grown by less than 1 percent against 3,7 percent last year

Eskom's excess capacity arose in the late 1970s and early 1980s when a high growth rate in electricity consumption was expected to continue

An average annual growth rate of between 6,2 percent and 7,4 percent saw the power station constructionn programme accelerate

However, the annual growth rate over the past five years has averaged out at only 4,7 percent

Long lead times mean that the time lapsing between the decision to construct a new power station and when it starts generating is of the order of 10 to 12 years

When growth dropped Eskom was faced with several new projects which had reached a stage where it would have been too costly to cancel them

Work is currently in progress on three major power stations — Kendal, where two of six generating sets are operational, half-completed Matimba and Majuba, which is due for completion in 2001

Mr Davis says Eskom is already planning ahead for the year 2025

"We did foresee an economic downturn but this new factor will have to be fed in

"In terms of future planning, whatever happens to the gold price has a major impact on us because it impacts on GDP and on our sales

"But there is no danger of Eskom having to close down existing power stations."

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Clicks pledges support to local manufacturers

By DICK USHER
Business Staff

THE Clicks group is firmly committed to supporting local manufacturers

Mr Tevor Honeysett, MD of the group which comprises the Clicks and Diskom chains, said at yesterday's annual meeting in Cape Town that about 15 percent of merchandise was imported

Imports did not replace locally-manufactured goods, but supplemented them, he said

Clicks imported only goods which did not have a locally-manufactured equivalent

The group has budgeted about R7 million to open 30 new stores in the current financial year, said Mr Honeysett

In his annual report for the year ended February 28, Mr Honeysett said that in 21 years the group had grown to 100 stores and was confident that figure would be doubled and Clicks would become a 200-store chain over the next five years

He said an enormous amount of energy was being put into the development of the group's new, third-generation store design and the concept would be tested in pilot form in the existing Wynberg store which would become the model around which all future stores would be designed

During the year the Diskom chain forged ahead and almost doubled in size from 19 to 33 stores

In the process it emerged from its predominantly Western Cape base and established a national retailing platform with the opening of stores in Natal, Transvaal and the Eastern Cape

During the year group turnover grew to R426 million and operating profit rose to R32,4 million

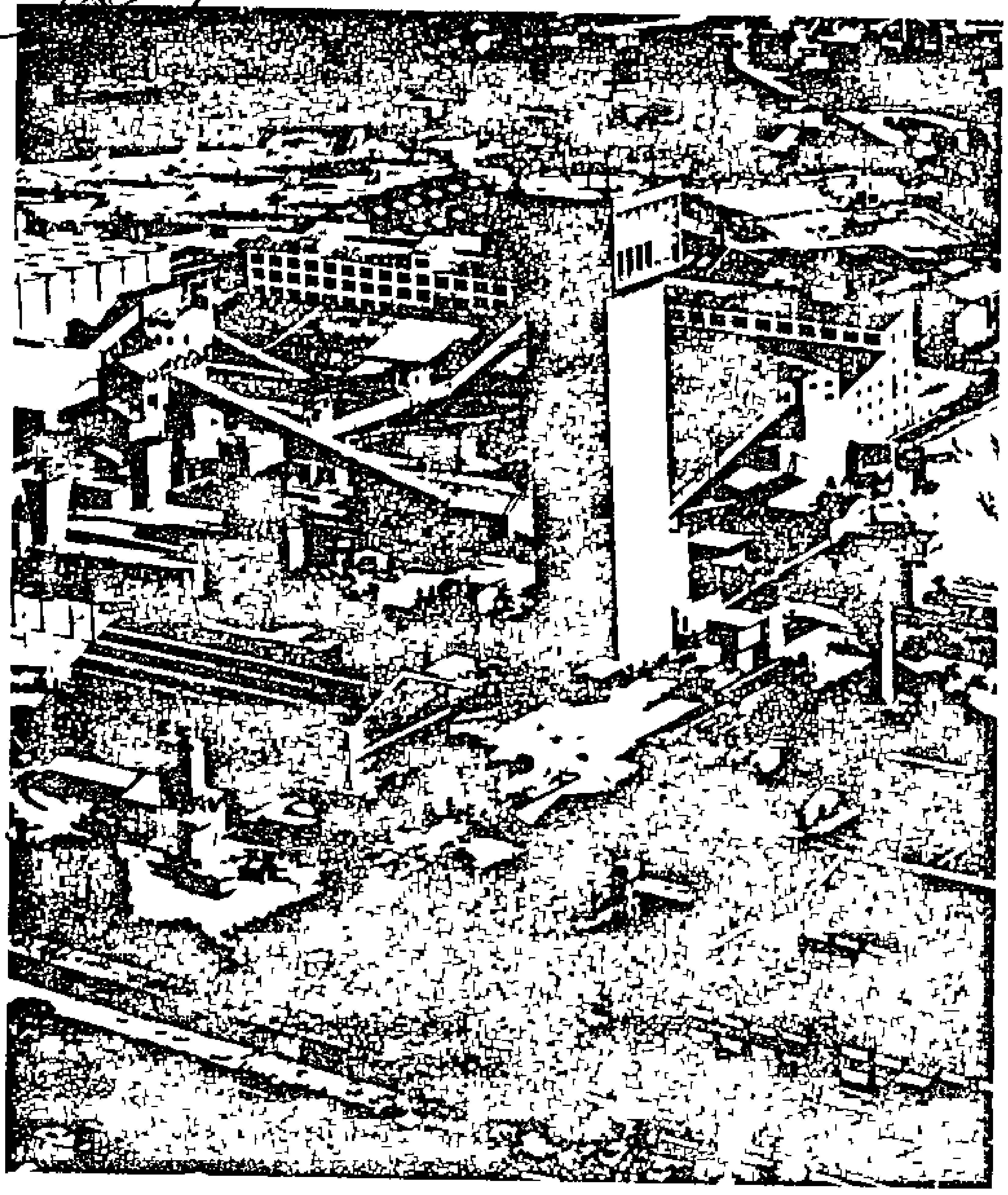
Comparisons with the previous year are invalid because the group changed its financial year-end from June to February and figures for 1988/89 are based on an eight-month year

But with the number of shares in issue static at 20 million, earnings a share for the year rose to 81,8c and the dividend was raised from 21c a share to 34c a share

World's gold mines fe

Star. 25/6/90 (214)

By MICHAEL CHESTER



South African gold mines are not alone in feeling the traumatic impact of the recent slide in bullion prices The repercussions have hit operations worlwide.

The gradual erosion of the gold price — from about $500 an ounce at the start of 1988 to below $350 — has caused producers to slow down new mine developments all round the world

New surveys by the authoratitive Mining Journal, published in London, say the trend until now has been most marked in Australia and North America, which were at the forefront of overseas efforts to jump on the bandwagon of the gold boom triggered in the 1980s.

The overseas frenzy to open new mines, or else take old ones out of mothballs, can be measured by the way they dug into South Africa's dominance in world markets

As the competitors multiplied, South Africa's share of total Western production has dropped from about 70 percent in 1980 to less than 40 percent

But the collapse of the gold price has hit overseas producers too

Even ahead of the latest plunge to below $350, producers in Australia had already scaled down the number of new mines coming into operation from 41 in 1988 to 19 last year, and only seven

In North America, 22 new mines had been expected to start up this year, against 42 in 1989 and 52 the previous year, reducing new gold production in 1990 to 2,8 million ounces from 3,2 million ounces last year.

Western world new gold output in 1989 totalled 5,85 million ounces, butlooks set this year to 4,76 million

The global total of new gold mines being commissioned — 114 in 1988 and another 82 last year — had by a couple of months ago already been chopped back to 41 as a 1990 target

And even this seems likely to be culled more

The Mining Journal points out that information about closures or reductions in output is hard to come by

But its global database had recorded that even in 1988, before the worst of the gold price decline, cutbacks and closures in North America caused the combined production of the United States and Canada to shrink by 280 000 ounces

In cutbacks elsewhere, production by Australia and New Zealand dropped by 250 000 ounces, by 448 000 ounces in Asia, and by about 48 000 ounces in South America

In South Africa, cutbacks now threaten to haul down gold production — on giddy peaks higher than 1 000 tons a year around 1970 — from about 610 tons in 1989 last year to perhaps 580 tons

Until now, South African mines have enjoyed the benefits of a shrinking rand exchange rate

This acted as a buffer against falling gold prices when it came to count export income in rand terms

What has increased the intensity of the current dilemma is that South African gold mines have been unable to find similar shelter from the sky-high inflation rate and steep increases in wages and production costs

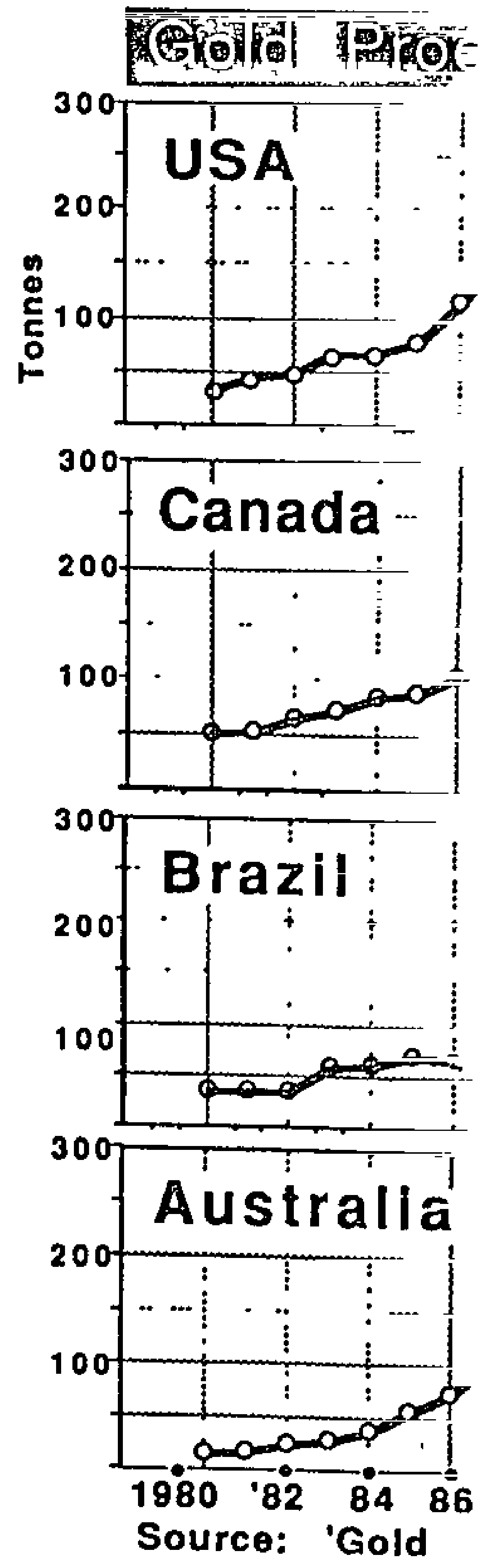
Long sick list

Once upon a time, South African gold mine working costs were among the cheapest in the world

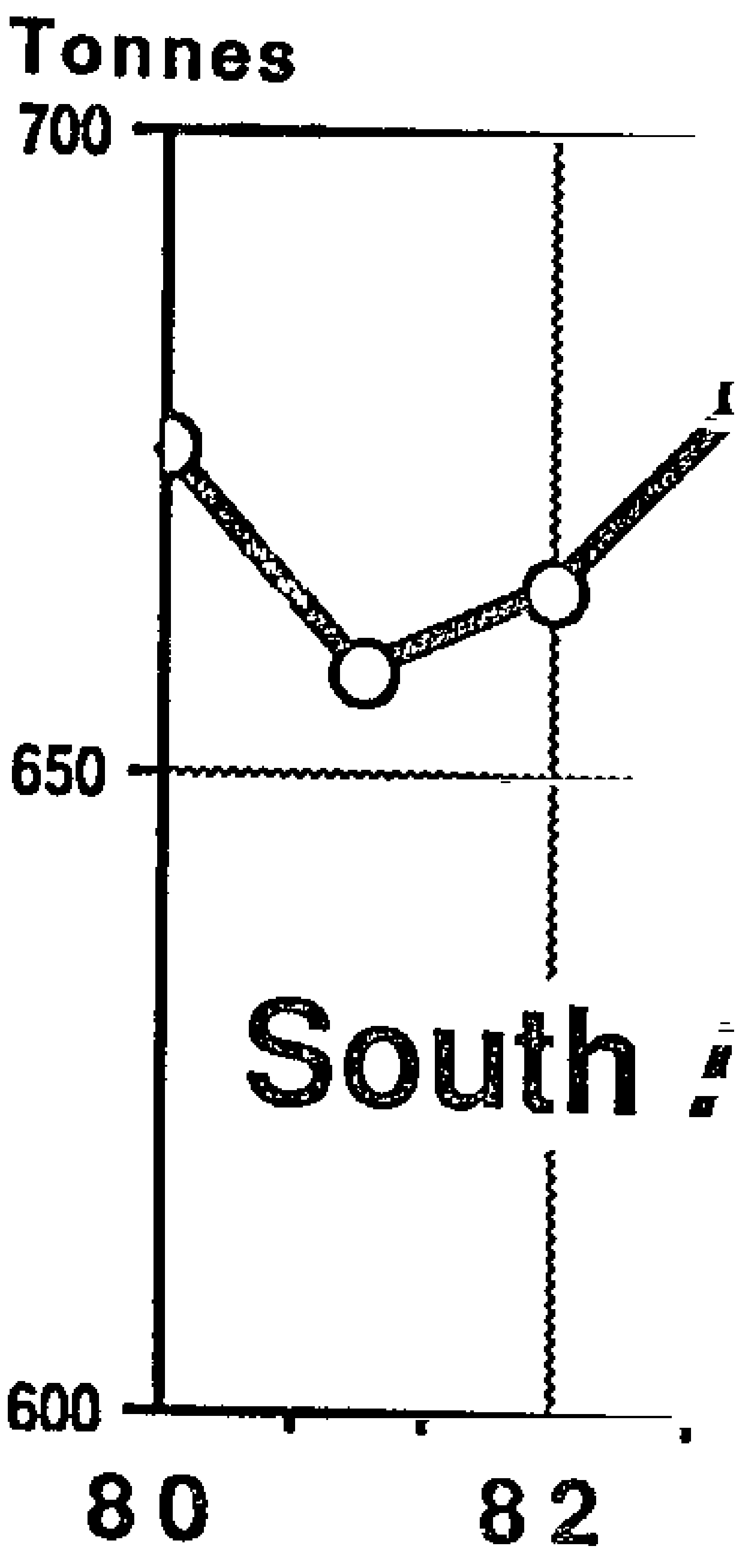
Not so anymore

Now they are among the most expensive — even higher than the average for all Western producers

With a growing list of mines joining the sick list of operations running at a loss with the gold price at its current levels, the conundrum is not only how to increase global demand, but perhaps more important, how to trim the soaring cost of production



Source: 'Gold



Tomorrow's meeting between FW and Cosatu may avert labour crisis

Star 25/6/90

STAFF REPORTERS

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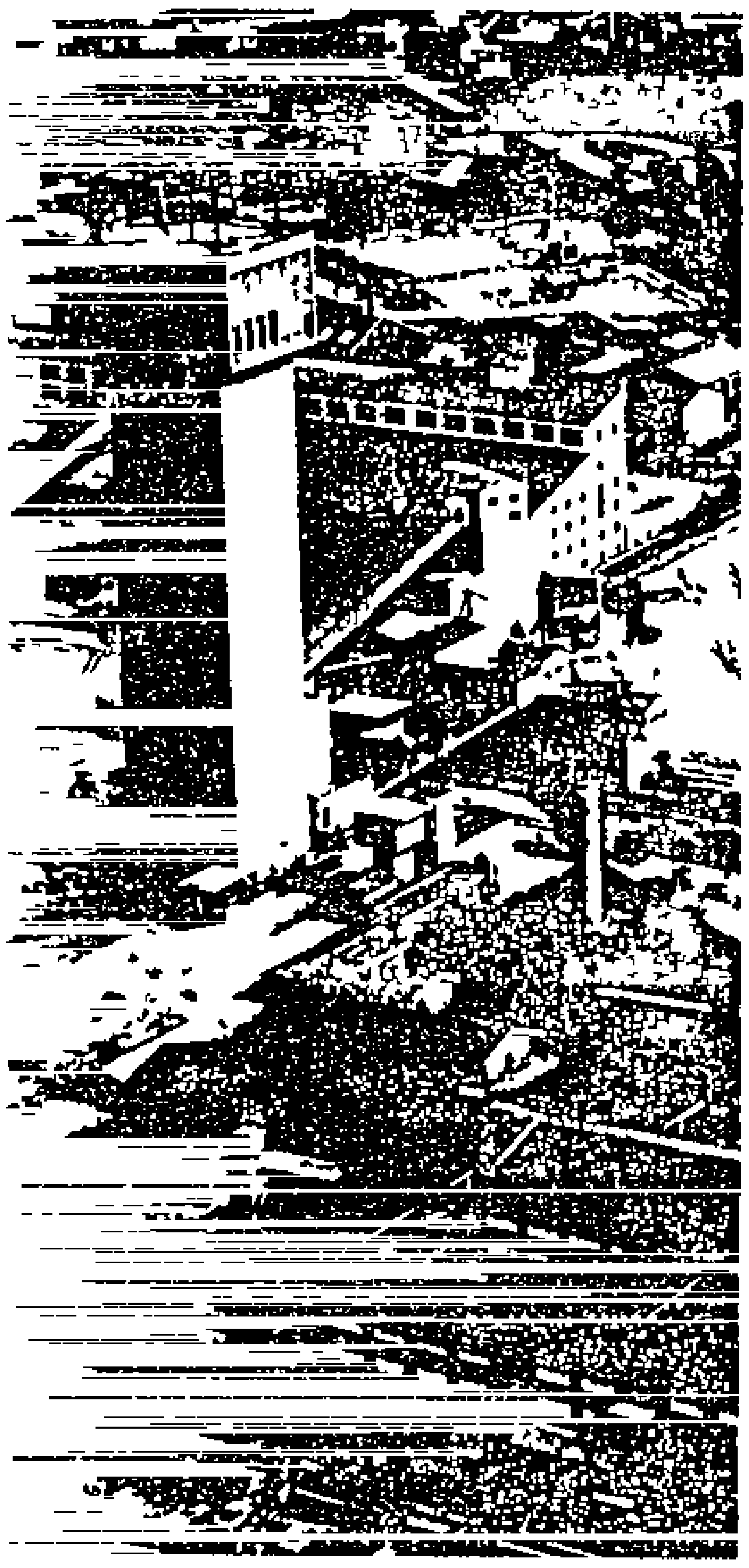

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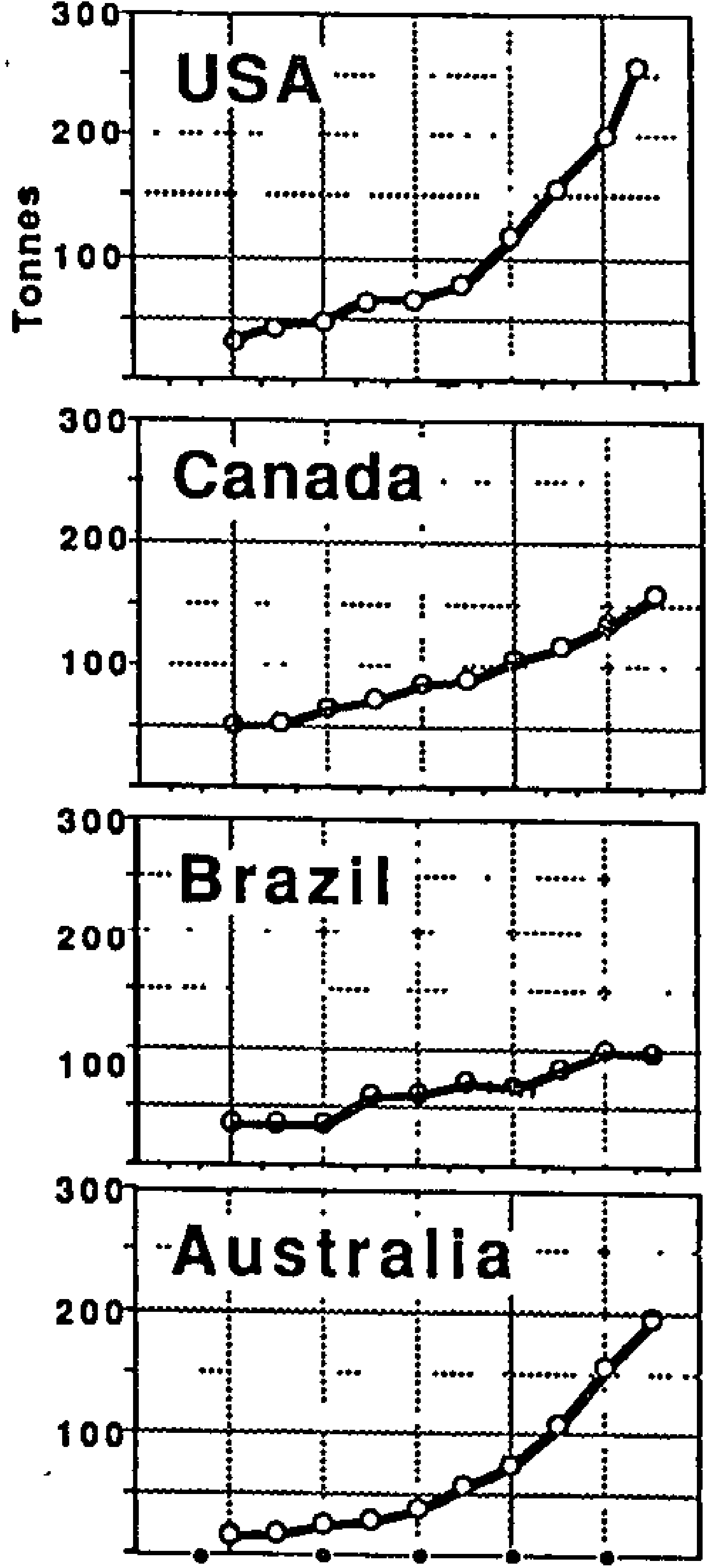
Now they are among the most expensive — even higher than the average for all Western producers

With a growing list of mines joining the sick list of operations running at a loss with the gold price at its current levels, the conundrum is not only how to increase global demand, but perhaps more important, how to trim the soaring cost of production.

Gold Producers in the Western World



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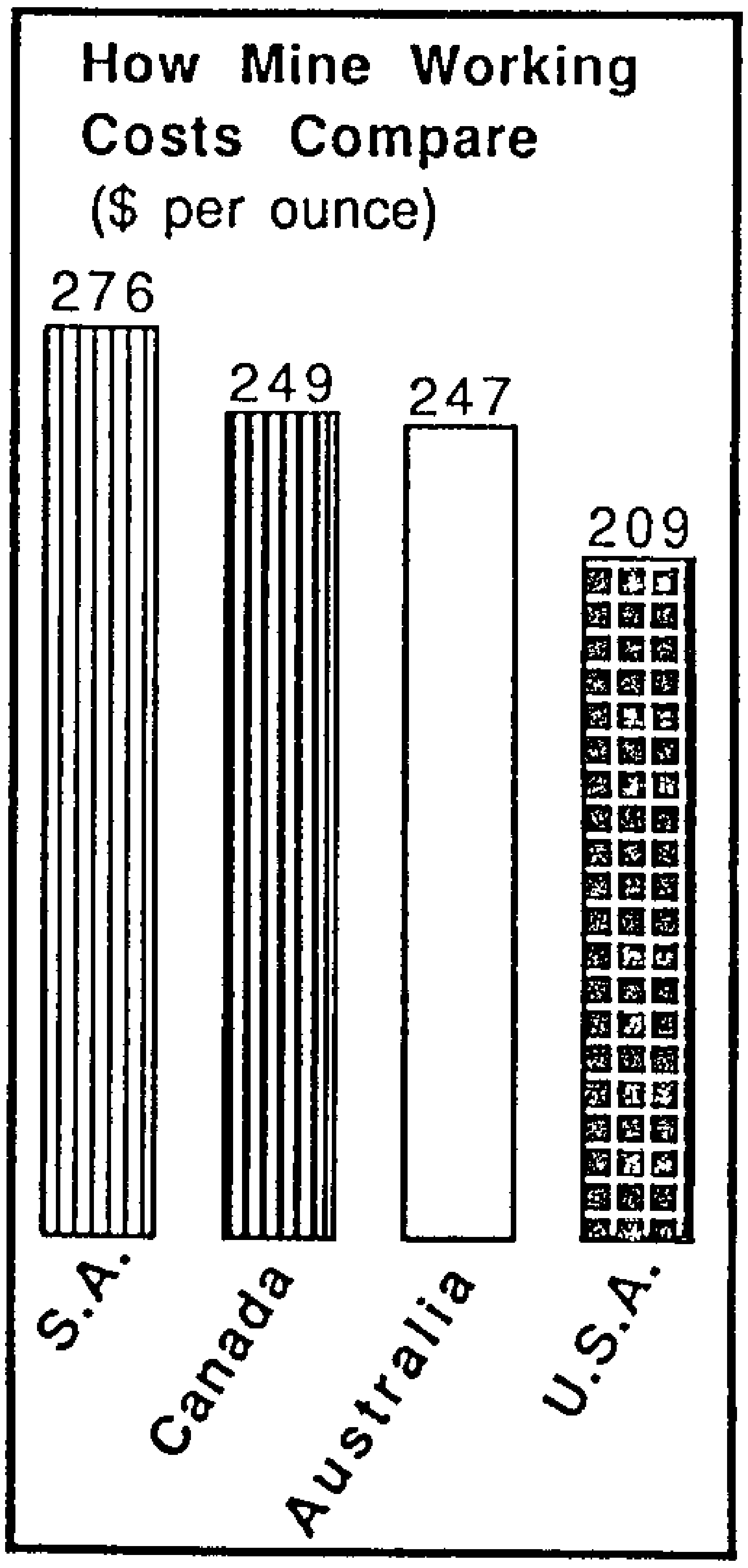

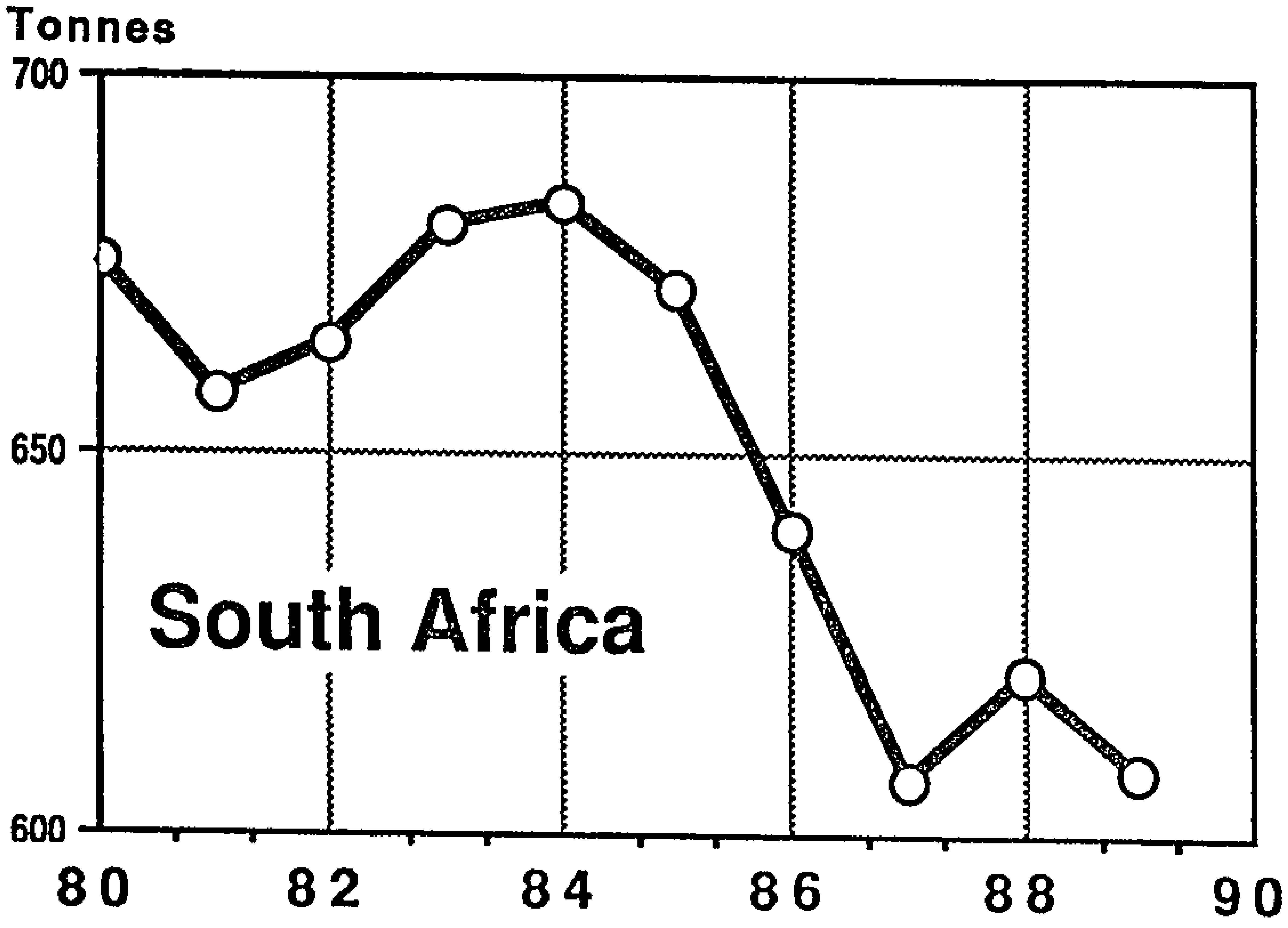

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abour crisis

in less than 48 hours, the other party is given written notice

Star 25/6/90 (214)

Prospects for gold fade as trusty props buckle

Brought low by poor prospects and a little skulduggery by central banks, the price of gold has hit a four-year low. Only a shock can lift it to the surface.

What the gold market needs now is a good war The price of one of the world's most alluring if least useful susbstances is becalmed at around $350 an ounce On June 14 it fell to $340 — its lowest since 1986

Over the past few months all the once-trusty props for the gold price have buckled A rise in world inflation seemed possible, but falling oil prices and high interest rates diverted money to the foreign exchanges

Rising costs and the falling grade of gold from South Africa's mines can be weighed against record outputs from cheap, open-cast mines in America and Australia

Even the turmoils in global politics have been the peaceful sort that entrance gold bears not bugs

Then, on March 26, a gang of Saudi investors suddenly felt the urge to dump on the market between 50 and 100 tons of gold (worth between $625 million and $1,25 billion)

They succeeded in wiping $33 — or nine percent — off the gold price in three trading days On May 23 the Saudis sold another 15 tons

Equally secretive

Belgium's central bank managed to dispose of 127 tons — about 10 percent of its reserves — in six weeks last year without the market getting wind of it Admittedly, that was because most of it went directly to other, equally secretive, central banks

Still, the speed with which the Saudi sale became known suggests it was meant to be a public affair Traders reckon that the Saudis were selling gold they did not own (perhaps Russia's), hoping to buy it back later at prices depressed by their actions

Little surprise that trading is now desultory Volume has almost certainly fallen since February, when traders talked themselves into a gold boomlet

Nothing — except perhaps war or a third Saudi assault -- can push it much lower its present level around $350 So what hope is there of an improvement?

The market is praying for a squeeze in supply over the next six months or so It hopes it will come from the two biggest producers, South Africa on the one side and Russia on the other

South Africa produced 37 percent of the non-communist world's 1 653 tons of gold mined last year — though the combined output of America, Australia and Canada exceeded it for the first time Barely half of South Africa's mines are profitable because the gold price has fallen so low

Mike Brown of Frankel, Kruger, Vinderine, reckons that it will cost the country R3,5 billion a year in capital investment to keep its mines open for the next four years So, the gold bugs hope, mines will close

Failing that, they hope for a miners' strike Add market gossip that the Soviet Union, the world's second-biggest producer, will disclose surprisingly small reserves when it makes its first official announcement on the matter later this year and gold bugs can just about convince themselves that supply could be squeezed

As yet, few others are convinced that the price will rise by much The oil price continues to fall, encouraging Middle Eastern gold sales as oil producers try to make up for falling oil revenues (That is one rather too-neat explanation for the earlier Saudi dumping)

Moreover, re-opening a mine that has been shut down costs an inordinate amount of money, so it pays to keep it running at a loss for longer than might be expected Besides, South African producers have most of their costs in rand

The rand price of gold would be expected to rise if the rand falls against the dollar — the likely consequence of any damage to the South African economy because of lost production In this way, South African production is to some extent self-stabilising

Massive amounts

Far from squeezing supply, the Soviet Union threatens to release massive amounts of gold on to the market Since the country depends heavily upon selling gold to get foreign exchange, it does its best to bolster the price

One technique is to swop its gold rather than sell it outright The idea is that Russia lends its gold today for hard currencies, planning to buy it back later when its foreign-exchange reserves are stronger

How likely is it that the Soviet Union's economy will be stronger in the near future than today? The chances are that Russia will not be able to buy back its gold and the swop will quietly have become a sale As the Russian economy worsens the need for foreign exchange increases Expect gold to take the strain

There is one more (often forgotten) reason wy it is foolish to give too much weight to the projected supply figurs produced by mining companies Central banks Between them they hold about one-third of the 100 000-or-so tons of gold ever mined

According to Andrew Smith at stockbrokers UBS Phillip & Drew, up to 800 tons of central-bank gold — equivalent to half the world's supply — could be sloshing around the market through leases or swops.

Gold 90, the parish magazine of the gold industry, reported that central banks switched from being net buyers of 285 tons in 1988 to net sellers of 225 tons last year

Even if the swing in a typical year is not so extreme, it dwarfs any far more predictable effect that supply from the mining industry might have Central-bank transactions are having an increasing influence on prices

So where does that leave the price? Trying to read the minds of the central bankers who can send huge amounts of gold into the market with a single telephone call is a hard task

Some central banks, notably Portugal's, can do odd things that central banks should probably shun, such as lending gold to Drexel Burnham Lambert, the troubled American investment bank that has since gone into liquidation Others conservatively sit on their reserves

Most of today's central bankers, however, have a less reverential view of gold than their predecessors did They want to put their stockpiles to work. Most do not sell, but choose to lend and swop and play with options

In the absence of an unexpected small war, the volatility in the gold price will be dictated by grey-suited men in the parlours of the world's central banks — **The Economist.**

Inquiry: Sammel suggests mothballing ERPM

BDay 25/6/90

EDWARD WEST

(214)

ERPM could have been run more efficiently and the flexi-plan proposed to revive the mine should also involve aspects relating to its financial administration, the Melamet Commission heard on Friday

This was said by ERPM shareholder Horace Sammel at the inquiry into whether government should provide further aid to the mine

Sammel said in the past 17 months Rand Mines had divested itself of nearly 800 000 shares, and a spot check of 50 share transactions showed that between 30-40 transactions were between Rand Mines and Sycovan, a French depository holding company representing 26 000 French shareholders

Yet, at the time of a rights offer early in 1988 when shareholders could have made a profit of between R6 and R9 a share by taking up their rights, these same shareholders in France took up only 60 000 shares.

Sycovan had increased its shareholding by more than 50% Nobody could say who Sycovan was, although it had been once referred to in the 1989 ERPM AGM as a depository holding company

Sammel said the ERPM board of directors was the same as that of Rand Mines, and should know more than anybody else what the state of the company was

"If it is not a case of insider trading, it's very close to it," said Sammel

The same rights issue stated that no interruption occurred on the mine in the past 12 months which had a significant effect on business activity, yet Sammel thought the production loss of 2-million tons of gold ore in 1987 worth R60m was a significant loss to business activity

He suggested the mine should be closed on a curatorship basis — mothballed under moratorium — until the gold price increased to make the mine profitable again

De Beers slide pinned to a US divestment

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Star 26/6/90

Diagonal Street

Jabulani Sikhakhane

Analysts said yesterday that a US pension fund had been off-loading its holding in De Beers, which helps explain the weakness in the share price over the past few days.

After touching a 12-month high of R110, the share had been trading at around R100 prior to the listing of De Beers Centenary AG on overseas bourses two weeks ago.

Last week the share fell from R92,90 to R88 on Friday — a fall of 5,56 percent, which analysts attributed to large parcels of De Beers shares being off-loaded by a US source.

Yesterday, De Beers recovered sharply from a morning low of R87,50 to close 125c firmer at R89,25.

But analysts attributed the recovery to the weakness of the financial rand.

Keith Bright of Frankel, Kruger & Vinderine said the recovery yesterday had no bearing on the mopping up of 300 000 shares estimated to be overhanging the market.

He said De Beers should remain weak in the short term.

He said the US fund could have been taking profits to wipe off its reported illiquidity problems or that the sell-off could be related to Nelson Mandela's visit to the US.

Another possible reason was pressure from the US anti-apartheid movement.

Last week, New York's largest municipal pension fund divested itself of $563 million worth of stock in 31 local companies as part of the final phase of a four-year plan. Significantly, the announcement was made on the eve of Mr Mandela's visit to the city.

"They could have decided that De Beers will not, in the short term, breach the R100 mark again and then took their profits.

"But this is not necessarily indicative of the general market perception of De Beers," Mr Bright said.

In general, diamond analysts agree that De Beers' fundamentals are still quite strong. After firm sales at the Central Selling Organisation's sights in the first quarter of the year, analysts expect substantially higher diamond sales figures for the first half of 1990.

Their forecasts vary between an increase of 1,42 percent to 3,8 percent. The sales figures are expected in the first week of July.

Michael Spriggs of S G Warburg Securities said from London yesterday that although De Beers expected 1990 to be a year of consolidation, sales for the first six months should be around $2,4 billion.

Mr Bright's forecast is that sales will total around $2,35 billion, compared with $2,317 billion in the first half of 1989.

Forecasts for the whole year have sales well ahead of last year's $4,09 billion. Mr Spriggs is forecasting sales of $4,3 billion, while other more optimistic analysts think an increase of 22,5 percent to $5 billion is attainable.

They base their forecasts on strong sales figures in the first sights of the year and strong demand from the Far East, notably Japan.

In January and February this year diamond sales in Japan rose by 18 percent, compared with a 12 percent increase the previous year.

Mr Bright said the weakness in De Beers could, however, continue in the short term, although the share appeared a good buy at current levels.

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Reserve Bank active in gold market, says Stals

Star 26/6/90

By Sven Lünsche

The gold price remained well above the $350 mark today after rising almost $4 yesterday on speculation that the South African Reserve Bank had been intervening in the market

Dr Chris Stals, governor of the Reserve Bank, said at a conference in Venice yesterday the bank had been active in the gold market after the recent plunge in the metal's price, but added that it was only regulating supply of the metal to the market

Gold opened in Hong Kong this morning at $353,90 after Comex gold and platinum futures rose in New York on talk that the Reserve Bank was supporting gold

In London gold was fixed at $353,40, $5 up on Friday's close.

The JSE all-gold index firmed by almost seven percent, or 92 points, yesterday to 1442 in response to the higher gold price and the 10c fall in the financial rand to R4 to the US dollar.

Asked if South Africa had been supporting the price, Dr Stals said the Reserve Bank had been actively involved in the market through supply regulation, Reuter reports.

South Africa was able to regulate its supply of gold to the market in response to prevailing price conditions, Dr Stals said

He declined to elaborate but told reporters after a speech delivered at the Financial Times World Gold Conference that South Africa would continue operating in the market depending on currency availability.

He also confirmed that the rand would not be devalued to help mines which had been operating unprofitably since the recent decline in gold

"It would be to the total disadvantage of the economy if we were to manipulate the exchange rate to protect the gold mines, even though gold accounts for about 40 percent of our foreign exchange earnings," Dr Stals said

Nedbank economist Edward Osborn said yesterday it was highly unlikely the Reserve Bank would buy gold in the market to support the price.

"However, the bank regulates the supply of local gold to the international market depending on the ruling price

In his speech at the conference Dr Stals said it should not be expected of central banks to take an active initiative in developing or expanding the markets for gold

Central banks were unlikely to become major dishoarders of gold in the near future

"At present there is no need to create additional international reserves as an adequate amount of international liquidity is now available to the international monetary system

"Because of the relatively large gold holdings by monetary authorities, however, the banks actions as either net buyers or net sellers of gold in the market remains of great importance for developments in the gold market

"But there is little evidence that on the whole monetary authorities at this juncture have any serious intention of either adding to or disposing of some of their gold reserves.

"However, the need for gold as a risks' hedge has increased in recent years, arising from the more vulnerable financial system that has evolved around the floating exchange rate system and the globalisation of international capital markets"

Some central banks, in managing their total portfolio of foreign reserves more actively, used part of their gold reserves in swopping gold for foreign exchange.

"Through these measures central banks succeeded in making their official gold holdings more liquid, or in earning some income on an otherwise unproductive investment."

Dr Stals estimated that at the current gold price total official gold holdings were worth about $385 billion, accounting for about 40 percent of the total offical foreign reserves in the world, compared with about 53 percent 23 years ago

Gold set to weather bad years

EDWARD WEST ~~44~~ 214

REAL world economic growth was likely to lead to strong world demand for primary products and, with a lower growth rate in world production, an escalating dollar price for gold

This was the view of Andrew Forbes & Co mining analyst Ian Preston, who said in a statement yesterday gold could weather lean years and emerge stronger as had happened in other branches of the mining industry

Preston said every rule that fixed the gold price in recent times had been broken and brokers had to admit that no person could predict the price of gold.

At $370/oz of gold, only 412 tons of SA's gold production was profitable A remaining 168 tons of gold production was either unprofitable or marginally profitable, Preston said

B Day 26/6/90

Gold production in the decade was not likely to grow at the same rate as in the previous 10 years.

As world stability prevailed, especially with the relaxation of exchange controls and more common economic policies, competing investments could negatively influence gold bar hoarding, said Preston

Preston expected the gold price to rise from a base of $350-$400 at a rate maybe 1% or 2% faster than US inflation.

Firms feeling gold pinch 'should blame themselves'

B\Day 26/6/90

JOHN CAVILL

VENICE — Many SA and Australian gold producers suffering squeezed profits had only themselves to blame for speculating on a continued rise in the price, Robert Guy, director of the leading London bullion bank N M Rothschild, said yesterday

Guy, speaking at the World Gold Conference sponsored by the Financial Times of London and La Stampa in Rome, reviewed what he said was "a critical time but not yet a time of crisis" for the industry and market

Commenting on the problems of the gold producers, Guy said "To some extent there are companies with only themselves to blame "

Even though the facilities were available, "many companies have been significantly under-hedged in recent months" The rising price in the last quarter of 1989 and early this year encouraged them to speculate that the price would continue to rise and they did not take cover

"When the price fell, some companies, particularly in SA and Australia, believed that eventually they would be bailed out by depreciation of their own currency It didn't happen"

He also strongly criticised the methods of the recent big sellers in the Middle East and the insensitivity of central banks in trying to mobilise their holdings of gold

He said the gold market had been badly hit by the "very aggressive manner" of sellers in the Middle East

"It is not easy to judge whether this activity bears the mark of the amateur or of the extremely sophisticated Wittingly or unwittingly, the market place itself has been abused," he said

"In the longer term the Middle East gold market has damaged itself Its credibility is on the line "

Central banks also faced a problem because the drop in gold was affecting the value of their reserves But he called for greater co-operation between banks

"The real decline in the value of gold reserves should be a matter of concern to the central banking community "

Central banks that were active in the market — to earn interest on their bullion reserves — should recognise "there is a limit to the amount of gold which can be mobilised by the way of swaps"

"Currently central banks are pumping more gold into the market precisely when there is less demand for gold liquidity," he said.

"Reserve management policy should be most sensitive to market conditions There is a danger otherwise that, albeit unwittingly, they will contribute to the decline in the very value of their own reserves "

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Gold market 'critical, but not yet in crisis

Recent aggressive sales out of the Middle East had damaged the gold market, said Mr Robert Guy, a director of N M Rothschild & Sons, at the Financial Times World Gold Conference this week He said low prices had brought the market to a critical condition — but not yet to crisis

Mr Guy suggested it was not easy to judge whether the Middle East sales were "the mark of the amateur or of the extremely sophisticated But wittingly or unwittingly, the marketplace has been abused

"In the short term this is only of consequence to individual profit and loss accounts but in the longer term the Middle East gold market has damaged itself — its credibility is on the line"

Mr Rolf Willi, senior general manager and treasurer, Dresdner Bank, contributed to the generally downbeat views expressed by suggesting that European Community harmonisation would produce a change for the worse as tax rates on gold would be harmonised upwards — not downwards or repealed

He characterised the tax on gold as "an envy tax" and said European governments would not be concerned if taxes drove gold bullion business out of the Community to, say, Zurich

Mr Tom Main, chief executive, Chamber of Mines of South Africa, said the South African gold mine industry faced many difficulties at present but he was sure the country would enter the 21st century as the dominant supplier of the Western world's gold

Although some mines were threatened by the present low gold price, intense exploration had located about 17 000 tons of gold in the Witwatersrand region

But he added a warning that "Given the lacklustre gold price, a good measure of political uncertainty, double digit inflation and the extended lead times involved in bringing new South African gold mines into production, such new gold mine developments are unlikely to be given the go ahead until the overall situation is clarified"

Mr Hugh Organ managing director, Western Mining Corporation, said recent Australian Government predictions about the country's output were "unduly optimistic"

The Australian Bureau of Agricultural and Resource Economies had forecast gold output in 1990 at 220 tons, in 1991 at 180 tons, in 1992 at 160 tons and at 150 tons a year thereafter

He said that without tax reform, a more rapid decline in Australian production should be expected

Mr Ned Goodman, chairman of Corona Corporation, predicted that North American gold output was likely to fall by 11 percent by 1995

Mr Jeffrey Nichols, managing director, American Precious Metals Advisors, went even further In the one speech so far offering delegates a cheerful view of the gold market he suggested there would be an historic, record-breaking bull market in gold in the 1990s

"In contrast to the glut of gold which characterised the 1980s, the current decade will be an era of insufficient supplies relative to prospective demand and a period in which gold ultimately moves to new historic highs" — Financial Times

Rand Mines accuses Pouroulis of blackmail in clash at ERPM inquiry

● KNOBBS

RIAAN SMIT

27/6/90

B/Day

(214)

DIFFERENCES between Lefkochrysos founder Loucas Pouroulis and the platinum mine's current owner Rand Mines erupted at yesterday's hearing of the Melamet Commission of Inquiry into ERPM.

Pouroulis was accused of working with corporate consultant Horace Sammel to "blackmail" Rand Mines because he believed the company's subsidiary Barplats was withholding R12m owed to him for the takeover of his Lefkochrysos platinum mine The accusation was made by counsel for Rand Mines (RM), Wim Trengove

The commission into government aid to ERPM also heard from RM gold and platinum division CE Clive Knobbs that Pouroulis believed the company was behind his

criminal prosecution and that Knobbs and his 'family had received "threatening phone calls" for some time

Sammel, who says he has a "track record" in exposing mismanagement in companies, has told the commission into government aid to ERPM he has been acting on behalf of several minority shareholders in the beleaguered mine

Trengove accused Sammel of "commercial blackmail", which he defined as "the making of threats to achieve commercial aims", and said. "I'm going to suggest that you and Mr Spilg are merely doing the running for Mr Pouroulis."

Spilg is the father of Sammel's advocate at the commission, Brian Spilg

Trengove also contended information in an article published in the May 24 edition of Finance Week was leaked to the publication by Spilg snr.

The article, read in part by Trengove, said· "Rand Mines is under siege — not from its shareholders or labour Loucas Pouroulis, founder and previous chairman of platinum mine Lefkochrysos, and his associates, including corporate consultant Horace Sammel, are digging into Rand Mines' management record — particularly on ailing gold mine ERPM

" . What prompted Pouroulis's investigation was the witholding of R12m which is

the balance of the purchase price owed by Rand Mines subsidiary Barplats for Lefko Barplats acquired the mine (now named Crocodile's River) near Brits when Pouroulis was running short of cash "

Dealing with Sammel's "insults" during telephone conversations with RM officials, Trengove put it to him he had referred to Knobbs as a "a totally unstable person who approaches the state of a psychopath".

Sammel confirmed this and also that he had accused a Pim Goldby, auditor of "criminal falsification" in an effort to obtain RM's 1989 financial statements

ERPM had been granted an extention by the registrar of companies until September 9 this year to hold its 1989 AGM

● POUROULIS

Melamet hears about rescue plan

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RIAAN SMIT

ERPM would be placed under judicial management if the Melamet Commission did not approve a rescue plan agreed to by Rand Mines, a government inter-departmental committee and lender banks, the commission was told yesterday

Rand Mines gold and platinum division CE Clive Knobbs told the inquiry into the future of the mine that the rescue plan made provision for a conversion of loans of R220m into preferential shares, a sale of assets worth R40m and a Rand Mines loan of R35m to finance the 95% completed Far East vertical shaft and to pay creditors

Government, which had to approve the plan in terms of its status as guarantor of the loans — over which it had no registered bonds — turned the plan down because of concerns about tax implications

Led in evidence by counsel for Rand Mines Wim Trengove, Knobbs said if government did not continue its assistance to ERPM the company would be forced to go into liquidation. He estimated the break-up value of ERPM to be between R120m and R130m

B Day 28/6/90

Knobbs recounted before the commission at the Mineralia building in Braamfontein that a decision was taken on May 18 1989 to place ERPM in liquidation.

At that stage the gold price and the mine's grams of gold per ton had "deteriorated rather badly" and it seemed to be the "prudent thing" to do.

This decision was rescinded on July 14 1989 because the lender banks believed

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Melamet

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☐ From Page 1

there was still a chance of putting together a rescue plan, he said

The mine's crisis was sparked by a similar deterioration this year in the gold price and grades, and a decision was taken on April 9 to put the mine under judicial management Government appointed Mr Justice D A Melamet to head the inquiry into possible government aid to the mine

Knobbs said the situation would not have been as bleak if the gold price had reached the company's forecast for this year of R36 300/kg This compared with the R36 500/kg forecast by the Bureau for Economic Research at Stellenbosch University (The current price is about R31 000/kg)

"If those projections were realised we would not be sitting here," he said

Star

29/6/90

214

CMC turns around Egoli, Southgo

By Derek Tommey

Consolidated Mining Corporation's top team of chairman Gerald Rubenstein and managing director Glenn Laing have much to be be pleased about.

In the past 12 months they have converted three marginal or loss-making companies — Southgo, Egoli and CMC — into highly profitable and dividend-paying enterprises

Southgo (South East Rand Gold Holdings) reports today that net income before extraordinary items rose more than seven fold in the 15 months to March from R1,3 million to R9,3 million

Net income attributable to shareholders rose from R1,3 million to R12,6 million Earnings were 10,8c a weighted unit and after a three-year drought a dividend of 2c is being paid

Egoli boosted profits before extraordinary items from R1,5 million to R7,6 million in the year to March Net income swung around more than R62 million from a loss of R44,5 million to a profit of R17,8 million Earnings were 42,1c a weighted unit and the dividend — the first for two-and-a-half years — is 6c

CMC (Consolidated Mining Corporation) had a net income before extraordinary items of R6,4 million — a swing around of R11 million from the previous year's R4,7 million loss Net income after extraordinary items was R20,1 million compared with a R248 900 loss in the previous year

Earnings were 6,4c a share and the dividend on the preferred ordinary shares 0,9c

Mr Rubenstein says it has been decided to hold back CMC's dividend on its ordinary shares. But CMC hopes to pay a dividend in the next year

The team has done what it set out to do — sold off all extraneous interests and concentrated on mining

The outlook is good in spite of the low gold price Costs at gold producer Nigel were $320 an ounce, at West Wits $290 and at Knights $252

The group has submitted a tender for the ERPM dumps and the Benoni operation, which will extract gold from old dumps, should pour its first gold in October

The group has some R35 million in cash available for new ventures

GOLD F/M 29/6/90 (214)

A sinking feeling

Leading Western gold producers — SA, the US, Canada and Australia — are facing rising costs, shrinking profit margins, adverse tax regimes and environmental lobbies The likely effect, representatives of these producers told the *Financial Times* World Gold Conference in Venice this week, will be static and then shrinking output

If that seems bullish for the price, bear in mind sales by central banks and flagging investor interest

Central bankers tended to downplay their recent activities Bank of Italy Director-General Lamberto Dini argued official attitudes to gold have not changed significantly Gold still accounts for nearly 40% of official foreign reserves of the industrial countries, which hold some 85% of total gold stocks

SA Reserve Bank Governor Chris Stals also emphasised the relative stability of central bank holdings over time More than 22 years after the introduction of the two-tier system in March 1968, monetary authorities still hold more than 1,1bn oz gold in reserves This is roughly what they held in 1968, despite sales of more than 40m oz official gold between 1976-1980

SA also cut its holding over that period, from 35,5m oz to 3,6m oz Stals added that gold's 40% share of total official foreign reserves — valued at US$350/oz — has only dropped 13 percentage points since 1968

Relative stability of gold in official reserves over the long term is all very well But central banks can significantly influence the price during shorter periods

Dini notes the share of gold in countries' reserves varies widely, from 10% in Japan and 20% in the UK to around 70% in France, Belgium and the US Some, such as Japan and Taiwan, have recently shown interest in building up holdings. By contrast, some industrial countries' central banks, like Canada and Belgium, have been reducing theirs

Gradual shift

Dini says there may be a gradual shift of official gold away from Europe and North America, which hold more than 80% of the total While Stals feels central banks are unlikely to become major dishoarders it must be noted they added 225 t net to 1989 supply'

Another example of official market activity is the recent more active role of the Central Bank of Brazil Emilio Garofalo Filho, director of the bank's international Reserves Operations Department, revealed a new programme of gold/dollar arbitraging, aimed largely at ending smuggling

After the first sales of 15 t in February, by May the bank had effected arbitrage operations involving some 106 t gold As Filho put it "You will have to get used to the idea that Brazil will generate international purchase and sale operations of about 50 t per month through the arbitrage programme"

If present forecasts are met, Brazil could also have a greater influence through increased production by local mining companies Now about 23 t/year, Filho says this should reach 80 t within 10 years

That could mean big expansion for mines owned by SA's two largest mining houses Largest Brazilian miner is 9 t/year Morro Velho, owned by Anglo American and associates, third largest is Gencor's Sao Bento (3,4 t) They account for 54% of output by major Brazilian companies

Such expansion would contrast with levelling out and decline for other major producers — including many mines in SA Chamber of Mines CE Tom Main notes the rand price received by SA mines has fallen to the lowest levels since 1988, while costs had risen at a rate similar to inflation

Stals, however, says the Reserve Bank would seek to avoid deliberate depreciation of the rand to support a single sector — even one as important as gold-mining That does not imply an entirely passive stance Stals concedes the Bank has become a more "proactive" marketer and "could even be a buyer at times" — though constrained by limited foreign reserves

Unhelpful tax regimes, especially in SA and Australia, are partly blamed for an expected decline in their output In SA, Main says, recent concessions to ring fencing rules offered little incentive to invest in new mines Hugh Morgan, MD of Western Mining, reckons the decade-long expansion of Australian production has ended Its output rose from 17 t in 1980 to over 200 t last year and this year is estimated at 225 t

One stimulus was that gold-mining was tax-free, to encourage expansion This will end on January 1 The Australia Bureau of Agricultural & Resource Economics forecasts output will drop to 180 t in 1991, 160 t in 1992 and 150 t thereafter Morgan considers these forecasts optimistic, even without tax reform, he predicts a rapid decline

The outlook in North America is not greatly different Ned Goodman, chairman of Corona, notes that many producers there are at or close to break-even, most newer mines have relatively short lives

For those producers still operating, Jeffrey Nichols, MD of American Precious Metals Advisors, sees cause for optimism The market, he says, has been broadened and globalised and there is a rising involvement of large corporate players

More people around the world have access to gold investments and jewellery, while gold dealing, fabricating and mining have become more competitive, decentralised and less subject to government interference These developments, he says, will contribute to a record bull market in the Nineties

Conversely, London Bullion Market Association chairman Robert Guy warns it is a critical time for the world gold market

Many mining firms, particularly in SA and Australia, he says, have only themselves to blame

Rather than relying on the loan market and hedging instruments, they simply waited in vain for their currencies to depreciate, they got only short-term relief and worsened inflation Guy reckons producers need to cut costs even more vigorously and achieve greater efficiency Central banks, he says, should ensure reserve management policy is sensitive to market conditions

After the events of the past year, though, it may not be wise to rely on a more helpful stance from central bankers this year

The best news, says Gold Fields Minerals Services consultant Timothy Green, is that jewellery and industry last year absorbed more than 80% of all new supplies to the market and the same is likely to happen this year But he emphasises the "bread and

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butter physical offtake" will remain vulnerable to a rising price

Andrew McNulty, in Venice

~~corporate profit has fallen from 41,25% to 22,16% "This marked redistribution from profits to remuneration is a major structural change," says TrustBank chief economist Nick Barnardt~~

~~"Both exports and imports are lower in dollar terms in 1989 than in 1980, which shows how the low gold price and low economic growth have hurt our balance of payments It also reflects unfavourable trends in world commodity prices"~~

~~These statistics and many others appear in *Facts at Your Fingertips*, in tables devised with help from TrustBank Economics Division~~

~~Data has been extracted from the Reserve Bank *Quarterly Bulletins* and enhanced with additional calculations Balance of payments statistics, for example, have been calculated in dollars to eliminate the effect of variations in the value of the rand over the years~~

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Anglo holdings valued at R42-bn

Daily Mail Reporter W/Mail 29/6/90

	1990		1989		%
	Rm	%	Rm	%	Change
Mining finance	649	20,7	598	22,6	8,5
Gold and uranium	373	11,9	391	14,8	(4,6)
Diamonds	889	28,4	679	25,7	30,9
Coal	132	4,2	80	3,0	65,0
Platinum, base metals and other mining	302	9,7	200	7,6	51,0
Industry and commerce	563	18,0	499	18,9	12,8
Financial services and property	180	5,8	144	5,4	25,0
Investment earnings	3 088	98,7	2 591	98,0	19,2
Other net revenue	223	7,1	192	7,2	16,1
Prospecting	(181)	(5,8)	(138)	(5,2)	31,1
Equity accounted earnings	3 130	100,0	2 645	100,0	18,3

The equity accounted earnings have been analysed on a segmental basis to show the relative contribution of the various sectors in which the Corporation is invested

ANGLO American Corporation's investments, according to market and directors' valuation, grew by 35 percent to R41 876-million during the 1989-1990 financial year

This is revealed in by the mining and industrial conglomerate in its latest annual report for the year ending March 1990

Equity accounted earnings for the year were a record R3 130-million (1 352c a share) 18,3 percent higher than last year's figure Attributable earnings, which exclude retained earnings of associated companies, rose by 20,1 percent to R1 507-million (651c) – also a record

During the year, expenditure on investments, net of disposals, was R1 123-million compared to R480 million the previous year Of the various acquisitions, the largest was an increase in the investment in Gold Fields of South Africa both through market purchases and through that company's rights issue. Anglo and its associates now have a 25 percent interest in Gold Fields

Significant investments outside South Africa include an effective 22 percent interest in Deutsche Steinindustrie Ag, an international stone operation, and an effective 20 percent in the Medgenix Group, a bio-technology company based in Europe

These are both held by AEH, a wholly-owned subsidiary recently formed to hold Anglo's European interests

Funds were also invested during the year in Eastern Investments Limited, mainly to follow its rights in its interests in the Australian resources sector

In South Africa the corporation followed its rights in issues by Gencor, Samancor and the Premier Group (via the corporation's associate, Premsab Holdings) Anglo now has effective interests of 12 percent in Beverage and Consumer Industry Holdings and the Premier Group An eight percent interest in Unisel Gold Mines was acquired from the RTZ Corporation PLC, the investment in Allied Electronics Corporation was increased to six percent and an interest was taken in Iscor on its flotation.

Anglo has a 13 percent interest in Soda Ash Botswana (Proprietary) and funds were advanced for this project while further investments were made in Anglo American Farms and HL&H Timber Holdings

On gold, Anglo says that notwithstanding the recent fluctuations in the gold price, 1989 saw a number of favourable circumstances in the gold market.

The growth of Western productions slowed during the year, the flow of metal on to the spot and forward markets from gold loans and forward hedging sales was lower, and demand for gold in jewellery grew to 1 811 tons, bringing worldwide consumption of gold in jewellery fabrication in 1989 to a higher level than total Western production in that year"

Anglo says although the performance of gold in the first quarter of 1990 disappointed many speculators, Anglo bullion is undervalued and can play an important role as a store of value during a cycle of correction in other investment markets

Gold should establish a floor price which which will be supported by both buying and physical demand and at which investor interest should be restored

"Momentous changes in Eastern Europe and the Soviet Union have further supported sentiment for gold," the corporation adds, "although this positive sentiment has yet to attract significant demand from either traditional or new investors".

Gold output by the mines of Anglo's client companies increased in the 1989 calendar year by six per cent to 251 tons – 41,4 percent of the South African gold mining industry's total production.

Ore milled by the client companies, at 45,4 million tons, was 1,1 percent higher than last year's 44,9-million tons, while the recovery grade fell marginally from 5,26 to 5,24 grams per ton

Profit margins continued to narrow as the increase in the rand gold price was far lower than the increase in working costs Revenue from gold increased by 0,9 percent to R8 115-million, while costs per ton milled rose by 15 percent from R103,79 to R119,40

The client companies' profit before tax dropped by 20,5 percent to R2 399-million Both capital expenditure at R1 177-million and tax at R383-million were lower, leaving distributable earnings of R839-million, 12,9 percent less than the previous year

On the economy, Anglo believes there is a reasonable prospect that the present downturn will not be as severe as that seen during the early and mid-1980s

This is in spite of the constraining effect of large-scale foreign debt repayments

The South African economy is likely to start to recover some time in 1991, the report predicts

It says that lower inflation and higher foreign exchange reserves as essential factors in a recovery

A substantial fall in export earnings will prejudice such a prospect but this should be avoided given sustained, though slower, growth in the major industrial nations

B|Day 29|6|90 (214)

Consolidated Mining nets surplus of R20m after deficit in 1989

RIAAN SMIT

CONSOLIDATED Mining Corporation (CMC) and its major subsidiary holding companies, Egoli and Southgo, achieved vastly improved turnover and profits for the year to end-March after a major recapitalisation of the group

CMC's net income rose to a surplus of R20,1m from a 1989 deficit of R248,9m on a R152,9m (R108,4m) turnover. The group, which has interests in gold, diamonds, coal and exploration, is the largest mining house after the established six mining houses.

Its gold operations, which mainly consist of low-cost treatment of surface waste material, are largely insulated from the current weak gold price

Earnings for each weighted permanent capital unit were 6,4c (deficit of 188,4c) and a dividend of 0,9c a share was declared.

Capital employed increased from R98,7m to R259,3m after the completed recapitalisation of the group and the rationalisation of operations to mining activities only

Egoli's attributable earnings were R17,8m (loss of R44,5m) Results were improved by the rationalisation of the gold producing interests of Egoli and Southgo after their merger in 1989

Earnings per weighted share were 42,1c (deficit of 171,1c) while a dividend of 6c a share was declared

Employment of capital during the year increased from R93m to R231m.

Southgo's attributable earnings — for a 15-month period to end March 31 — rose to R12,6m from R1,3m for the year to December 31 1988.

Earnings a weighted share were 10,8c (2,3c) and this improved performance enabled Southgo to resume paying dividends A dividend of 2c a share was declared Employment of capital rose to R232,7m from R65,9m during 1988

Gold's got the guts to beat bad times

S1 Times 1/7/90 (214)

UNTIL the early '80s South African investors enjoyed the years of plenty as far as gold was concerned It was the backbone of most portfolios.

Base-metal, platinum miners show the way

Gold has the potential to weather the lean years and to emerge stronger, as happened in other branches of the mining industry, says IAN PRESTON, mining analyst of Andrew Forbes & Co Inc

Now it seems that the lean years are with us, but investors should not quickly abandon the investment ship that has served so well.

Gold fever no longer refers to the heady rush to invest in and develop mines. It more aptly describes the highs and lows of sentiment, the flushes of inexplicable bull runs and the cold shivers of fickle offloading

One would need to be a clairvoyant to predict the gold price. Every rule or pattern which has fixed the price in recent times has been broken.

Honest brokers" have the humility to admit that nobody really knows what will happen. A scenario-planning approach to the problem is best because so many variables apply This introduces a more holistic and realistic approach. Only two years ago what scenario planners, or clairvoyants, would have tried to sell the possibility of an economically emancipated Europe?

This is the background against which one should ask the question: Whither gold?

Primary supply (non-communist) rose from 960 tons in 1980 to 1 635 in 1989, a compound growth rate of 6% a year

Communist supplies, which could be partly new production and/or net reserve bank sales were relatively unchanged if one excludes an abnormal supply of 90 tons in 1980 against a normal 200-300 tons a year

Secondary supply — scrap — has also been variable, ranging from 243 to 492 tons.

Primary fabrication demand, principally for jewellery has grown from 945 to 2 207 tons — compound growth of 9,9% a year

Pure investment demand — "bar hoarding' — has been a major factor and its intensity has been influenced by the gold price and political, socio-economic conditions in many parts of the world.

Central banks have been net buyers of gold for seven of the past 10 years, but movements vary widely

Speculative hoarding and related disinvestment provide a big swing factor in the market. Speculators are by nature net buyers when the gold price is weak and net sellers in a strong cycle.

SA remains the world's major primary gold producer But supply from Latin America, Australia and the US has risen in the past 10 years. At the same time, SA has moved from the lowest-cost to one of the costliest producers.

In dollar terms we must now face the prospect of major changes in the industry At $375/oz only 412 tons of SA's gold production is profitable. The remaining 168 tons are unprofitable or only marginally so This is amplified in that total production from those mines affected by the price is included in the 168 tons. Clearly, areas of the mines marginal production are still profitable even at $375/oz.

However, at $375/oz one could expect that the 168 tons of marginal production would be reduced by 50 tons in terms of rationalisations, capex reductions and deferments.

Resilient

Production expansion in Australia and America has largely come from open-cast mines with relatively low costs — $209 and $247 respectively It is true that the Australians have largely high graded their relatively short life mines ahead of the mining taxes to be imposed from 1991.

Production in the current decade is unlikely to grow at the same rate as in the previous 10 years. Major gold-mining developments in SA will take the best part of the decade to be brought into production.

Rationalisation must take place. The commitment to rationalisation from a resilient industry will result in major innovative and technological improvements.

One should not underestimate SA mining men's mentality Platinum went through much the same low price-oversupply situation in the Seventies. Base-metal mines have learnt to weather the cycles. The gold industry will be no different.

Tightening up in the industry should be seen in conjunction with the likelihood that world production is likely to grow more slowly, particularly in Australia.

What of secondary gold production? Nothing in the past indicates that the future is likely to be any less volatile. However the larger the overall gold pool, the more potential scrap is available to the market.

Fashion

What then of future demand? Given that today jewellery demand basically equates to primary production, can we hope that the next decade will see 9% annual growth rates?

Gold is no different from any other commodity Jewellery is only one competitor for consumption expenditure. In a scenario of lower world growth less discretionary income is implied. Where that discretionary income will be spent depends less on fundamental value and more on advertising fashions, fads and the like.

But one must take account of the materialistic aspirations of a commodity-starved Eastern Europe. Emerging and affluent democratising populations could fuel huge demand for Western fashions, including gold jewellery

Investment demand is likely to continue to be influenced by politcal and socio-economic conditions As world stability prevails, especially with the relaxation of exchange controls and more common economic policies, competing investments could negatively influence gold hoarding.

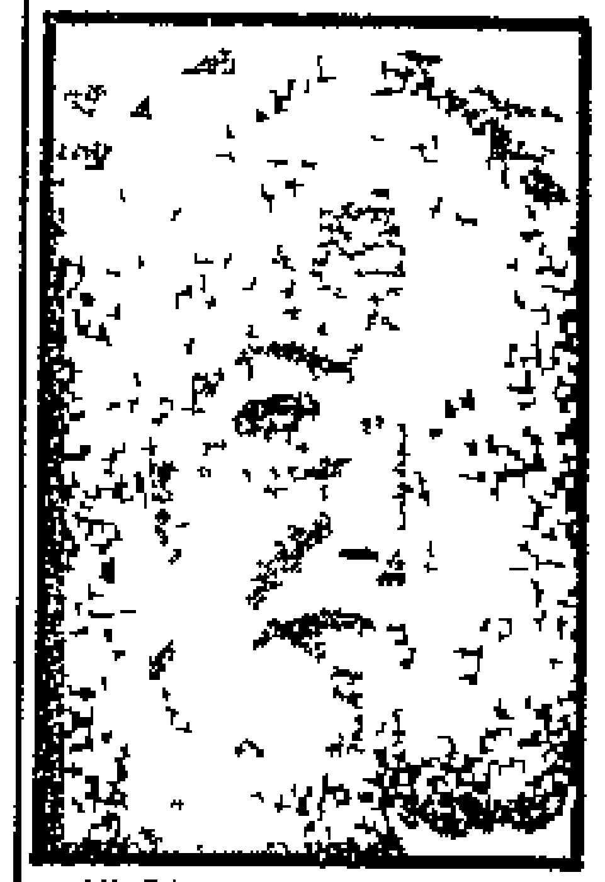
Swing

Central banks will still be fickle and, together with speculative hoarding-disinvestment, will continue to provide a major swing factor in the gold market.

A scenario of real world economic growth, which we support, is likely to lead to strong primary demand and with a lower growth rate in production, a rising dollar price for gold.

We expect the gold price to rise from a base of $350-$400 at maybe 1% or 2% faster than US inflation.

FIVE VIE FOR BUSINESSWOMAN OF YEAR TITLE


YVONNE LOTTERING


WENDY VORSTER


LINDSEY SEYMOUR


MARY HOLROYD


CHERYLL JONES

Go-getters enter selection finals

Business Times Reporter

AN impressive quintet make up the nominees for the SA Businesswoman of the Year award. They are:

- Mary Holroyd, founder and chairman of Weigh Less;
- Cheryll Jones, managing director of Quest Personnel;
- Yvonne Lottering, director of Coin Security
- Lindsey Seymour, managing director of DIY Sales;
- Wendy Vorster, managing director Expeditors International.

Mary Holroyd has built a multi million rand international enterprise from what began in 1975 as a club for slimmers.

Cheryll Jones has been largely responsible for recruitment agency Quest's rapid growth from one office to a 31-branch national organisation.

Yvonne Lottering went from teacher to director of a company In the past six years Coin Security has grown by an average 85% a year, bringing turnover to R60-million.

Lindsey Seymour is making her mark in the furniture industry and has been solely responsible for increasing her company's turnover by 519% since 1987

Wendy Vorster, in the freight forwarding and customs clearance business, started with two shareholding co-directors and capital of R58 000

Having been scrutinised by the Executive Women's Club of Southern Africa, the women now go on to the final selection.

Differing criteria for corporate and entrepreneurial candidates are applied. For corporate nominees, progress, standing in the organisation and its size, level of responsibility, financial control and innovations are considered.

In the entrepreneurial situation, the size of the company its profitability and growth, enterprise displayed and innovation feature.

In both cases, difficulties overcome to achieve results are considered.

The award will be presented at a banquet in Johannesburg's Carlton Hotel on August 29 Guest speaker will be British Businesswoman of the Year Mair Barnes managing director of Woolworths PLC.

Imbuia King Nick once voted boy least likely to succeed

By CHARMAIN NAIDOO

THE Std 7 school drop-out voted least likely to succeed has come a long way

That's Imbuia King Nick Lourens.

His firm imported 60% of SA's imbuia supply last year carving out the largest share of the SA market only four years after it began operations.

Mr Lourens started his import business with a pension fund payment of R100 000 The firm's turnover topped R15m in its first year He expects between R32m and R34m this year

In his imbuia-panelled office toying with a rosewood pen and peeking over the top of his sleek oak briefcase, the 56-year-old self styled millionaire says. For a boy who started life with nothing, I'm happy with the way the business is growing."

Ailment

Domination of the imbuia market is Mr Lourens's greatest delight — especially when you consider that I do not supply the two biggest groups PG Wood and Federated Timbers"

But a career in wood wasn't always his ambition. As a teenager he wanted to be an electrician, but was advised against it when his doctor diagnosed a heart ailment.

So he went to work selling firewood for a timber company Soon he became the bookkeeper and later joined Wilrose, which was subsequently bought by PG Wood.

Mr Lourens says: "I spent 20 years with PG Wood, dealing for it in the Far East and opening an office in Brazil.'

In 12 years, Nick has made 51 imbuia buying trips to Brazil. He also lived in Brazil for a year, learning about the imbuia market

'Brazil is the only country in the world that has imbuia and SA is the only one that uses it. It's the closest substitute for our stinkwood "

Mr Lourens also imports American oak, cherry and maple from the US, meranti from the Far East and iroko sapeli and afromosia from West Africa

The biggest independent agent, he supplies furniture manufacturers and merchants.

'I tell my sons Gregory and Sean — both in business with me — that we have to keep the personal touch

"For example we saved one factory R200 000 a year by advising it about how to buy well


NICK LOURENS from a lad with little to regal rule in timber Picture SUE KRAMER

CARTE BLANCHE

ANGLO'S nightmare, I am told, is to wake up one morning and find it is No 2 mining house in SA.

The nightmare would come uncomfortably close to reality if Gencor and GFSA were ever to merge. The two are valued by the stock market at R20bn, compared with Anglo's R26,7bn

Closer relations between GFSA and Gencor are not unthinkable, with Sanlam controlling Gencor and Rembrandt, GFSA management and Liberty, the masters of GFSA's fate

From Main Street, people like Marinus Daling, Derek Keys, Johann Rupert, Donald Gordon and Robin Plumbridge might appear disconcertingly friendly. To head off such a nightmare,

By DAVID CARTE

Anglo closes the gates to fall from No 1

STimes 11/7/90 (214)

Anglo appears to have stealthily acquired an additional 1,1m GFSA shares in the market, increasing its holding to 25% — enough to block special resolutions

One hears from the JSE that instead of using its normal stockbroker, Davis Borkum Hare, Anglo commissioned Martin Irish to do its GFSA buying The shares were registered in the name of Nedbank nominees, also unusual for Anglo

Of course, the reason I advance is not spelt out in Anglo's annual report released this week — only that the purchase took place among net new investments of R1,1bn

Gain

New investments, together with R300m more of fixed assets, fully absorbed cash generated of R1,4bn.

The failed bid by Minorco for Cons Gold was not entirely a defeat. In selling to Hanson Trust, Minorco made a capital gain of $645m, 39% of which was attributable to Anglo

Minorco hoisted earnings to $157m from $103m, and with McMoran Gold Company under its belt, seems set fair.

Like SA itself, Anglo was saved by diversification from being devastated by a gold price static on R32 000 a kg and a 16% rise in mining costs Gold accounted for 17% of investment earnings, down from 22%, but accounted for the biggest part — 34% — of the total value of investments.

The corporation thinks gold is undervalued and on a floor

Industry and commerce accounted for 28% of earnings and 19% of value, platinum and base metals 20% of earnings, 17% of value and diamonds 20% of earnings and 17% of value.

Platinum and coal were the brilliant areas outside diamonds

About 34% of earnings came from abroad. The North American interests are mainly in Minorco and the European interests have been placed in wholly owned AEH.

The corporation and its associates spent R181m on exploration and R47m on mineral rights. The Bloemhoek-Welgelegen prospect near Beatrix is marginal Exploration emphasis has moved to the Kroonstad Gap

The Moab prospect can best be developed as part of Vaal Reefs.

There is no further information on the Venetia diamond prospect

Anglo spent more on training its own people than on exploration — no less than R200m.

Wages

Those who would nationalise SA's greatest corporation should note that dividends absorbed R752m. That compared with wages of roughly R4,5-billion and was a return of 1,9% on real shareholders' funds

It would cost a future government R25bn to acquire all of Anglo, the interest on which would be R4bn a year

Nationalisation would thus reduce the State's cash flow by a net R3,3bn

No fun sitting on a gold mine

BDay 2/7/90

(214)

Own Correspondent

MOKRSKO — If Czechoslovakia's mining ministry has its way, the village of Mokrsko will be removed from the map, its well-kept houses bulldozed to make way for one of Europe's largest gold mines.

"Geologists say they have discovered a considerable deposit under the village, enough to remove the country's need for gold imports and, possibly, contribute to desperately needed gold reserves

They believe 50 tons may lie under the rolling central Bohemian countryside around Mokrsko, one of the few areas left relatively unspoilt by industrial development in 41 years of communist rule

Newspapers have nicknamed the area, 50km from Prague, the "Czech Klondike", and many people believe it could save the country from the economic abyss into which it could topple, Polish-style, when harsh reforms are implemented

The villagers of Mokrsko, about 50 people in all, are deeply sceptical and they have found the courage to protest against the proposed levelling of their community

But the fear generated by years of totalitarian rule is not easily removed. Villagers have refused to give their names to journalists and have pleaded with them not to reveal details of their lives

These concerns may seem unfounded in President Vaclav Havel's new democracy, but villagers point out that top jobs are still filled by men from the old regime

One 61-year-old Mokrsko woman, born and raised in the village, dismissed the claims of the mining ministry: "They just say what they feel like saying. They are not telling the truth about the gold."

Villagers argue that the discovery of gold comes at a convenient time, just as the government is proposing to close many uneconomic coal mines

Last week, the government said production in the massive Ostrava coalfield would be reduced from 21-million to 17,5-million tons over the next five years, but promised there would be no redundancies.

That pledge may have been viewed almost as suspiciously as the story of poisoned water in Mokrsko

Standing in her well-tended village garden near a well-stocked carp pond on a warm sunny day last week, an old woman pointed to a water bowser 100m away

"See that It only arrived after they started carrying out tests They said they discovered arsenic in the water and we're all being poisoned. They didn't tell us that they used arsenic in their tests," she said.

The villagers see the story of poisoned water as a ploy to get them out. A figure of £20 000 compensation each has been mentioned, but one villager said· "How stupid do they think we are? They will never pay us that" — Sunday Telegraph.

Melamet hears rand will not be used to aid mines

BDay 24/7/90

RIAAN SMIT

SPECIAL economic advisor to the Finance Minister, Japie Jacobs, reiterated on Friday before the Melamet Commission that government would not allow the rand to depreciate simply to help the struggling gold mining industry

SA Reserve Bank governor Chris Stals, speaking at the World Gold Conference in Venice last week, also ruled out devaluation of the rand to help gold mines threatened by the low bullion price

Jacobs told the commission of inquiry into government aid for ERPM that lowering inflation was one of the chief policy objectives of government's strict monetary and fiscal policy

Inflation should decline to about 10% by 1992, which meant the gold mine's input costs, including labour, would increase at a slower rate

The Reserve Bank was succeeding in stabilising the exchange rate of the rand against the US dollar and against "a basket" of other main currencies

"The greater stability in the external value of the rand undoubtedly played a role in the stabilising of the inflation rate in SA and in reducing it"

The rand depreciated 19% against the dollar — the critical exchange rate for gold mines because of the dollar-quoted price — in 1988, compared with 6,8% last year and 4% so far this year

On the other hand, the rand against the basket of currencies had depreciated 7,3% in 1988, 5,4% in 1989, and 5,3% so far this year, he said

Another reason government would not devalue the rand to help the gold mines was that gold sales earned 45% of SA's foreign currency in 1980, but this had declined to 28% last year while foreign currency earnings from export of goods and services had increased during this period

(214)

Premium

Jacobs suggested to the commission that marginal mines like ERPM could achieve a higher-than-average gold price by selling gold forward for dollars and then selling forward the dollars for rands

In both cases a premium of 7% could be earned, which would give a 14% higher price than average

"If the ERPM mine uses such a facility now, an average gold price (for example) of R35 043 a kilogram could be assured for a period of two years, compared with the current price of R29 899"

ERPM would gain further if the gold price decreased, while the converse was true if the price increased, he said

Midwits gets 96% response to offer

CHARLOTTE MATHEWS (214)

ANGLOVAAL mining investment, finance and exploration subsidiary Middle Witwatersrand (Western Areas) received a 96% response to its R439m rights offer of 79,8-million shares on the basis of 33-for-100 at 550c each BDay 21/7/90

In a statement today Midwits says the remaining shares (3,2-million) have been taken up by underwriter Anglovaal, increasing its equity interest in Midwits to 54,6% All subscriptions for ordinary shares and applications for additional shares are fully allotted.

In May the directors said the purpose of the rights offer was to make sure that adequate funds would be available for Midwits to take advantage of future investment opportunities, including those in the field of new gold mine developments

Midwits has a stake in the exploration of Anglovaal's Sun and Oribi drilling programme in the Free State, but a spokesman for Anglovaal said yesterday the money raised by the rights offer would not go in this direction

He said not all results had come in from Sun A decision would be made only when they came in later in the year

Midwits' additional funds would be used strictly for gold mining investments, he added.

Low gold price hampers build-up of SA reserves

Star 2/7/90

44

By Sven Lunsche

Gold's contribution to export earnings has declined steadily over the past few years and limited the impact of the falling gold price on foreign exchange reserves.

However, the lower gold price will make it extremely difficult to replenish depleted reserves and build a platform for economic growth

These are the findings of two separate surveys into the impact of the gold price on the level of gold and foreign exchange reserves

On the one hand, argues Senbank economist Emile van Zyl in the bank's Economic View, there is no danger at present that the low gold price will limit the rise in forex reserves to such an extent that the foreign debt repayments cannot be met

On the other hand, the declining price has come at a most inopportune time in terms of SA's need to rebuild its depleted foreign exchange reserves, says TrustBank economist Jacques du Toit

Citing statistics going back to 1970, Mr van Zyl says that the ratio of gold to total exports has fallen rapidly over the last few years

In 1980, gold represented more than half of total exports of goods

By 1989 this figure had declined to below 33 percent and could fall further in 1990

While this partially reflects the ruling gold price in a particular year, it also reflects the strong growth of non-gold exports

Net gold exports from 1975 to 1985 remained almost static, while there have been definite signs of a decline since then

"By contrast, after an initial decline in the period 1981 to 1983, non-gold exports have improved consistently, showing a sharp increase, despite international sanctions," says Mr van Zyl (see graph)

This trend continued in the first five months of 1990

Overall exports have increased by 8,1 percent If the category "other unclassified goods" — which relate mainly to gold exports — is excluded, non-gold exports have risen by 12,3 percent

Mr van Zyl believes that exports are still showing signs of growth and will carry an even greater weight if the rand depreciates

However, a lower rand would not benefit imports to the same extent as these are in a downward phase and volumes are declining — nominal imports fell by one percent over the first five months of the year

But given the 3,3 percent depreciation in the weighted effective exchange rate of the rand over the same period, this decline in reak terms is even higher at four percent

On balance, therefore, "the balance of gold on the balance of payments is at present less than in the past because of strong non-gold exports and sharply declining imports"

"South Africa should generate sufficient foreign reserves to compensate for expected capital outflows," Mr van Zyl says

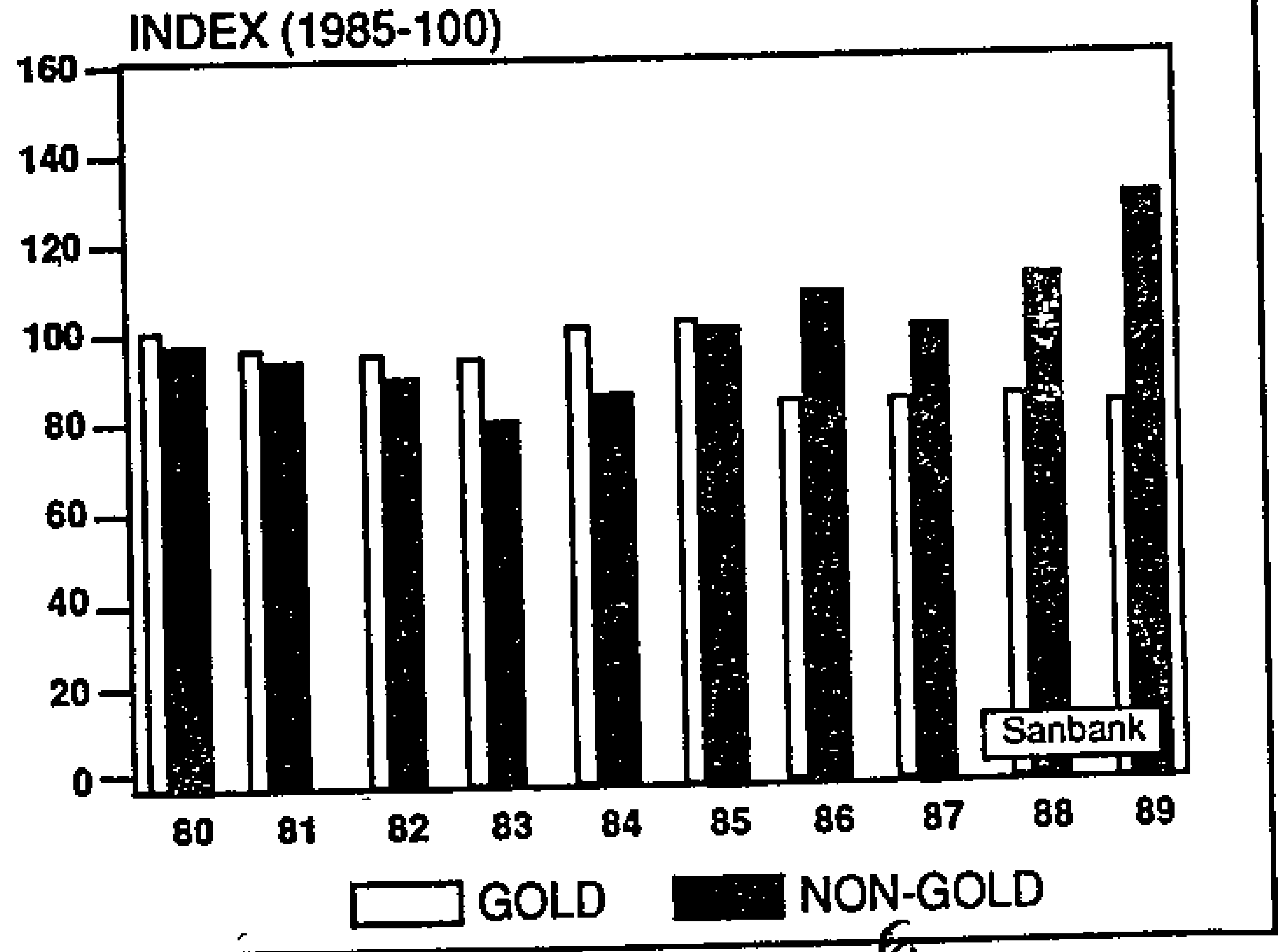
However, as Mr du Toit points out in TrustBank's Econovision "The fall in the gold price won't help us in rebuilding our depleted reserves"

Half of the reserves are held in bullion and the lower price has been the chief factor in reducing the dollar value of gross reserves by about 15 percent since the end of February

"Furthermore, the non-gold half of the stock of foreign reserves — held mainly in dollar-denominated form, has been devalued by the dollar's weakness against most currencies

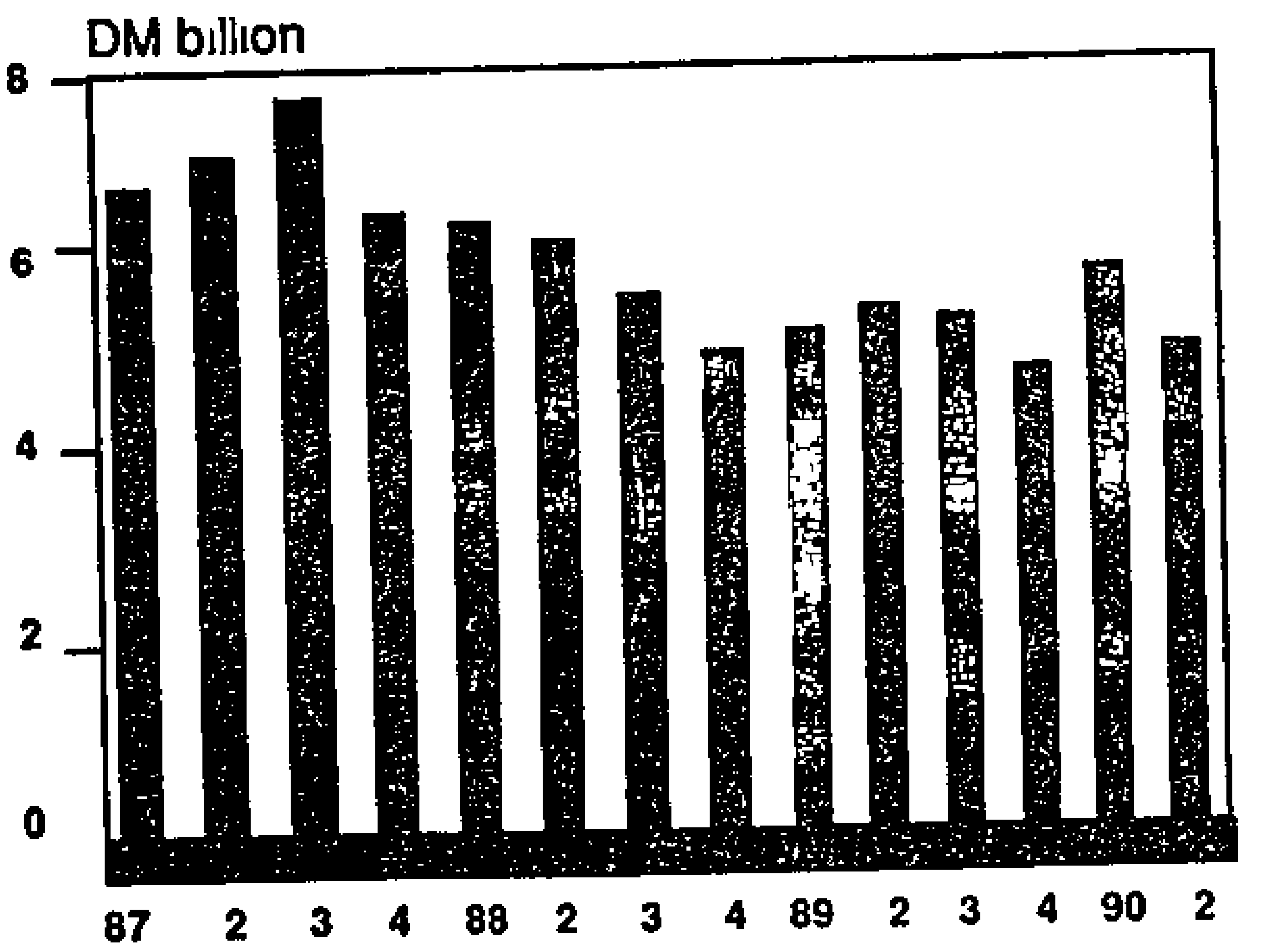
"In total, the Deutschemark value of South Africa's stock of foreign reserves is virtually at its lowest level in four years," Mr du Toit says (see graph)

Germany is the major single supplier of South Africa's imports, which reflects the country's low import capacity and the economy's low overall growth potential in coming months, he says



1 - EXPORTS

INDICES OF VOLUME



2 - S.A. Gross Foreign Reserves

(Value in Deutschemark, end of quarter)

More rationalisation needed at ERPM

214

B/Day 3/7/90

EDWARD WEST

AT the present gold price of about R30 000/kg, a further rationalisation of ERPM's underground operations was required if the company was to have any chance of returning to profitability

This was said by ERPM chairman Clive Knobbs in ERPM's 1989 annual report, released yesterday

Knobbs said lower grade and higher working cost areas would be closed and operations would be concentrated in the high grade sections

"The mine has slowly been implementing this rationalisation in the past few months and only the constraints, pending its approval, of an improved financial package has prevented the full implementation of the plan," he said.

Knobbs said it was not possible to forecast how the company was likely to perform in the year ahead until the government-appointed Commission of Inquiry investigating the viability of the mine was completed.

He said there was a reasonable chance ERPM could meet all its future financial obligations, assuming both the approval of the new financial package and a steady rise in revenues each year from gold production and/or the price of gold

Grades in the Far Eastern section were below predicted averages, but should improve to equate more closely with the average predicted for the area as stopes advanced through low grade patches or were temporarily stopped while the gold price was low.

Now that 'K' shaft longwall was completely re-established on the east side of a major fault, improved grades from this section should partially compensate for the lower grades being experienced in the Far East area, said Knobbs

The rationalisation plan could only be implemented if proposals for a new loan, the sale of assets and further relief on the interest burden were adopted.

3/7/90

Staff officer killed at miners' meeting

Star 3/7 (214)

VIRGINIA — A senior personnel officer at the Merriespruit gold mine at Virginia in the Free State, Steve Buitendag (43), was murdered yesterday by a group of black mineworkers at a mine hostel.

A police spokesman said Mr Buitendag and two colleagues, Mr M Human and Mr E D Perrry, had gone to the hostel after reports of an illegal meeting. Between 800 and 1 000 miners began gathering around the three. Mr Human and Mr Perry reached safety, but Mr Buitendag was pulled back.

He was later found with multiple head injuries and a knife wound in his ribs. He died soon afterwards. — Sapa.

Uncertainty still hanging over loss-making ERPM

Star 3/7/90 (214)

By Ann Crotty

“Unless a favourable decision from the Government on the latest funding proposals is received speedily, the mine may have to be closed,” says ERPM chairman Clive Knobbs in the company's financial '89 annual report released today

In the company's auditors' report, chartered accountants Pim Goldy note “We are unable to determine whether or not the use of generally accepted accounting practices applicable to a going concern is appropriate in the circumstances and accordingly we are unable to express and opinion as to whether or not the accompanying financial statements are expressed fairly ”

Release of the annual report has been delayed because of the considerable uncertainty hanging over the mine's future According to Mr Knobbs “Publication of this annual report was delayed in the expectation that an approved rationalisation plan and financial package could be reported upon

“I regret that until the (Melamet) Commission has completed its examination of this new rationalisation plan it will not be possible to give shareholders any forecast as to how the company is likely to perform in the year ahead.”

The annual report shows that the mine's working loss for 1989 was R37,7 million (following a working loss of R54,2 million in financial '88) Financial '89 working costs included the non-recurring cost of relocating mining operations to the better pay areas and the cost of retrenching certain employees who could not be re-employed on other mines in the Rand Mines Group.

Interest payments reflected in the income statement were up to R17,1 million from R7,6 million. However total interest payable for the year amounted to R51,5 million.

Of the remainder, R13 million was capitalised in terms of the company's accounting policies and R21,4 million was subsidised by government

The increase in the interest payable reflected the increase in borrowings to R313,3 million and the increase in interest rates from an average 17,5 percent to 19,6 percent during the year.

In his statement Mr Knobbs referred to the fact that the average gold price in rands per kilogram during '89 was below expectations and that the recovery grade also failed to meet expectations.

In his 1988 annual report Mr Knobbs had stated that providing the gold price averages R34 300 per kilogram, ERPM should show profits after all appropriations by the fourth quarter of 1989. Adding: “Dividends on the ordinary shares could be paid in a few years' time and debts reduced significantly, providing there is a steady increase in gold price in rand terms to take account of a good proportion of inflationary influences on working costs.”

In the 1989 report the directors note the due to the recent decline in the gold price it has been necessary to embark on yet another rationalisation programme which included the labour force was to be reduced to about 4 000, Rand Mines agreed to advance up to R35 million at prime rate, Rand Mines will limit its managemet fees for the period July to December 1990 to 50 percent of its entitlement or R3 million per annum — whichever is lower; the sale of surplus assets and additional interest subsidy from the Government.

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Inquiry hears final views on ERPM's future

BDay 3/7/90

EDWARD WEST

OPPOSING views on the future of financially beleaguered ERPM were presented yesterday to the Melamet Commission of Inquiry into proposed aid to the mine

The commission finished hearing evidence from different parties during its eleventh day of sitting yesterday

Mr Justice D A Melamet said yesterday the commission's recommendations would be passed on to President F W de Klerk before publication of the commission's report, which could take up to three months

ERPM legal representative Wim Trengrove said in his final submission that the commission should be wary of recommending plans to save the mine other than government assistance

ERPM's plan, involving the sale of assets, development of the Far East Vertical Shaft, Rand Mines loans and government subsidisation, was a culmination of much negotiation and was the best solution. The prospect of finding private sector funds was remote

If ERPM was liquidated, gold ore might be lost forever, shareholders would suffer losses, government or surrounding mines would have to deal with flooding, and 4 500 jobs would be lost, he said.

Advocate for shareholder Horace Sammel, Brian Spilg, said in his final submission that the commission should consider the impact and prospect of other marginal mines asking for aid should government grant aid to ERPM

Much had been said about the prospect of having to lay off 4 500 workers should the mine be liquidated However, at the beginning of 1989 the mine employed nearly 19 000 people

The commission had also heard that ERPM's five tons of gold would have no effect on the gold price, foreign exchange markets or rates.

The question facing the commission was whether the state should embark on a risky venture with taxpayers' money when other institutions such as Rand Mines and First National Bank would not pursue the venture, said Spilg

The National Union of Mineworkers (NUM) legal representative Michael Martinson said the union, a minority on the mine, was very concerned by the prospect of job losses

The NUM did not believe, as Spilg did, that the closure of the mine would have no micro and macro socio-economic effect However, the union would leave the fate of the mine in the commission's hands

Should the mine be aided by government, the NUM requested that permission be granted for the monitoring of seismic activity on the mine on a periodic basis as present systems were inadequate, he said.

A co-operative agreement between the mine and the National Productivity Institute should also be investigated, he said.

● See Page 8

Star 3/7/90 [illegible]

(214)

NUM wants State watch on mining at ERPM

By Jabulani Sikhakhane

The National Union of Mineworkers (NUM) has proposed that if the Government decides to give further assistance to troubled ERPM, it should insist on certain safeguards, including representation on the board until the mine returns to profitability.

Making his final submission to the Melamet Commission of Inquiry yesterday, NUM counsel Mike Martinson said that while the union agreed that certain socio-economic factors may warrant State intervention, the decision must be based on sound economic grounds

The union would recommend that experts in rock mechanics from the Government Engineers' Office keep the seismic activity at the mine under review

Seismic actvity in the past, which led to loss of life and disruption of production, should be included in the assessment of business risks

Counsel for Rand Mines and ERPM, Wim Trengove, told the commission that R41 million capital expenditure had been authorised but not ratified by the board. However, it had been properly accounted for in the company books

Mr Trengove was asked why Rand Mines should be treated as a preferential creditor for the R35 million that it has disclosed it will advance to ERPM And if all of the ERPM debts to date were closed off, why could the mine not go to the banks for funding instead of the State?

The commission ended its hearings yesterday Its recommendations are expected in about two months

● See Page 16.

BDM 4/7/90 (214

Importance of gold mining in decline

RIAAN SMIT

THE relative importance of gold mining as a contributor to GDP, an employer, taxpayer and exporter had declined significantly over the past three decades, the Marais Committee of Inquiry into the position of marginal-profit mines said in its interim report

The 12-man commission under the chairmanship of Deputy Finance Minister Org Marais also concluded that with the possible exception of the Blyvooruitzicht mine, no serious short-term (five years) regional development implications were expected from 13 identified marginal-profit mines

The report said reasons for the decline in relative importance of gold mining were of a structural nature and not due to temporary short-term problems of the industry

One of the most important reasons for the decline was the secular drop in gold content of ore crushed, while cost increases — generally higher than in other sectors of the economy — were a further factor, it said A question mark could also be placed over productivity

A final factor was that over the past few years the gold price had not increased in rand value at the same rate as it had done during the early 1980s

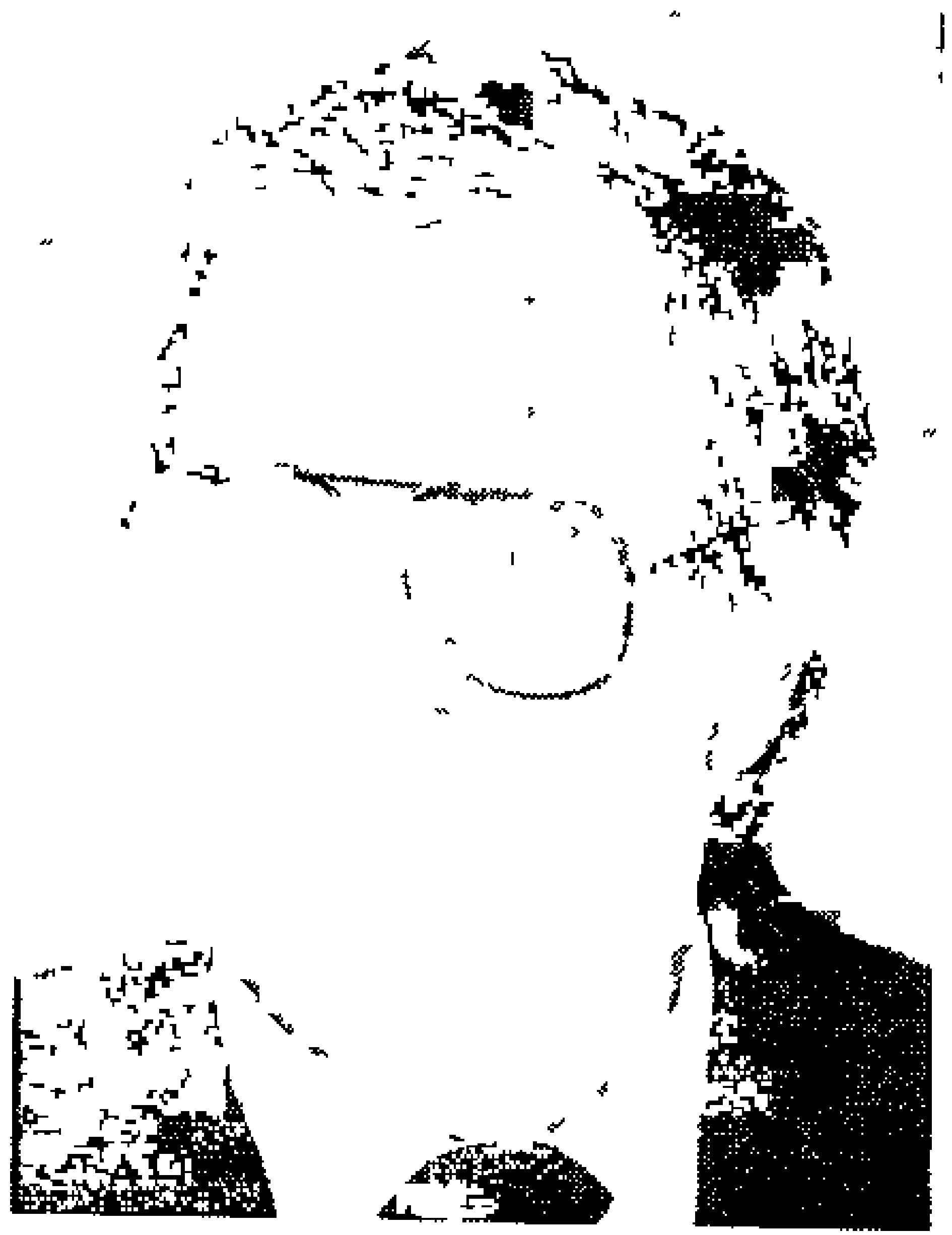
The report said for the period 1960-64 the share of gold mining of total GDP at current prices decreased slightly from 9,3% to 8,7% between 1985 and 1989.

At constant 1985 prices the added value of gold mining between 1960 and 1989 dropped at an average rate of 0,3% a year However, total real GDP at factor cost rose at an average annual rate of 3,6%.

Gold mines in 1960 provided 17% of all employment opportunities outside agriculture, but this had dropped to 9,9% in 1989

The commission found the average gold content of ore milled rose from 10,05g/t in 1960 to 13,34 g/t in 1968, but since then it had decreased continuously to the 1989 industry average of 4,99 g/t — a 4,7% average annual decline

Between 1960 and 1971 the average wage in gold mining increased at a slower rate than the average in other sectors of the economy, largely because of the fixed gold price This changed when the gold price was floated in the early 1970s



● MARAIS

For the period 1970 to 1988, the average annual rate of increase was 16,5%

"Despite the increase . wages in the gold mining sector are still lower than in other sectors of the economy, and the sector is under enormous pressure in this regard," the report said

There was little difference between the increase in the production cost of gold mining and the PPI between 1960 and 1970 But from 1970 to 1988 the average annual increase in production costs was 22,2% against an increase of 13,3% in the PPI

This increase was largely due to wage increases

Direct taxes paid had been on a downward trend since 1960, with the exception of the middle 1970s and 1979-80 when the gold price increased sharply

At constant prices, gold's current contribution to the export of goods and services was about 40% This was half its contribution in the early 1960s, the commission found

Govt to limit assistance to mines

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Cape Times 4/7/90

By **MIKE ROBERTSON**

A GOVERNMENT inquiry headed by deputy Finance Minister Org Marais yesterday recommended that only mines that are viable over the long term receive state subsidies

The Marais Committee in a report published yesterday concluded that the orderly closure of marginal mines would not hold insurmountable macro-economic and regional development drawbacks

The committee's report was published a day after the Melamet Commission deciding the fate of ERPM concluded the first phase of its investigation

Using the econometric model of the SA Reserve Bank the committee was able to project that if 13 marginal mines were closed in the next five years 77 600 jobs would be lost and that the loss of total real value added would be equal to 3,6% of GDP in 1989

However it undertook a further simulation in which it assumed an adjustment in a number of macro-economic variables including interest rates, tax rates, exchange rates and expenditure by general authorities in reponse to the closure of the mines

This simulation showed that many of the macro-economic losses brought about by the closure of the mines could be alleviated

"It therefore seems as if appropriate macro-economic action will alleviate the negative effect of the decrease in the production of marginal-profit mines on the national economy to a great extent," the report said

The Marais Committee recommended that state assistance to marginal mines be provided only if it was in the national interest Such assistance, it said, should comply with recent guidelines laid down by the Cabinet.

The guidelines stipulate that mines applying for assistance must not be dependent on the state for their long-term viability

In addition the guidelines rule out preferential taxation for mines

Types of assistance recommended by the committee included

- ● Allowing mines to enter into negotiations with the Reserve Bank to enable them to engage in normal futures transactions in gold and dollars or a refined futures transaction involving stabilised premium earnings (In terms of the latter scheme premium earnings arising from forward sales can be used to increase the present income of marginal mines at the expense of future income)
- ● State assistance to mines in regard to the pumping out of water on a conditional rand-for-rand or smaller basis
- ● The government entering into an agreement with a marginal mine and its creditor in terms of which the state will take over the creditor's legal claims against the mine if it fails to meet its obligations

77 600 jobs lost if marginals close, committee finds

Star 4/7/90

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Finance Staff

The government has recommended that only mines which show longer-term viability receive state subsidies to assist them when the gold price falls

But the phasing-out production of gold by marginal mines would have drastic effects on the economy, with about 77 600 job opportunities lost, a government committee headed by Deputy Finance Minister Dr Org Marais said

The report of the Committee of Inquiry into the Position of Marginal-Profit Mines, released yesterday, said if 13 mines were to close in the next five years the loss of total real added value would be equal to 3,6 percent of GDP

The committee said there were few merits in any form of assis tance entailing direct expenditure by the state.

It was convinced the economy would be best served by a policy that did not concentrate on giving assistance to a specific industry, but was aimed at the optimal combination of factors promoting overall economic development

If, in the absence of further state assistance, total gold production of the marginal mines came to an end in the next five years, appropriate adjustments in macro-economic policy would alleviate some of the detrimental effect of the decrease in gold production on the national economy

The problems of the gold mining industry were such that specific measures aimed exclusively at the industry could hardly be justified on the basis of national economic considerations

There were 13 mines described as marginal and support was being sought for possible assistance for them In 1988 marginal mines produced about 16 percent of total gold mining output

In its recommendations the Marais Committee suggested the gold mining industry should continue to give attention to productivity and that the government accept the principle of state assistance to marginal mines

But this assistance should be subject to strict conditions

These conditions included Preventing mines from paying dividends while they receive assistance, repayment of the subsidy if the gold price rises, the possibility of renegotiating the loan when circumstances change and allowing the state to issue bonds on the mines property

Pumping assistance, however, should be provided broadly, in accordance with the 1963 guidelines

All other assistance should be subject to the establishment of a stabilisation fund.

The assistance, apart from the subsidy for water pumping, should comprise two schemes

- ● Allowing mines to use futures transactions in gold and dollars or a futures transactions involving stabilised premium earnings, after negotiations with the Reserve Bank
- ● The government should take over creditors' legal claims against a marginal mine if the mine failed to meet the claims.

For their part, mines should take steps in advance to alleviate their financial problems in other ways than by state assistance

The committee said the role of the gold mining industry had declined considerably over the past three decades

As a percentage of GDP the fall had been limited, from 9,3 percent in the 1960-64 period to 8,7 percent in 1985-89, but the added value of gold mining had dropped by 0,3 percent every year between 1960 and 1989

Gold mines employed 17 percent of all workers in 1960, but this had declined to 9,9 percent last year

(214) Star 4/7/90

Falling gold price will not bring additional curbs to slow economy

By Sven Lunsche

The falling gold price, coupled with the subsequent decline in gold production levels, will impact moderately on South Africa's economic growth rate this year

However, argues Standard Bank in its latest Economic Review, undue pessimism concerning the economy's short-term outlook is probably unwarranted

The bank says it is likely that South African gold production will nevertheless fall significantly below the 1989 level due to the rationalisation of production.

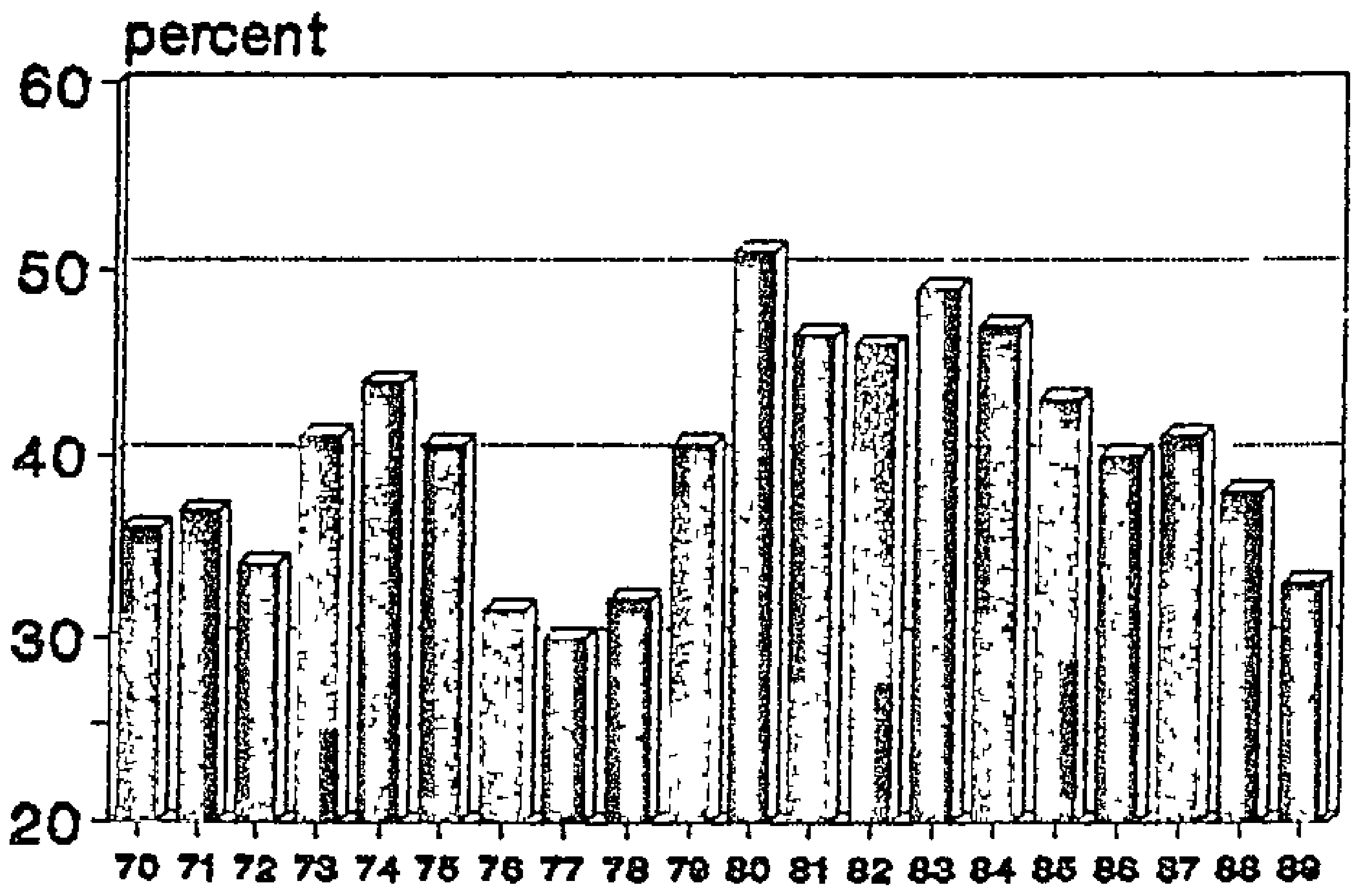
The impact on the economy of this trend depends on whether the gold price maintains the current low levels or declines even further

Growth rates

Using econometric models Standards says that if gold averages $375 for the remainder of the year and gold production totals 959 tons, an overall growth rate of 0,7 percent can still be achieved, but fixed investment and exports would decline by 2,8 percent and 0,2 percent respectively compared with 1989

Using an average gold price of $350 and production levels of 580 tons, the growth rate would slow to a more modest 0,4 percent, investment fall by 2,9 percent and exports decrease by 0,4 percent.

The more significant impact is reserved for the balance of payments, where the surplus on the current account would be reduced from R6,1 billion to R5,4 billion in the second scenario



Gold exports as a percentage of total exports.

A far more noticeable impact on both growth and the balance of payments is expected next year if the gold price remains at current levels.

Likewise, argues Standard, a still much lower gold price, or lower gold production, over the next few months would have a far more serious impact both in the short and in the medium term

Gold production of only 550 tons in 1990 at an average price of $320 in the second half of the year, for example, would result in a slight decline in the growth rate and a current account surplus of only R4 billion

"However, viewed against the background of the speed with which domestic demand and activity have been coming off in recent months, additional policy measures to slow the economy in response to the low gold price are probably unnecessary," says Standard Bank.

"There are now even suggestions that maintaining the current policy stance for much longer may induce an 'overkill'"

On the other side of the economic equation, non-gold exports have remained relatively strong, reducing the percentage of gold exports to the total consistently over the last few years (see graph)

South Africa's improved position in international financial markets also helps, the economists argue

"Thus, even if the gold price were to remain weak and the current account surplus in 1990 fell to some R5 billion rather than the R6 billion level projected earlier this year, the rolling over of significant amounts of foreign debt means that such a surplus will still be adequate for the repayment of debt, without a substantial decline in the level of gold and forex reserves"

Exchange rate

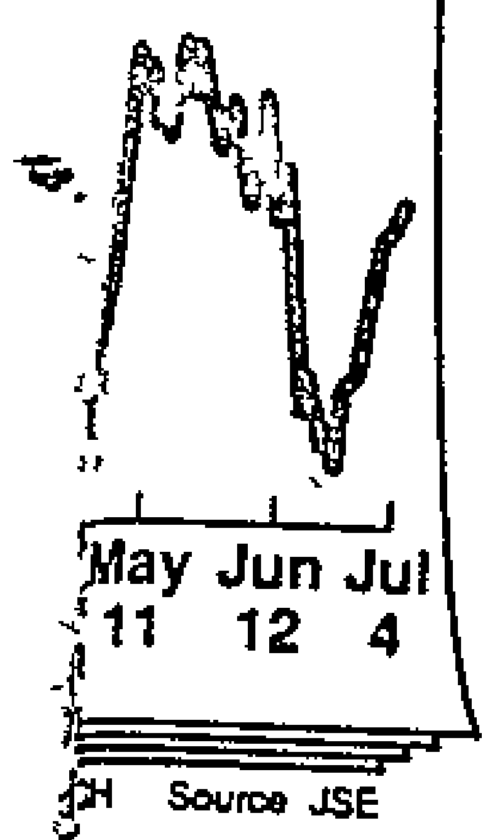
Standard Bank believes that despite the limited impact of the gold price on the economy in the short-term the rand exchange rate is likely to give way if gold remains low for a longer period

"Such a decline in the rand would obviously undermine the current anti-inflation drive, but in a case of a serious showdown between maintaining a strict anti-inflation policy and large scale mine closures, there is little doubt that the rand would be used to absorb the shock."

A sustained gold price weakness would also impact on the longer-term growth performance of the domestic economy

"Under such circumstances interest rates will have to remain higher for longer in order to contain domestic demand and protect the current account surplus against rising import levels

"As a result, the economy would take longer to recover from the current economic downswing," the bank concludes



Source JSE

named said a large number of factors — notably the drop in the gold price — had persuaded portfolio managers to raise liquidity levels

"The earnings growth rate has passed the top and is falling sharply Many blue chip industrial corporations will be reporting a drop in earnings"

Shapiro said he believed the bottom of the market was in sight and investors should begin accumulating slowly in the market

Borkum said recent industrial unrest had been cited as a reason for the gold price bouncing up to current levels.

at R51. ANGLOS finished 75c up at

ANDREW GILL

Lindum Reefs in cutbacks to stem losses

B/Day 5/7/90

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LIZ ROUSE

LINDUM Reefs Gold Mining Company has reduced underground production and retrenched 254 employees in order to eliminate continued losses

Lindum's working losses increased to R908 000 in the June quarter from R573 000 in the March quarter, resulting in a net loss of R750 000 (R371 000)

The mine's accumulated loss for nine months' production amounted to R1,05m and an unaudited loss of R4,7m for the 12 months to June.

Directors said in the quarterly report that the fourth quarter loss and deficit for the nine-month period were mainly attributable to lower-than-expected recovery grades

Staff assured of no retrenchments in Bankorp shake-up

Some people have found themselves worse off and jitters remain as Piet Liebenberg's new broom starts to sweep across the Bankorp staff structure, writes **GRETA STEYN**

B/Day 5/7/90

BANKORP's strategy to become a leaner, fitter outfit will not take place without trauma for its staff Already, a restructuring at senior level has probably put some noses out of joint, although no heads have rolled

The restructuring of the group into one bank with three divisions appears to have left some people in somewhat less senior positions than before A notable example is Chris van Wyk, who used to be CE of the listed Bankorp before his recent appointment as CE of the TrustBank division of Bankorp The division itself will focus only on commercial banking, with all corporate banking activities performed by Senbank.

As regards TrustBank, the major development is a trimming down of the head office to accompany a decentralisation move. Four senior executives (Jan Kuhn, Andries Swart, Jerry van Vuuren and Gideon Kotze) are to leave head office for the regions. Have they been sidelined? Some TrustBank insiders say not if the regional offices become powerful "mini-banks" in their own right as envisaged in terms of the decentralisation drive.

Only one Central Treasury where there used to be three (Trust, Santambank and Senbank) means that three senior positions now become only one. In senior positions on the local markets side, Senbank is well represented — the appointments indicate the local markets were not TrustBank's strong suit. On the international side it is a different story with TrustBanker Martin Croucamp as head of International Treasury

Senbankers with key positions in local Treasury are Jurie Bester, Eugene Smit and Charl van Zyl Head of funding will be Santambank old boy Hendrik van der Merwe and another old Santambanker, Quintus Truter, will look after Treasury's financial accounts.

The CE of Central Treasury, Doug Anderson, said "We still have three dealing rooms but the ultimate objective is to have only one"

Jittery staff have received reassurances from Bankorp top management that no-one would be fired and that personnel numbers would be cut through "natural attrition" They have dismissed rumours in the markets that about 2 000 people will be retrenched

There are already tentative signs of staff leaving of their own accord as a result of the shake-up One example is the departure of bond trader Danie Herbst for Corbank after TrustBank wound down its bond trading activity. It would come as no surprise if the rationalisation of structures brought about a natural reduction in staff numbers

SIC 5/1/90

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Gold has been subsidised for too long

By Sven Lunsche

The findings of the Marais Committee into Marginal-Profit Mines have been welcomed by Gengold managing director Gary Maude, "but they have come a year too late," he said

"The findings are based on free market principles and reflect what we have been saying for some time," Mr Maude said.

He added, however, that the whole emphasis of government's mining policy should shift towards "the opening of profitable mines".

Other industry sources, including the Chamber of Mines, would not comment on the report.

Market analysts, however, have described the report as a tough pill to swallow for an industry, which for long had substantial backing from both macro- and micro economic state policy.

The Committee, which was headed by Deputy Finance Minister Dr Org Marais, recommended that only marginal mines which show long-term viability should receive state subsidies

Gary Maude

According to the Committee there were 13 mines, described as marginal, which had sought possible assistance

While in principle these mines would not be assisted, subsidies would be granted if certain strict conditions were fulfilled.

Mr Maude said that the findings, if implemented, "would call a halt to those mines which produce gold at unprofitable rates

"While this will unfortunately lead to large-scale unemployment, the skilled and semi-skilled labour will undoubtedly be absorbed by profitable mines and new mining ventures."

The Marais Committee estimated that the phasing-out of production by marginal mines would have drastic effects on the economy, with the loss of about 77 600 job opportunities and total real added value equal to 3,6 percent of GDP

Mr Maude said the report had come a year too late and much harm had been done since then through policies such as the devaluation of the rand which has kept the rand gold price artificially high.

"We have been subsidising the price of the metal for far too long"

He said he would like to see some price elasticity in the market, allowing only those producers to supply the market who can mine on a profitable basis

The Committee recommended strict conditions for making subsidies, including preventing mines from paying dividends while they get assistance, repayment of the subsidy if the gold price rises and the possibility of renegotiating the loan when circumstances changes

"These findings will force the mines, which seek assistance, to make some hard economic decisions, but they will benefit the industry," Mr Maude said

The emphasis of state policy should rather be directed towards setting a climate where the industry could open new and profitable mines, for example, by completely lifting existing 'ring-fencing' legislations, he said

GFSA gold mines increase production but revenue drops

WMail 6/7/90

(214)

THE higher mill throughput and resulting higher gold production reported by the Gold Fields gold-producing mines was offset by a lower gold price which reduced revenue for the June quarter

Quarterly results released yesterday show mill throughput increased from 3,65-million tons in the previous quarter to 3,70-million tons

With a constant yield of 7,2 g/t, gold production was higher at 26 560kg from the previous figure of 26 278kg

However, with the average price received decreasing from R33 678/kg to R31 437/kg, revenue was reduced by R50,1-million to R386,1-million

Working costs at R575-million were five percent higher than the previous quarter's R547,8 million Employees' increases were paid during the quarter

A decrease in tax and state's share of profit from R132,9-million to R36-million, resulted in an after-tax profit of R272-million compared with the previous quarter's R253,3-million

The quarter-on-quarter increase in capex from R158,5-million to R238,5-million, amounted to R80-million

EAST DRIEFONTEIN:
Tonnage milled 720 000 tons (680 000tons)
Yield 8,4 g/t (8,2 g/t)
Gold production 6 026kg (5 591kg)
Working costs/t R144,05 (R145,08)
Profit/t milled R119,79 (R131,95)

WEST DRIEFONTEIN:
Tonnage milled 705 000t (705 000 t)
Yield 9,4 g/t (9,8 g/t)
Production 6 622,4kg (6 919,4kg)
Working costs/t R171,00 (R165,75)
Profit/t milled R123,59 (R165,10)

DRIEFONTEIN CONS:
Net Profit: R133,4-million (R114,6-million).
Capex. R51,5-million (R41,3-million)

KLOOF:
Tonnage milled 540 000t (540 000t)
Yield 11,6 g/t (10,8 g/t)
Production. 6 276,5kg (58 140,0kg)
Working costs/t· R214,20 (R197,51)
Profit/t : R151,41 (R165,39)
Net profit· R115,67-million (R95,26-million)
Capex· R84,7 million (R86,5 million)

LIBANON:
Tonnage milled 4 215 000t (4 135 000t)
Yield· 4,12 g/t (4,21 g/t)
Production 1 757,7kg (1 749,9 kg)
Working cost/t· R143,25 (R143,37)
Loss/t. R13,08 (R0,87)
Net Loss· R2,62-million (R277 000 profit)
Capex· R4,85-million (R4,52-million)

VLAKFONTEIN:
Droogbult
Tonnage milled Nil (Nil)
Yield Nil
Gold Produced Nil
Working costs/t Nil
Profit/t Nil
Tonnage milled (Surface sources) 94 000t (123000 HH{ns)
Yield 1,2 g/t (1,2 g/t)
Production 112,0kg (141,5kg)
Working Cost/t· R35,71 (R40,25)
Profit/t. R3,48 (R1,00 loss)
Net Profit· R183 000 (R37 000 loss)
Capex R241 000 (R34 000)

DEELKRAAL:
Tonnage milled 405 000t (405 000t)
Yield 5,9 g/t (6,0 g/t)
Production 2 390,3kg (2 421,3kg
Working costs/t R129,10 (R122,8
Profit/t R57,77 (R77,35)
Net Profit R28,5-million (R29,5-million)
Capex R22,80-million (R13,83-million)

DOORNFONTEIN:
Tonnage milled. 390 000t (390 000t)
Yield 5,13 g/t (5,3 g/t)
Production 1 998,0kg (2 025,5kg)
Working costs/t. R168,87 (R155,77)
Loss/t R7,80 (R23,29 profit)
Net Profit R9,7-million (R4,4-million
Capex R10,5-million (R68,4-million

VENTERSPOST:
Tonnage milled· 390 000t (390 000t)
Yield 3,5 g/t (4,1 g/t)
Production· 1 376,6kg (1 588,5kg)
Working costs/t. R134,96 (R129,79)
Loss/t R23,40 (R7,94 profit)
Net Loss R753 000 (R4,0-million)
Capex· Nil — Sapa

8 BUSINESS DAY, Friday, July 6 1990

Kloof reports a R20m loss after tax and capex

BDay 6/7/90 (214)

RIAAN SMIT

GOLD Fields of SA's (GFSA's) Kloof mine, the fourth lowest-cost gold producer in SA, reported a loss of R20m after tax and capex for the June quarter.

Until now the mine has made profits, after tax and capex, of between R50m and R10,6m every quarter since the December 1987 quarter

However, despite the loss, Kloof's contribution to GFSA profits remained relatively unchanged at about 40%

The other mines in the group include Driefontein Consolidated, which contributes more than 50% of group profits, Libanon, Venterspost, Doornfontein, Deelkraal and Vlakfontein, which will be closed within the next three months.

GFSA's gold operations yesterday reported a R33,5m profit after tax and capex for the June quarter compared with R94,8m for the March quarter

Tax and state share of profit decreased from R132,9m to R36m quarter-on-quarter, but capex was R80m higher at R238,5m — not unusual for the last quarter of a financial year, GM of gold operations Mike Tagg said

The average price received per kilogram decreased 6,7% from R33 678 to R31 437, which reflects the weakness of the gold price quarter-on quarter.

● TAGG

Although mill throughput increased slightly on a constant overall yield of 7,2 g/t revenue dropped R50,1m to R836,1m because of the lower price a kilogram received

Total working costs at R575m were 5% higher than the R547,8m in the previous quarter Tagg pointed out wage and salary increases were paid during the quarter

Libanon made a loss after tax and capex — R7,4m — for the sixth consecutive quarter, in spite of marginally reducing cost a ton milled This was mainly due to the weaker quarter-on-quarter gold price

Venterspost made its third loss after tax and capex — R14,2m — in five quarters The other two losses were R1,7m in the September quarter last year and R2,8m in the June 1989 quarter

Similarly, Doornfontein posted a R13m after tax and capex loss for the quarter — its fifth and biggest in six quarters

Second-rated low cost producer Driefontein Consolidated's profit after tax and capex increased to R82m from R73,3m in the March quarter

East Driefontein's working cost was reduced to R144,05 a ton milled compared with R145,08/t in the previous quarter Yield increased from 8,2g/t to 8,4g/t on a 40 000 tons higher mill throughput at 720 000

The 435kg increase in gold production largely offset the weaker quarter-on-quarter gold price

West Driefontein's production dropped 297kg and its yield also decreased from 9,8g/t to 9,4g/t This, combined with the lower gold price, caused a 25% drop in working profit to R87,1m

Tagg said plant cleaning-up operations at Vlakfontein were expected to be completed in the next three months The total cost of the operation was about R7m, he said

GFSA to cut its work force by 4 500

RIAAN SMIT (214)

GOLD Fields of SA is cutting its labour force by 4 500, including 350 skilled employees, over the next year, GM of the group's gold operations, Mike Tagg, said yesterday at a briefing on GFSA's June quarterly results

Even if the gold price increased substantially, GFSA would not rehire employees, he said. The 4 500 comprise 5,5% of GFSA's 80 000 gold operations labour force

Tagg said some of the employees would be relocated to the group's developing Northam and Leeudoring mines.

Some might be given the option of early retirement and those lost through "natural wastage" would not be replaced

More than 1 000 jobs would be cut at Venterspost and 300 unskilled and between 60 and 70 unskilled workers would be cut at Doornfontein. B Day 6/7/90

Libanon would cut between 200 and 300 unskilled and 40 skilled jobs

Labour costs form 50% of the working costs of GFSA gold operations, he said.

He said capex would be cut by between 10% and 15% over the next year but development would not be cut back

Short-term cutbacks would be made in maintenance of gold mines

BILLY PADDOCK reports that NUM spokesman Marcel Golding said the union was perturbed by the growing tendency of management to rationalise without "properly negotiating with the NUM". The union would fight attempts at retrenchment.

● See Page 8

Govt sends lifeline to troubled ERPM mine

214

By REG RUMNEY W/Mail 6/7/90

THE government has given troubled marginal mine ERPM a new lease of life. But thousands of jobs will still be lost.

Yesterday, acting Mineral and Energy Affairs Minister Barend du Plessis announced the state had accepted a rescue plan for ERPM

ERPM chairman Clive Knobbs could not be contacted for comment last night.

The rescue plan, put forward by ERPM, entails a drastic rationalisation, including cutting jobs from roughly 10 000 now to 4 000.

Du Plessis said in a statement that the government was dealing with ERPM as a special case, in a sense treating it as a new mine.

The commission into marginal mines concluded there was a reasonable prospect of ERPM being re-established as a viable mine.

"In view of the substantial financial commitments which the state has already made to ERPM and in view of the socio-economic implications of closing the mine it is recommended that the state join Rand Mines and First National Bank in providing further assistance to ERPM

"This will enable the mine to complete its drastic reorganisation and to continue its operations "

Additional financial assistance, "all enjoying the same protection in the event of failure", will consist of a further loan from Rand Mines, deferral of some of the interest on existing loans by FNB and Rand Mines until all loans are repaid, and an undertaking by the state, if necessary, in December 1992 to assist in the payment of the deferred interest by way of a guarantee, loan or subsidy.

The recommendations which will be implemented with immediate effect.

Rand Mines' rationalisation plan detailed as major aspects, aside from the cutting of the workforce

- Achieving a recovery grade of 5,6g/t from underground sources;
- An gold price of R30 500/kg, rising in subsequent years;
- A R35-million loan from Rand Mines at the prime interest rate,
- The government paying from July 1 this year to December 31 1992 an additional interest subsidy of 30 percent of the interest rate on the government guaranteed consortium loan,
- Sale of surplus assets,
- Completion of capital spending on the Far East Vertical project,
- A reduction of current liabilities,
- Rand Mines limiting its management fees for the same period to 50 percent of what it is entitled to or R3-million a year, and
- The pumping loan continuing.

ERPM owes R300-million, R220-million of this to the consortium, R60-million to FNB in an unsecured loan, and R20-million to Rand Mines

ERPM's working loss for the year was R37,7-million

Rand Mines owns 30,4 percent of ERPM.

CONSOLIDATED MINING FM 6/7/90

The new faces (214)

Just nine months after the merger of Joe Berardo's old JMF group with Southgo, the new Consolidated Mining Corp (CMC) has posted respectable results for the year to March The turnaround is attributed by MD Glenn Laing to a concentration of energy

FM 6/7/90 (214)

"We have focused the enterprise into a purely mining company," he says, adding that all other interests have been sold off

The CMC figures show the previous year's 188,4c loss being converted into earnings of 6,4c, though no dividend has been declared Subsidiary Egoli posted earnings of 42,1c compared to the preceding year's 171,1c loss, while Southgo has recorded earnings of 10,8c, up from 2,3c Both Egoli and Southgo have resumed dividend payments after three dry years, the former paying out 6c and the latter 2c Clearly the merger and subsequent rationalisation has been to the benefit of both groups

It also shows an ability to survive the shrinking rand gold price. "Looking at all our operations," says Laing, "the first one to suffer would be Nigel which, including capex, has costs running at $320/oz After this would be West Wits at $280/oz followed by Knights at $252/oz So, as you can see, there is some room for manoeuvre We also have several contingency plans should the price fall to those levels"

EGOLI

Year to March 31	1989	1990
Turnover (Rm)	89 0	143,9
Pre-tax profit (Rm)	3,3	19,5
Attributable (Rm)	(44,5)	17,8
Earnings (c)	(171,1)	42,1
Dividends (c)	—	6,0

Other subsidiaries, Knights and Carrigs, have recently shown improved performance with a 6c dividend from Knights and 2c coming from Carrigs.

The financial position has been strengthened substantially through the recapitalisation, with very little debt remaining The abridged balance sheet at group level reveals a sharp lowering of long-term liabilities to R8,7m from R30,1m a year ago, while last year's net current liabilities of R15,4m have been turned into net current assets of R24,3m

SOUTHGO

Year to March 31	1989	1990
Turnover (Rm)	19,7	144,0
Pre-tax profit (Rm)	1,5	19,0
Attributable (Rm)	1,3	12,6
Earnings (c)	2,3	10,8
Dividends (c)	—	2,0

The decision for CMC not to pay a dividend has been based on a need for caution at this stage "We wish to have a solid base from which to move forwards," says Laing, "but CMC will almost certainly be declaring

FM 6/7/90 (214)

a cash dividend for its current financial year." The group has some R35m in cash and could make small acquisitions

However, both Laing and chairman Gerald Rubenstein are careful to stress that, though they wish to see the group grow, this would be done only within the financial and managerial capabilities of the organisation The focus of CMC will remain in mining

Southgo is still waiting to hear if its R25m offer for ERPM's dumps has been accepted The deal would make sense, taking into account CMC's dump reprocessing skills and ERPM's need to generate cash

CMC has become a much leaner, fitter group, better able to face the rigours of the gold market than when it was being mismanaged by Berardo And it should show better than average performance *Gillian Findlay*

Star 6/7/90

Remgro lifts GFSA stake

214

Finance Staff

The Rembrandt Group's investment in the year to end-March 1990 soared to R1,3 billion, after the acquisition of an increased stake in Gold Fields of South Africa (GFSA)

Chairman Anton Rupert says in the group's annual report the purchase of an additional 20 percent in GFSA Holdings had cost Rembrandt about R910 million.

Other investments included 13 percent in Rainbow Chickens for R75 million, 17 percent in Cape investment group Lenco Holdings for R16 million and participation in the rights offer of subsidiary Hunt, Leuchars and Hepburn

All loans guaranteed

Govt throws a lifeline to ailing ERPM

BDay 6/7/90

RIAAN SMIT and BRENT MELVILLE

GOVERNMENT has decided to continue assisting troubled East Rand Proprietary Mines (ERPM) following recommendations made to it by the Melamet Commission, Acting Minister of Mineral and Energy Affairs and Public Enterprises Barend du Plessis said yesterday.

The additional financial assistance will consist of a further loan by Rand Mines (RM) and the deferral of certain of the interest on existing loans by First National Bank (FNB) and RM until all loans are repaid

The state also gives an undertaking to assist if necessary in the payment of deferred interest in December 1992 by way of a guarantee, loan or subsidy

"The above is part of the terms of a new agreement between the parties Government has accepted these recommendations which will now be implemented with immediate effect," Du Plessis said

RM gold and platinum division chairman Clive Knobbs and FNB MD Barry Swart declined to disclose details Knobbs said it was "in essence" the same plan as the one placed before the commission.

This plan made provision for a R35m loan from RM and a R40m sale of assets by ERPM A further aspect of the plan, conversion of R220m debt into preference shares, appears to have been shelved.

The R220m comprises unsecured debt and interest guaranteed by goverment

FNB's stake in the future of the mine is a R60m loan

RM chairman and MD Danny Watts said RM's board agreed to finance the new term of arrangement "on the condition that RM were preferred in the event of calamity" While refusing to divulge the amount of the additional loan RM would be making, he said it brought the total to about equal to government's exposure.

Watts said all loans were being guaranteed by government.

Swart said government's acceptance of the Melamet Commission's recommendations was "the right decision. We rather hoped it would go this way"

Knobbs said yesterday keeping the mine open would provide the opportunity for examining later the possibility of expanding the scale of operations should economic circumstances prove favourable.

ERPM's life line, the Far East Vertical Shaft, is 95% complete and would need another R10m to be made fully operational, Knobbs told the commission last week.

The commission was appointed to look into the viability of providing additional funding to keep ERPM operational.

Du Plessis said the commission made its recommendations on the Boksburg gold mine prior to its report being filed "in view of the urgent necessity to put an end to the uncertainty regarding its future".

According to the commission, ERPM had a reasonable prospect of being re-established as a viable mine The commission suggested, in view of the substantial financial commitments which the state had already made to ERPM, and the socio-economic implications of the mine, that the state join with RM and FNB in providing further financial assistance

"The commission hopes that this will enable the mine to complete its drastic reorganisation and to continue its operations on the rationalised basis submitted to the commission," said Du Plessis

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State comes to aid of ERPM — a special case, Barend says

By Sven Lunsche

In a surprise announcement yesterday the Government said it had decided to provide further financial assistance to Rand Mines' marginal ERPM gold mine

This follows recommendations by the Melamet Commission of Inquiry into the financial situation of the mine, which has been producing gold at a substantial loss and has accumulated debts of R220 million

Analysts were surprised by the announcement which clashes with tough proposals made earlier this week by the Marais Committee into Marginal Profit Mines

The committee, headed by Deputy Finance Minister Dr Org Marais, recommended that only gold mines which showed long-term viability should be supported by the government

In a press statement yesterday the acting Minister of Mineral and Energy Affairs, Barend du Plessis, said ERPM would be treated as a special case

"ERPM has a reasonable prospect of being re-established as a viable mine, but the position must be monitored regularly," he said

"In view of the substantial financial commitments which the state has already made and in view of the socio-economic implications it is recommended that the state join with Rand Mines and First National Bank (FNB) in providing further financial assistance to ERPM.

"This will enable the mine to complete its drastic reorganisation and to continue its operations on the rationalised basis"

As part of the rationalisation ERPM will sell R40 million in assets.

The financial assistance will consist of a R35 million loan from Rand Mines, the deferral of certain of the interest on the existing R60 million loan by FNB until all loans are repaid, and an undertaking by the state, if necessary, to assist in the payment in December 1992 of the deferred interest.

Commenting on the government's move, Rand Mines gold division chairman Clive Knobbs said keeping the mine going would provide the opportunity of examining at a later stage the possibility of expanding the scale of operations

GFSA cuts back on capex and labour

Star 6/7/90 (214) [illegible]

By Sven Lunsche

Gold Fields of South Africa (GFSA) is to cut back its labour force by five percent and its capex by R100 million in the current financial year

This follows a 23 percent slump in working profits to R261,16 million in the second quarter from R338,46 million in the previous quarter

The results were adversely affected by a five percent rise in working costs per ton milled and a decline in the rand gold price to R31 437 a kg (R33 678/kg)

Announcing the rationalisation programme, Mike Tagg, general manager of the gold division, said the cutbacks in staff complement of about 4 500 were necessary to ensure the short-term survival of the mines

Also planned is a 10 to 15 percent cutback on last year's R800 million capital expenditure, although Mr Tarr said that mill throughput at the mines would not be affected.

In the June quarter the total higher mill throughput, a constant yield of 7,2 g/t and resulting higher gold production of 26 560 kg (R26 278 kg) was offset by a lower gold price which reduced gold revenue by R50 million to R836 million.

Working costs at R575 million were five percent higher than the previous quarter's R547,8 million, but Mr Tagg said increases to union men and officials were paid during the quarter

A decrease in tax and state's share of profit from R132,9 million to R36 million, as a result of higher capital expenditures of R238,5 million (R158,5 million), resulted in an after-tax profit of R272 million compared with R253,3 million in the previous quarter.

At its **Driefontein** mine GFSA is planning to close some shafts and shift operations to higher grade areas, which should raise the yield from its June quarter level of 9,4 g/t closer to the 10 g/t level.

Taxed profits at Driefontein rose from R114,56 million to R133,47 million, boosted by lower tax payments of R61,87 million (R120,44 million) and despite a decline in net mining revenue to R182 million (R214,6 million)

Kloof received a tax credit of R27,8 million during the quarter, which lifted taxed earnings to R115,67 million (R95,26 million)

Mr Tagg said production at the Leeudoorn project would now only start in the December quarter. The initial grade was estimated at 10 g/t but as production reached 100 000 tons a month in about two years the grade would fall to levels of about 7 g/t.

GFSA indicated that further staff reductions of about 350 workers each and capital expenditure cutbacks were planned at **Libanon** and **Doornfontein**, which reported losses of R5,59 million and R2,45 million respectively in the June quarter.

A more vigorous retrenchment package was planned at **Venterspost**, where up to 1 000 of the 8 500 workers could be laid off

The mine reported a taxed loss of R753 000 (profit of R4,01 million) in the June quarter.

Closing down operations at Vlakfontein would be completed within the next three months at a cost of about R7 million, a profit of R15 million could be expected from the sale of land and other capital equipment.

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Star 6/7/90 214

Chamber's offer accepted by NUM

By Sven Lunsche and Brendan Templeton

The gold mining industry was yesterday thrown a lifeline by the National Union of Mineworkers (NUM), which last night accepted the Chamber of Mines' final offer of wage and salary increases ranging from 14,5 to 17 percent at affiliated gold mines

But the NUM's assistant general secretary, Marcel Golding, said the union had declared a dispute at coal mines and would be holding a strike ballot among its 35 000 affected members

The wave of retrenchments, however, is continuing at the gold mines with Gold Fields of South Africa (GFSA) announcing a planned lay-off of up to 4 500 workers at its seven mines over the next 12 months

Industry analysts believe that the NUM accepted the chamber's wage offer at gold mines in order to avoid further retrenchments if the gold price fails to recover

Some mining groups have indicated that an increase above the final offer would have inevitably led to further cut-backs in staff complements

However, Mr Golding said the NUM rejected the proposal that a joint working group be established to discuss hours of work and that the union was sticking to its demand of 98 hours per fortnight

Coal mines

The NUM accepted a number of other proposals including a 15 percent increase in holiday allowances, the establishment of a committee with regards to skills development and education, and GFSA becoming party to an agreement on miners' accident leave and income security.

Mr Golding said that coal mines were making a large profit and there was no reason why coal miners, who earned less than gold miners, could not be given the NUM's 20 percent increase demand

The move by GFSA to lay off about 5 percent of its 80 000 gold mining workforce is the latest in a series of cutbacks by the industry, which has been hard hit by the falling gold price and increasing costs

Survival

Announcing the GFSA cutbacks, the general manager of the gold division, Mike Tagg, said management was trimming the workforce by more than was desirable, "but it is a question of short-term survival of the mines".

Of the 4 500 planned retrenchments, 350 are skilled workers, who would probably be taken from two new mining projects at Leeudoorn, at the Kloof gold mine, and the Northam platinum mine, he said.

Mr Tagg added that the cutbacks were part of a provisional budget for the financial year to end-June 1992, and once a final decision had been made the unions would be consulted

Hardest hit by the move will be the Venterspost gold mine near Potchefstroom, where 1 000 of the 8 500 workforce will be retrenched

At Doornfontein, Libanon and Driefontein, up to 300 unskilled and 50 skilled workers could lose their jobs, Mr Tagg said, adding that retrenchments on a smaller scale were planned at Deelkraal

About 200 workers will also be laid off at the Vlakfontein gold mine, which is closing over the next few months

● Lifeline for ERPM — Page 14.

Duiker reports loss after capex

BDay 20/7/90

ANDREW GILL

LONRHO'S coal and gold producer, Duiker Exploration, yesterday reported a R472 000 loss after capital expenditure for the June quarter, compared to a March profit of R2,43m

The reversal was a result of a 36,8% fall in taxed profits to R2,3m from R3,7m and a 128% hike in capital expenditure to R2,8m.

After-tax profits slipped 33% to R4,4m from the March quarter's R6,5m

Steam coal sales increased for the second successive quarter, growing 1,8% to 1,19-million tons compared to 1,17-million tons in March

Anthracite sales, however, registered their second successive decline, dropping 9,8% to 57 835 tons in the June quarter compared to March's 64 116 tons.

Duiker, 62% controlled by Lonrho, has an associate stake in Erfdeel, which is controlled by Anglo American's Freegold The Erfdeel operations showed a R2,4m working loss for the quarter compared to a R992 000 working loss for the March quarter

Duiker's gold sales fell back to 51kg in June from March's 59kg

(214)

Its current capex commitment amounts to R62 000, but authorised capex of R3,97m has not yet been contracted. Earnings a share before capex dropped to 16c from 25,4c

Gold dips sharply

214

Star 11/7/90

Gold shares closed sharply lower on the JSE yesterday as selling pressure hit the market in reaction to another slump in the bullion price amid reports of renewed Middle East selling.

World prices plunged to a low of $352 from $360 before recovering slightly to an afternoon fix in London of $354

In Hong Kong this morning gold opened at $355,85

Gold share prices were sharply lower on the JSE with the all-gold index dropping four percent to 1465, while the overall index closed 51 points down at 3030. — Finance Staff.

● Gold dampens market
— Page 20

Rand Mines plan for ERPM

Star 13/11/90

219

By Ann Crotty

Following last week's announcement that the Government had decided to continue providing assistance to long-suffering ERPM, Rand Mines has issued details of a rationalisation and financing plan for the mine

The plan, hinging on continued support from the Government, involves the agreement of ERPM, the Government and the mines' major creditors

Major features of the rationalisation plan include·

- Mining activities will be concentrated in the high-grade underground sections, mainly in the eastern portion of the mine, and on sand treatment operations
- An additional loan facility of up to R35 million will be advanced by Rand Mines and will bear interest at prime rate
- Certain surplus assets will be sold
- Repayment of 30 percent of the company's liability for interest due (on the R60 million loan from FNB and the existing R20 million loan from Rand Mines) will be extended beyond the currently agreed period until such time as the company can afford to meet these obligations, or to end-December 2002, whichever is earlier.
- The Government has undertaken, if necessary, to make available further facilities not exceeding R33 million after January 1 1993, either as a loan, a guarantee or a subsidy, to enable the company to meet deferred interest payments due on the consortium loan.
- Rand Mines (Mining & Services) will reduce its management fee by 50 percent, effective for the two years to end-December 1992.

This will be subject to a maximum annual amount of R3 million.

According to ERPM's 1989 annual report, this rationalisation plan, which involves reducing the labour force to 4 000, is critical to the survival of the mine.

ERPM rescue plan unveiled by Rand Mines

WMail 13/7 - 16/7/90

THE troubled ERPM mines, government and the company's major creditors have finally agreed on a plan to rationalise underground operations and financing arrangements

(214)

Announcing the plan yesterday, Rand Mines said a number of the plan's aspects had already been implemented and outstanding aspects — which depended on government approval — would now be implemented as rapidly as possible

Salient features of the revised plan are

- Activities will be concentrated on the high-grade underground sections, mainly in the eastern portion of the mine, and on sand-treatment operations,
- An additional loan facility of up to R35-million will be advanced by Rand Mines and will bear interest at prime rate,
- Certain assets surplus to the proposed scale of operations will be sold,
- Repayment of 30 percent of the company's liability for interest due, on the loan facility of R60-million granted by First National Bank and the existing loan facility of R20-million granted by Rand Mines, will be extended beyond the currently agreed period until the company can afford to meet these obligations, or December 31 2002, whichever is the earlier,
- The government has undertaken, if necessary, to make available further facilities not exceeding R33-million after January 1 1993, either as a loan, guarantee or subsidy, to enable the company to meet deferred interest payments due on the Consortium loan, and
- Rand Mines (Mining & Services) will reduce its management fee by 50 percent, effective fromJanuary 1 1990 to December 30 1992, and this will be subject to a maximum annual amount of R3-million

ERPM, govt agree on finance plan

Cape Times 13/7/90

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JOHANNESBURG — ERPM, their major creditors and the government have agreed on a plan to rationalise underground operations and financing arrangements

Rand Mines said the plan's main features include

- Activities will be concentrated on the high-grade underground sections
- An additional loan facility of up to R35m from Rand Mines and will bear interest at prime rate.
- Certain assets surplus to the company's liabilities will be sold
- Repayment of 30% of the company's liability for interest due, on the loan facility of R60m granted by the First National Bank and the existing loan facility of R20m granted by Rand Mines, will be extended beyond the currently agreed period until the company can afford to meet these obligations, or December 31, 2002, whichever is the earlier.
- The government has undertaken, if necessary, to make available further facilities not exceeding R33m after January 1 1993.
- Rand Mines (Mining and Services) will reduce its management fee by 50% — Sapa

ERPM

Marginally special

FM 13/7/90

214

Is the Cabinet's decision to provide more assistance to a teetering ERPM in the best interests of SA?

The government-appointed Marais Committee of Inquiry into Marginal-Profit Mines questions whether subsidising mining does not simply perpetuate an unhealthy national dependence on primary commodities. It recommends that the State should not provide direct loans unless at the very least they are matched rand-for-rand by the appropriate mining house and that any assistance should only be granted if local authorities and RSCs likely to be affected by a mine's closure also weigh in

Nor does Marais ignore organised labour, saying it is not unreasonable to expect unions to show special responsibility in wage negotiations with marginal mines.

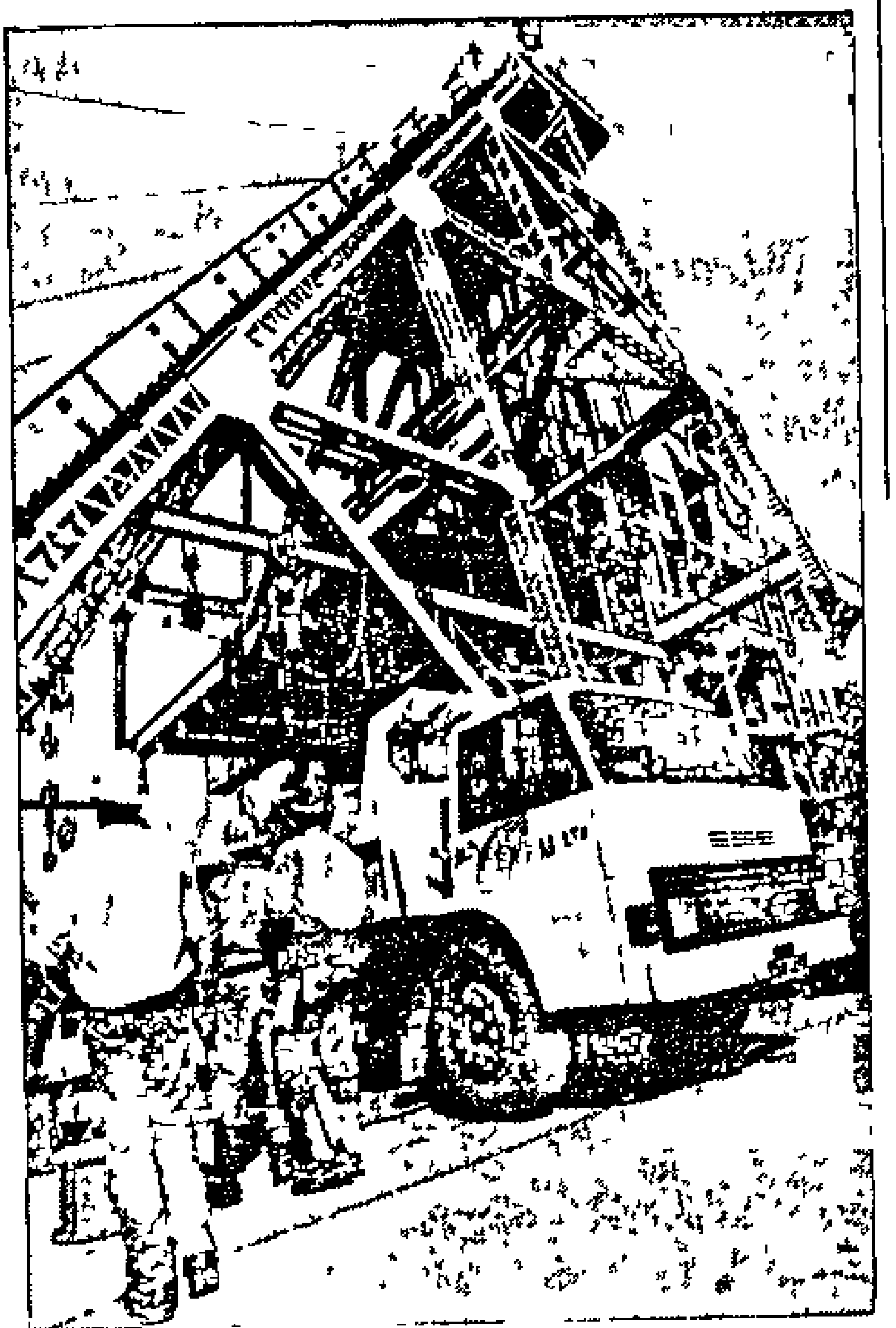
To give them their due, white and black unions have been ultra-responsible at ERPM, agreeing to zero or very low pay hikes in recent years. The problems at ERPM have been managerial, not organised labour's.

Marais and the recently completed Melamet Inquiry into ERPM agree that the mine is a special case But that could be a dangerous precedent — every supplicant could reasonably claim the same And ERPM is scarcely a model contributor to the economy as it is busy cutting its work force to about 4 000 and, according to Marais, contributes little to local authority and RSC budgets

Basically, the Cabinet has agreed to guarantee an additional R35m loan from Rand Mines to ERPM. It has also agreed that ERPM can raise additional cash by selling assets; and that additional loan or guarantee facilities will be made available when deferred interest payments to Rand Mines and First National Bank (FNB) fall due In exchange Rand Mines is to halve the management fee it charges ERPM

Publication of the ERPM's 1989 annual report was delayed until last week because the mine's future was in considerable doubt By the end of last year, ERPM had debts of R367m — R220m from a consortium led by FNB and secured by government guarantees, R67m in deferred interest on that loan and also guaranteed by the government, a R60m unsecured direct loan from FNB and a R20m unsecured loan from Rand Mines And, ahead of next week's publication of June quarter results which are likely to show further ore production cut-backs, the mine has little immediate prospect of generating a positive cash flow

Returning to profits, management reckons, involves a major rationalisation of production and a rand gold price little different from its present level Rationalisation involves sand treatment being cut to 85 000 t/month from 110 000t, underground gold recovery grades being raised to 5,6 g/t (3,35 g/t in this year's first quarter), the work force reduced to 4 000 men, Rand Mines advancing the further loan of R35m, the State paying a further 30% interest rate subsidy until end-1992, surplus assets being sold, the mine's Far East Vertical (FEV) shaft completed to give access to large tonnages of comparatively rich virgin ore, Rand Mines to halve its management fees, and the State continuing to subsidise pumping costs.



ERPM . . . State aid keeps the wheels turning

Southgo has already put in a R25m offer for ERPM's dumps, but is still waiting for the mine to reply

Marais made other recommendations which should apply to ERPM It will be debarred from declaring dividends until its government-guaranteed debts are repaid It will eventually have to set aside money for a stabilisation fund and additional bonds will have to be registered over the mine's immovable property

The Marais Committee believes there is little merit in assistance involving direct expenditure by the State except for financial help on pumping costs to what are essentially veteran mines It underscores its view that "Policy action that is beneficial to the community as a whole ought to come before specific assistance to any single industry"

Marais reckons marginal mine closures could clip 3,6% off real GDP over the next five years, but also help reduce inflation by 2,2 percentage points These calculations assume government takes no other action — if macro-economic policy is directed towards stimulating other sections, the GDP losses due to marginal mine closures can largely be alleviated Nonetheless, Marais recommends the Cabinet should reconfirm its willingness to provide State assistance "provided it is in the national interest"

But what is the national interest? And how can the Cabinet easily weigh up whether the money now being risked to prop up private-sector ERPM would not be better directed, say, towards upgrading black education?

Jim Jones

McGregor's sticks to guns over Anglo

W/t News 14/7/90 ~~[illegible]~~ 214

From MALCOLM FOTHERGILL

JOHANNESBURG — Unchastened by having its figures rubbished by Anglo American this week, McGregor's On Line Information is sticking to its guns.

The giant corporation, it insists, accounts for 45 percent of the total capitalisation of the Johannesburg Stock Exchange

Anglo's view, expressed in the 1990 chairman's statement by Julian Ogilvie-Thompson, is that the corporation accounts for no more than 30 percent

The root of the dispute is that McGregor's and Anglo are using different criteria to measure Anglo's size

Anglo, says spokesman Michael Spicer, takes issue with McGregor's on two counts One is that Anglo does not control some companies McGregor's says it does control The other is that McGregor's has been double-counting

"They have companies in their list that by no stretch of the imagination can be said to be controlled by Anglo," says Mr Spicer

"Until this year's edition of *Who Owns Whom*, for instance, they claimed for many years that Palamin was controlled by Anglo In fact, it is clearly controlled by Rio Tinto Zinc

"And when they say Consgold and Gold Fields are controlled by Anglo, this is clearly quite wrong — at no point in history has Anglo controlled those companies."

Examples Mr Spicer gives of double-counting are Ofsil, which owns shares in Freegold, and Placor, the Plate Glass pyramid

These should not be included, he says, because they relate to the same underlying operations= so Anglo counts Freegold, but not Ofsil, and Plate Glass, but not Placor

The argument fails to convince McGregor's Andrew McGregor

"Anglo is making its own rules," he says

"We're talking about the value the market places on a company, and we find what that is by looking at the price the market is willing to pay for the company's shares

"Is Anglo saying Placor shares are worth nothing ? If they're looking at underlying assets rather than market capitalisation, that's a totally different story."

McGregor's criteria for judging where an investment shades into control are flexible, says Mr McGregor

"There's no fixed formula We look at the spread of shares in each company to decide who controls it You can control a company with say 30 percent of the shares, if the other shareholdings are all small

"We're confident our market-capitalisation figure for Anglo of 45 percent, which is based on the methodology we've been using for 10 years, is correct"

Over the years, changing market conditions have caused McGregor's estimate of Anglo's size to fluctuate from 52,5 percent of the JSE's market capitalisation in March 1983 to 60,1 percent in March 1987

Anglo's nearest rival, Sanlam, is far behind, with a 1983 low of 9,4 percent and a 1985 high of 12,2 percent

Gold price leaps by $13

(214)

Star 14/7/90

FINANCE STAFF

THE gold price rose by almost $13 an ounce yesterday — its biggest one-day rise in many months.

It was fixed at $364 50 an ounce in London late yesterday, up from the $351,75 bid late Thursday.

Dealers expect gold to consolidate early next week, before once again testing higher levels

On Thursday gold was threatening to decline to below $350 an ounce on fears of renewed Mid East selling But statements that the US Federal Reserve was considering a drop in interest rates pushed the US dollar down and the gold price up.

On the JSE gold shares rose strongly and at the close the gold index was up 94 points to 1535, an increase of 6,5 percent.

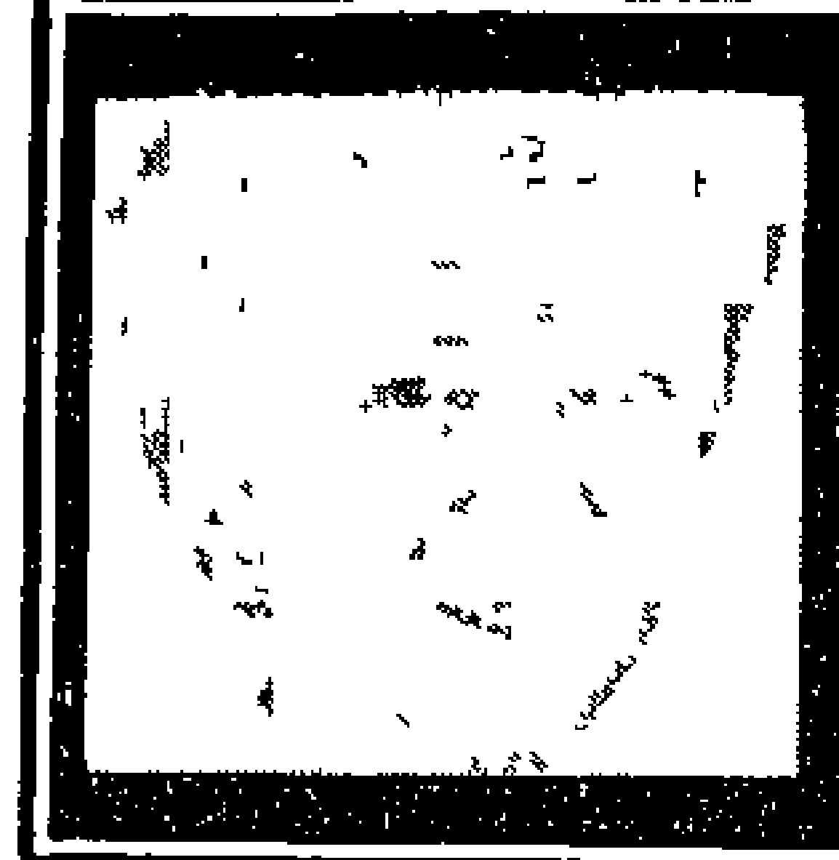
● See Page 12.

SUNDAY TIMES, Business Times, July 15, 1990

STimes 15/7/90

(214)

A pot of gold at the end of rainbow



DIAGONAL STREET

By Julie Walker

TODAY'S mining houses are yesterday's mining exploration companies, according to one of South Africa's brightest hopes — Randex.

I am not old enough to remember the point of transition from exploration companies to mining houses But I wonder if the level of disclosure of information was as thin then as it is now

Randex — one of the more open companies — was formed at the beginning of 1988 after the reversal of various mineral rights into Marievale Genbel is the major shareholder, itself a product of the marriage of UC Investments and Sentrust — also before my time

Asset

Randex's management gave a presentation to financial reporters on the whys and wherefores of the business of mining exploration, what the accounts mean and how to evaluate the shares of companies involved in seeking new wealth

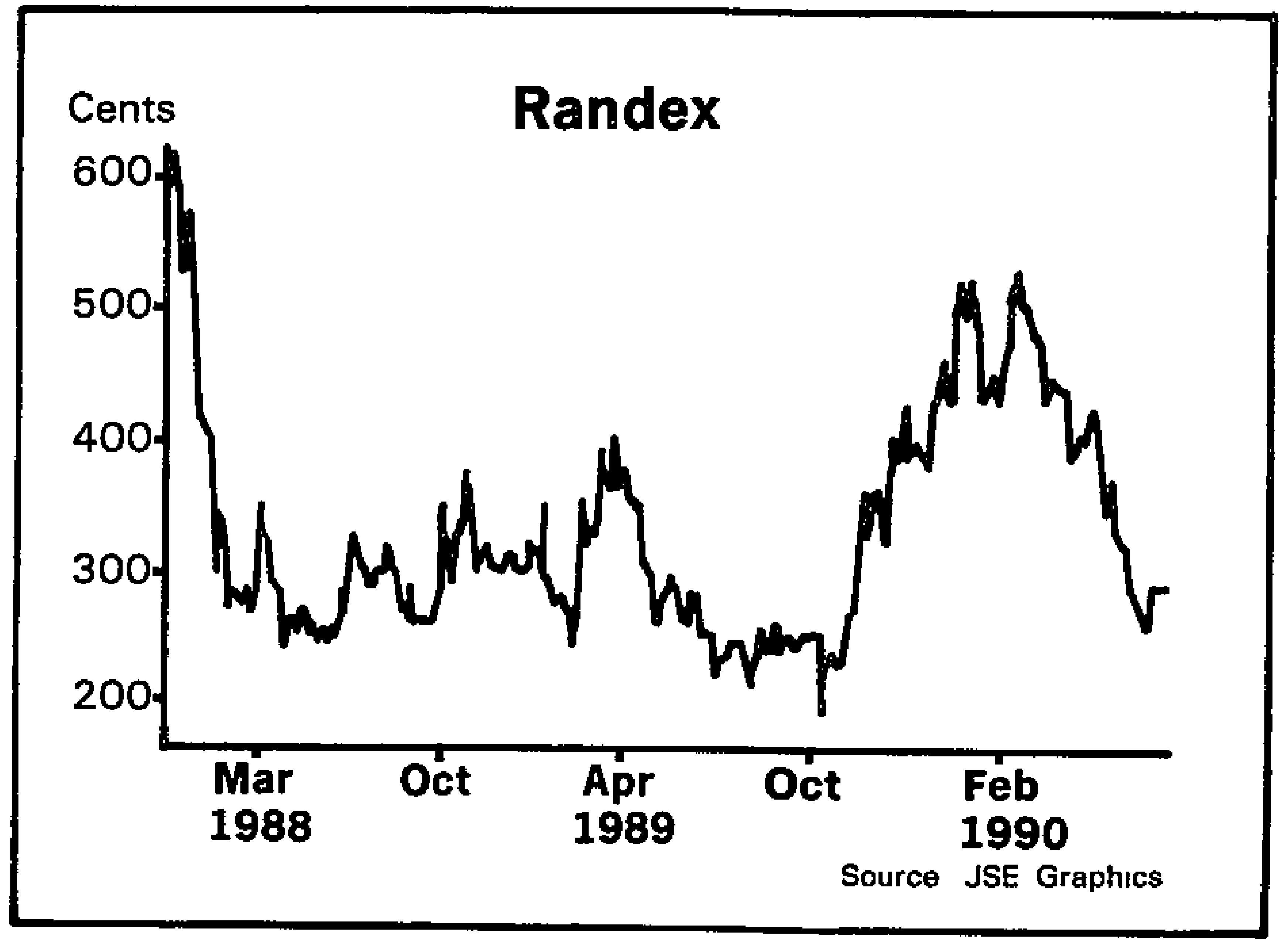
I liked the definition of the much-bandied "turning to account" — Randex says it is to move a mineral rights asset from the balance sheet to the income statement

The risk of exploration was shown amply by the statistical rate of success at any stage of the 18-phase flow-sheet reflecting the business

Simply put, there is a one in two chance that what you seek will be there, three in four that you will be sufficiently idiot-proof to find it, and odds of 40% that it will be profitable

The odds of succeeding even that far are below one in 10

Take it stage by stage, worldwide, and the chances string out to 10 000 to one against



Source JSE Graphics

Randex managing director Mike Saner says a mine is either found or bought If it is bought, someone else found it He gives seven fundamental stages in the life of a minerals project — a sequence driven by events, not by time

A project must be generated (what do we need?), a target sought If it develops into an asset, it must be evaluated, after which an investment decision must be made A mine is then developed, produces, and finally closes The decision to go ahead with a mine is perhaps the most difficult

Right now several potential developments are on ice, each needing to meet various parameters

These include commodity price, profitability, raising of capital, labour and resources, tax considerations and so on

When the stage is reached where the only way to get ahead is to bribe the chairman of the board, there are still options The orebody can be mined, sold, dropped, a partner sought, or further work done

If the board will not commit itself to the cost of a new mine — still a 90% probability — there are still a few backstops, such as disposal elsewhere

Naive

The risks are high — all the way along The environment is competitive

I might be naive, but I cannot help thinking that if all the parties drilling an area were more open with one another, everyone would benefit

Junior participants in mineral evaluation projects are not at liberty to disclose borehole results and other information because the senior partners do not permit it in terms of joint-venture agreements

When push comes to shove, the partner holding the most cards on any project will still be able to call the tune when it comes to raising capital

The way costs of developing a deep-level mine are going — R2,5-billion and more in unescalated terms — financial co-operation will become of increasing importance Even the largest mining house would be happy to lay off some of the risk and the cost

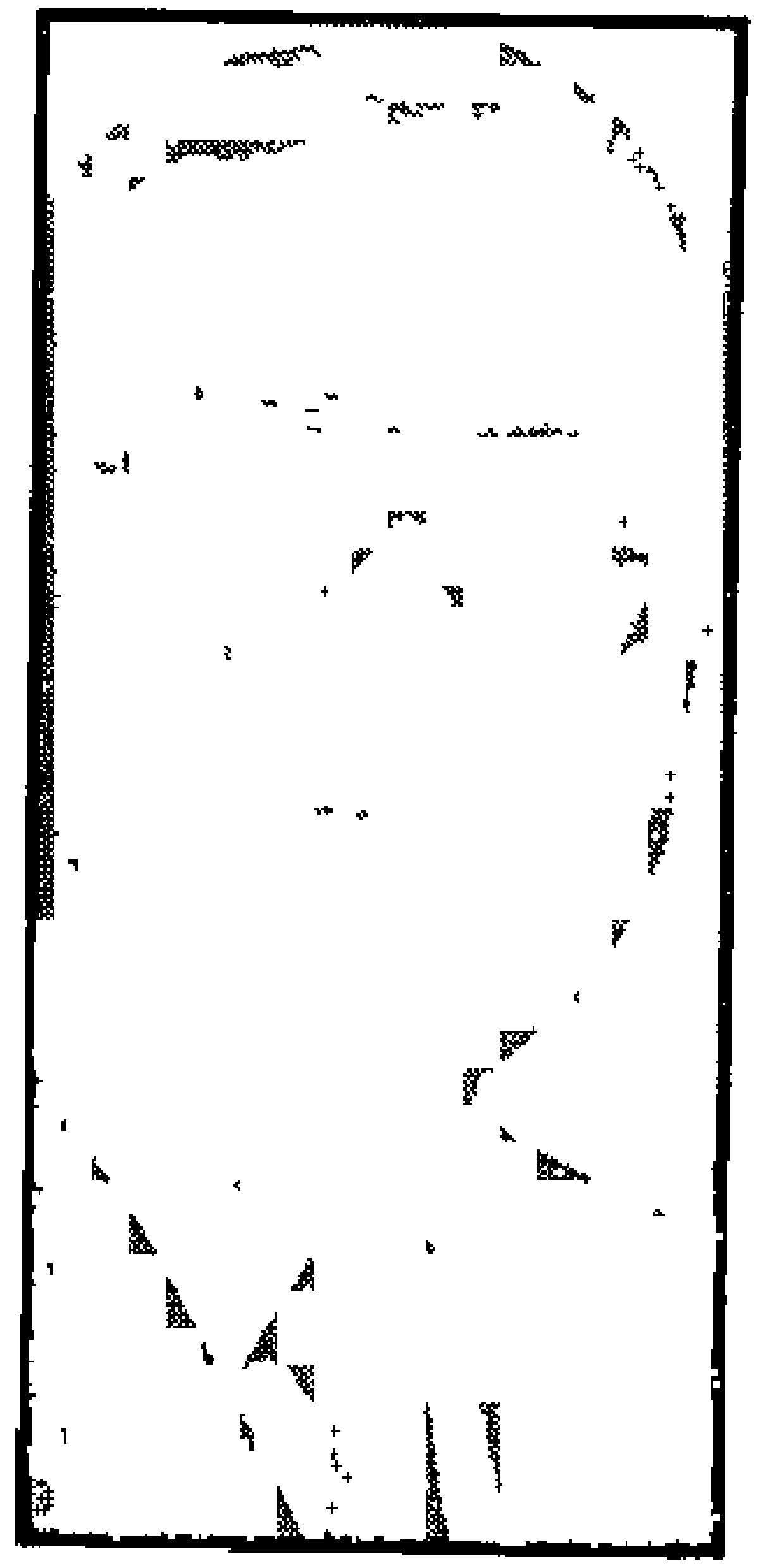
Formulas

What is the downside of everyone laying all his cards on the table for others to see? The lemons would be exposed — all the better Assuming that the rights have been secured under option or purchase, there can be little risk of losing a project

Mr Saner gives his outline of criteria used to evaluate mining exploration companies and hence their shares

He counts mine-development probability, future commodity prices, inflation, politics, processing costs, technology and so on I would begin the list with management It is the least tangible, but most obvious feature

Share analysts have developed their own formulas for pricing mining exploration companies, but no two are alike, and there is a wide deviation from the mean The degree of subjectivity is high



MIKE SANER a long haul to unlocking riches

The JSE's exploration sector gives an opportunity to investors to take part right from the grass roots of a project Mining houses control the lion's share of mineral rights But the rights represent a minuscule part of their total value

It can be lucrative Although shareholders themselves did not receive the full benefit of the following example, it does illustrate that there is money to be made in spite of what seem like overwhelming odds against

The original Rand Extensions, led by Ted Grobicki, paid about R600 000 to acquire and participate in Free State projects in about 1985

They were valued at R2,9-million when they were contributed to Lydex in 1988 in return for Lydex shares Finally, Rand Extensions sold the Lydex shares for R21,5-million in March this year

It is not always like that Regulations require that companies report twice a year There are bound to be years when losses are incurred, and there may be fat years of profit

Patient

Mr Saner says that over 50 years, an exploration company should show a large profit We should live so long

But some things cannot be rushed A mine that comes into being within 10 years of inception is in the super-quick league The Weltevreden mine took longer than 50 years before getting the nod

The business is not easy, but somebody has to do it For the young, the patient and the risk lovers, I can do no better than recommend shares in mining exploration companies

I hope that the wait will be worth it

Property trust tax break fear

SPECULATION about a change in the way interest earned is taxed in the hands of individuals prompted a telephone call to me from an owner of property trusts

He wonders what will happen to property trusts Income earned in trusts is not taxed, but is distributed entirely to members It is classed as interest income in their hands and is thus subject to marginal tax rate

It is expected that the Government will introduce a withholding tax on interest, to be deducted by deposit-taking institutions and paid directly to the Receiver of Revenue

Dilemma

Interest paid to savers will become tax free The probable changes have been prompted by the dilemma of taxing interest earned by emigrants Their interest is not taxed in SA

Even at current interest rates it means that they can take out the equivalent of their capital in about six years It is unfair that domestic savers are penalised by punitive tax on their savings while chicken-runners go unscathed

SA needs to restore incentives for savers, and lower tax is the ideal way

John Rayner, property analyst at stockbroker Max Pollak & Freemantle, believes that a similar withholding tax of perhaps 10% will be introduced for property trusts

There was a flurry of interest in property trusts after the announcement of prudential guidelines last year Investments in them could be classed as property and not equity

Since March, the property trust index has declined by 13% to 150 points — only seven higher than a year ago

My caller said he would sell some of his holdings on Monday Six of the 16 trusts recorded larger than normal volume that day, only Sycom gaining in price

The sector's historic yield is 10,6% — fully taxable after the initial R2 000 allowance But the dividend yield on equities is tax free to the individual

The yield from the property sector is 8,4% Mr Rayner says that five loan stock companies — which yield interest — comprise part of the property index in addition to equity stocks The higher yield from the loan stocks distorts the property sector's figure

Premise

Mr Rayner says that on fundamentals, property trusts present a high holding cost of opportunity, but they are coming into buying territory He says capital appreciation can be expected when interest rates ease towards the end of the year

The theory that property trusts relatively outperform the market in times of high interest rates has never been substantiated It is based on the premise that more income is earned from retentions accruing in the year

Call money can earn much more than 10,6% at present, although there is no opportunity for capital growth

Rights offer sparks interest in funding for new mine

Business Day Reporter (214)

MIDDLE Witwatersrand's (Midwits) successful bid to raise R439m by way of a rights offer has ignited interest in the estimated R2,5bn funding requirements facing the Anglovaal group's possible new gold mine, the Sun South Project

BDay 16/7/90

Midwits, Anglovaal's mining and development company, was estimated to have a share of the Sun venture worth R733m before allowing for funding.

It is considered likely that a part of the R439m raised will be used for the Sun project

An Anglovaal spokesman said some of the funds would go towards Midwits's contribution to prospecting costs and the acqusition of mineral rights costs.

Stockbrokers Davis Borkum Hare believed Anglovaal's Sun project in the northern Free State would get the go-ahead next year, but they questioned the ability of existing mineral rights holders to fund the capex required

Davis Borkum analyst Trixie Ingram believed outside capital for the project would have to be found

Earnings boost

She estimated the value of Midwits's share of the Sun venture at R733m before allowing for funding

Interest earned on the rights offer should boost Midwits's earnings by 131% in the year to June 1991 — from a forecast R26,4m in 1990 to R60,9m

In the same year De Beers' Venetia diamond mine — in which Midwits had a 32,8% holding — should pay its first royalty

Exploration and acquisition of mineral rights in the Sun area to date was R140m and an additional R93m was budgeted for in the 1990 financial year.

Costs in this respect were apportioned between Sun shareholders in the ration of their shareholdings. Midwits, which held 34,2%, should be liable for about R67m in 1992

The largest share in Sun was held by Anglovaal (45,7%) with the remaining 20% held by US registered BHP Utah

Utah recently reduced its holding in the project, probably because of an inability to maintain payments on the exploration progamme, said Ingram.

Analysts divided on gold's sharp rebound

214 [illegible] Star 16/7/90

By Sven Lunsche

With gold moving to a seven-week high over the weekend, analysts are hedging their bets over the future course of the metal

Gold rose $12,80 in London on Friday to close the day's trading at $364,55, a trend which continued in New York the same day and this morning in Hong Kong, where the metal opened at $363,60

Gold's surge provided a welcome boost to share prices on the Johannesburg Stock Exchange.

At the close on Friday the gold index had registered a 6,5 percent, or 95 point, rise to 1 535 after plunging to a low of 1 441 on Thursday.

The overall share index benefited from the surge in gold share prices and recovered to 3 063 from Thursday's 3 007

The industrial index was not much changed at 2 967, a seven-point rise for the day

London dollar gold price

Platinum futures

Gold pulled other precious metals higher, sending October platinum futures to finish $7,90 higher at $486,80 an ounce

Gold shot to its highest price since May 28 on buying tied to a weaker dollar, higher oil prices and a statement on Thursday by Federal Reserve Board chairman Alan Greenspan that the US central bank might push interest rates lower

Mr Greenspan said he was preparing to ease monetary policy in response to a credit squeeze.

The Fed on Friday confirmed it was easing monetary policy by adding funds aggressively to the banking system to take the Federal Funds rate, at which commercial banks lend to each other overnight, from 8,25 percent to eight percent

This was the first time in six months the Fed had moved its target for the rate

The move came despite economic data showing the underlying rate of US inflation was still rising modestly

Gold's rise came just a month after bullion hit a four-year low on June 14 when it closed at $345,75

Some analysts view its recovery since then as a sign that the worst is over

However, others interpret the rise as little more than a trading rally in a continuing bear market

The comment by Mr Greenspan was the catalyst for the whole move, Craig Sloane, metals analyst at Smith Barney, Harris Upham, told Reuters

Due to the rise in oil prices, some Middle East investors who were active sellers of gold in recent weeks might now have less reason to liquidate gold holdings, he said

Rising oil prices sometimes signal higher inflation, which would be bullish for precious metals, which are a traditional hedge against inflation

Profit-taking

London dealers said that while some profit-taking brought gold prices off their early-session highs on Friday, they expected gold to consolidate early this week, before once again testing higher levels

They said gold's rise was accentuated by at least two waves of buying from banks in the Middle East.

Some speculators fear the Middle East has once again been "working the market" — selling short and then off-loading large amounts of gold at critical points

They expect repeat sales from this source, according to a report in the International Gold Mining Newsletter

The magazine speculates that other large sellers could enter the market

"One such seller could be Canada, which, in the middle of a constitutional crisis surrounding the province of Quebec, is having to support the Canadian dollar and has been a seller of gold in the past"

Another unknown is the recent announcement by the Brazilian central bank that it has been selling gold for US dollars as part of an effort to reduce smuggling

As a result almost 140 tons of gold have been involved in arbitrage over the past four months

A spokesman said when the central bank received gold and paid out US dollars, it immediately sold on the gold in the market

While the Brazilian gold price has now recovered and some private investors are moving back into the market, the spokesman expected further sales by Brazil of about 50 tons a month for the time being

● Wall Street's Dow Jones index broke through the 3 000 mark for the first time on Friday as shares responded to signs that the US was heading for long-awaited lower interest rates, AP reports

At noon on Friday the 30-share average of industrial stocks powered ahead 30,45 points to 3 000,25

However, as is typical when the market advances, it then fell back to close at 2 980,20 for a gain of 10,40 points on the day

Mines get hedging break

ROBERT GENTLE

THE Reserve Bank has given gold mines greater flexibility in hedging price exposure on their gold sales, it was learnt on Friday.

Mines may now hedge directly with the Reserve Bank the rand price exposure of the gold they sell.

The Bank will in turn carry the cost of covering any adverse fluctuations in the rand-dollar exchange rate.

The cost of this latter component, which arises because gold is priced in dollars, has to date been met by the mines themselves

B Day 16/7/90

What was thus previously a two-legged deal — hedging against movements in both the dollar price of gold and the rand-/dollar exchange rate — now becomes a single process.

Reserve Bank GM Gold and Foreign Exchange James Cross, describing the new dispensation as the result of continuing discussions with the industry, said in an interview that it was merely a refinement of an existing process.

He did not expect any problems with the extra finance charges, and refuted suggestions that the Bank would lay itself open to the kind of risk which led to the huge forex losses it ran up in the '80s.

Cross said the only real difference on a technical level was that mines could stabilise their income over a two-year period, earning more in the earlier stages and less in the later stages

"For a marginal mine, that means immediate income which could be reinvested"

This "stabilised contango scheme", as it was known, was merely another mechanism for the mines

He did not necessarily foresee a rush to take advantage of it.

This found an echo at mining house Anglovaal, where a spokesman for the gold hedging division said. "Individual mines with immediate problems may use it. We do not see ourselves rushing in."

He added that Anglovaal — which analysts regard as being far and away the most advanced in hedging — could probably achieve the same result on its own

Meanwhile, the Reserve Bank continues its role as bullion banker to the mines, marketing and selling their gold.

"We do not expect any change in this area," said Cross

Harmony adds to Rand Mines' woes

214 Star 17/7/90

By Sven Lünsche

The fresh injection of loan capital into East Rand Proprietary Mines (ERPM) could not have come at a more opportune time — the beleaguered marginal mine yesterday reported a R24,75 million loss in the June quarter on the back of a R20,2 million loss in the first three months of the year.

However, Rand Mines management expressed cautious optimism that the benefits of the combined state/Rand Mines/First National Bank assistance scheme coupled with the rationalisation programme at ERPM will be felt only in the current quarter.

But adding to Rand Mines woes is a R164 000 quarterly loss after tax and State's share of profit at Harmony, one of the world's largest gold mines, from a R17,2 million profit in the March quarter.

This left a combined bottom-line loss for the four gold mines in the Rand Mines stable at R16,6 million in the June quarter compared with an after-tax profit of R10,9 million in the previous three months.

Reflecting the markedly lower gold price the average price received by the four mines was R2 160 kg lower at R31 569 kg.

In terms of ERPM's new financing arrangements, which were announced last week, its borrowing facilities have been raised to R335 million However, at the end of June R316 million of these funds had already been utilised and management is placing more emphasis on the extensive rationalisation programme.

In a statement Rand Mines said ERPM was now focusing its mining activities on the higher grade underground sections of the mine and on sand treatment operations

Tonnage down

In line with this programme underground tonnage fell sharply from 413 000 to 320 000 tons, while the grade increased from 3,19 to 3,90 grams per ton, leaving gold production only five percent lower at 1 248 kg

Recovery of gold from surface sand dropped from 252 kg to 166 kg, "because of difficulties encountered in the treatment of one of the dumps," management said, adding that production has been shifted to another, problem-free dump.

While total working costs were down by R6 million to R60,6 million, a fall of seven percent in the average gold price received — equivalent to a loss of R3,1 million in revenue — and R1 million provisions for retrenchment caused a working loss of R16,3 million (loss of R13,9 million).

The weaker gold price also impacted adversely on Harmony's quarterly results

While gold production was up at 7 505 kg (7 249 kg) and the yield remained steady at 3,08 g/t the lower gold price cut revenue by R9 million to R235 million.

Costs rose by R10 million to R240 million, leaving a operating loss of R4,8 million against a profit of R14 million in the March quarter.

In contrast to ERPM the cutbacks and rationalisation at Durban Roodepoort Deep continue to yield benefits

An improved yield of 3,45 g/t (3,35 g/t) lifted underground gold production from 817 kg to 825 kg, with surface sand treatment adding a further 148 kg (131 kg)

Borrowings were halved during the quarter to R2,6 milion, leaving taxed profits at R2,72 million (R2,5 million)

Blyvoor's profits were hard-hit by the lower gold price, which offset a higher yield of 6,09 g/t (5,41 g/t) and lower costs Bottom-line earnings fell from R11,4 million to R5,5 million

Labour problems

At Barbrook a spate of labour problems was responsible for the mine's failure to achieve production targets in the June quarter, management said An additional R10 million loan facility was arranged, raising the company's borrowings to R45 million.

Barbrook's total revenue amounted to R2,7 million (R2,3 million) and costs were down to R8,3 million (R8,6 million) leaving a R5,6 million working loss (previous loss R6,3 million).

● Rand Mines received a welcome boost from its coal mining arm, Witbank Colliery

After-tax profits in the June quarter rose by 31,5 percent to R58,4 million (R44,4 million) as coal sales improved by 11 percent from 5,4 million to six million tons.

Anglovaal gold mines' revenues down

214

ROBERT GENTLE

B/Day 18/7/90

ANGLOVAAL yesterday became the latest victim of the lacklustre gold price as its four gold mines, already squeezed by higher costs, turned in lower operational results for the quarter ending June 1990

Hartebeestfontein (Harties), Eastern Transvaal Consolidated (ET-Cons), Loraine and Village Main Reef all made less revenue on their gold operations than in the previous quarter

What good bottom-line performances there were, were helped along by factors such as non-mining revenue and tax Adjustments in the latter flow from the year-end squaring of profit versus capex

Thus at ET Cons, a drastically reduced tax bill was instrumental in boosting earnings a share after capex from 85,3c to 107c — the only gold mine in the stable to have produced a bottom-line improvement

Tax notwithstanding, ET Cons produced 71kg more gold than in the previous quarter, thanks to a much better grade — from 9,3 to 9,7 g/t — and an increase in tonnage.

Village Main was also helped along by a sharply lower tax bill and produced the next best bottom-line performance by holding earnings a share after capex stable at 11,4c

On the operational front, however, lower grades and lower tonnage treated saw gold production fall from 219kg to 194kg

Harties, the Anglovaal heavyweight, produced altogether 424kg less gold from its surface and underground operations as a result of lower tonnages, lower grades and higher costs

This was particularly reflected in the underground operations where work on a new shaft — itself in a lower-grade area of the mine — pushed up overheads

The marginal Loraine suffered the predictable effects of lower tonnage and grade However, it got off lightly on the gold price side, thanks to hedging operations which pushed the figure to above R33 000/kg

Anglovaal's Prieska Copper made a R359 000 loss after tax (R1,3m profit previous quarter), whileantimony producer Consolidated Murchison turned a loss of R2,03m into a profit of R563 000

ANGLOVAAL June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Harties (underground)	**789**	**8,9**	**6 996**	**198,48**	**22 384**	**31 924**	**42 682**	**35 847**	**32**
March..........	815	9,1	7 420	190,30	20 902	33 848	50 866	46 441	41,4
Harties (surface)	**440**	**1,32**	**579**	**18,56**	**14 104**	**32 193**	—	—	—
March.................	432	1,44	623	17,99	12 477	34 112	—	—	—
ET Cons....	**96,8**	**9,7**	**938**	**175,18**	**18 078**	**30 876**	**9 166**	**4 620**	**107**
March........	93,3	9,3	867	169,42	18 232	33 746	7 500	3 684	85,3
Village Main Reef ...	**205,3**	**0,94**	**194**	**25,83**	**27 335**	**31 954**	**1 201**	**690**	**11,4**
March...	203,9	1,07	219	23,64	22 014	32 991	867	694	11,4
Loraine....	**367**	**4,9**	**1 801**	**179,40**	**36 557**	**33 089**	**(1 149)**	**(3 052)**	**(18,6)**
March	395	5,0	1 979	164,14	32 761	33 184	3 960	3 181	19,4

JCI June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Randfontein Estates	2 307	3,02	6 956	82,85	27 479	31 227	29 954	5 135	8,4
	2 279	**3,05**	**6 950**	**84,48**	**27 702**	**33 514**	**45 411**	**27 265**	**44,6**
Western Areas	858	4,43	3 801	158,19	35 708	31 181	(17 349)	(26 482)	(65,7)
	865	**4,43**	**3 829**	**149,44**	**33 761**	**33 437**	**1 718**	**(2 044)**	**(5,1)**

Earnings slip at Anglovaal gold mines

Str 18/7/90

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By Sven Lunsche

The taxed profits of Anglovaal's four gold mines fell by 18 percent in the June quarter to R51,9 million as marginal producer Loraine joined the growing number of mines reporting a loss.

Their total taxed profit for the quarter was lower at R51,9 million (March quarter R63,2 million), but further losses were prevented by a combined R34,1 million fall in the tax bill to R45,9 million.

The June quarter coincided with year-end results for three of the group's gold mines and base metal producers Prieska and Consolidated Murchinson, both of which reported disastrous results for the year.

Loraine: Loraine reported a taxed loss of R1,15 million in the June quarter (profit of R3,96 million in the preceding three months)

Gold production was steady at 1 801 kg (1 979 kg), but the lower gold price and higher costs of R179,40/ton (R164,14/ton) resulted in a total working loss of R6,25 million.

Hartebeesfontein: Anglovaal's largest mine Harties recorded a fall in profits both on a quarterly and a yearly basis.

During the quarter gold production fell from 7 420 kg to 6 996 kg Coupled with a rise in costs to R198,48/ton (R190,30/ton) this led to a R30 million slump in working profits to R66,7 million and a 16 percent decrease in taxed earnings to R42,7 million (R50,9 million.

The year to June mirrored the trend and Harties' earnings per share were down by 25 percent to 136,2c (180,3c), from which it paid total dividends of 130c (180c) a share.

Village: A substantial fall in the tax charge to R253 000 (R1,5 million) boosted taxed profits from R867 000 to R1,2 million, despite a decline in gold production to 194 kg (219 kg) and higher working costs of R25,83/ton (R23,64/ton)

In the year to June taxed profit was slightly lower at R4 million (R4,9 million), but after deducting capital expenditure and dividends the bottom line rose from R15 000 to R111 000

The total dividend was raised by 6,5c to 37c

Eastern Transvaal Consolidated: ET Cons reported a good rise in its quarterly taxed profits to R9,2 million (R7,5 million) as a higher yield of 9,7 g/t (9,3 g/t) boosted gold production by 71 kg to 938 kg and higher capital expenditure sharply reduced the tax charge from R6,4 million to R1,9 million.

For the financial year, however, a lower average yield, a rise in unit costs by R27/ton and the declining gold price caused a fall in earnings per share after capex from 420,6c to 398c A total dividend of 400c was declared

- Both Prieska and Consolidated Murchinson's results were affected by lower metal prices and reduced production

Prieska: With underground operations at the Prieska copper/zinc mine now reduced to the planned rate of 30 000 tons a month and lower dispatches of concentrates, production and sales were sharply lower in the year to June

The mine had an operating loss of R1,47 million (profit of R21,3 million in the previous year), while taxed profit was a meagre R224 000 (R11,67 million)

Consolidated Murchinson: Weak antimony prices in rand terms and an international over-supply situation reduced sales revenue.

Coupled with reduced earnings from gold, the mine reported a loss of R6,4 million (profit of R10,2 million in the previous year).

W Areas in line for restructuring

(214) Star 18/7/90

By Sven Lunsche

JCI is considering a major restructuring and refinancing of Western Areas after the gold mine reported a loss of R33,55 million in the year to June (R750 000 profit previously).

Western Areas and Elsburg, whose sole income is derived from dividend earnings from Western Areas, today issued a cautionary statement saying extensive financial and technical investigations into the mine's results had been undertaken

Chairman Kennedy Maxwell said at a press briefing yesterday that a further announcement would be made within the next two weeks, but added that all options, including mothballing, were being considered

Loan facility

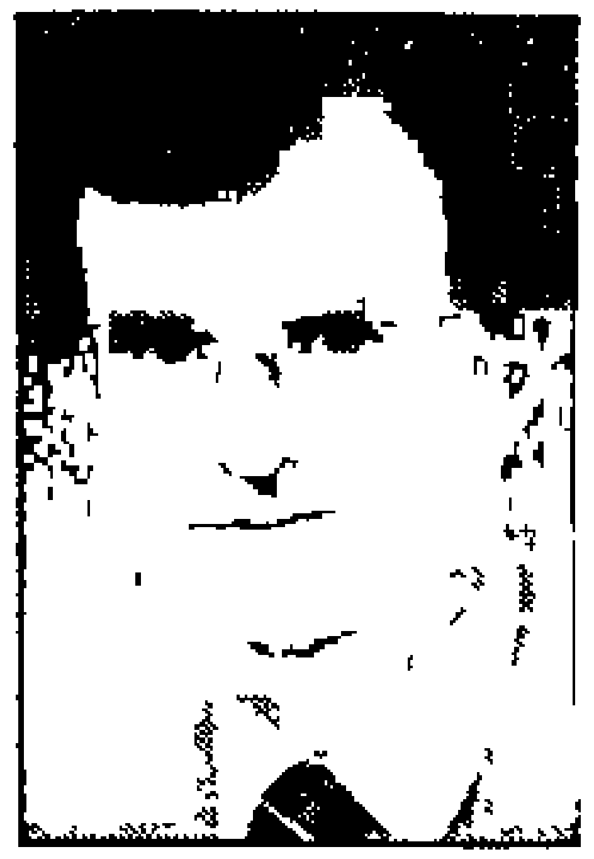
The mine's debt at the end of June was over R130 million, comprising an unsecured short-term loan facility of R95,9 million from JCI and R36,4 million of lease and rental agreements for the acquisition of trackless mining equipment

Mr Maxwell said the mine had been in touch with Government "However, the recent report by the Marais Committee into Marginal Profit Mines will force us to find options which will fall within the framework provided by the findings of the committee."

He said that the mine had already cut costs wherever possible, including a reduction in capital expenditure from R46 million to R22 million.

"We have also asked suppliers to reduce their unit costs and some benefits will filter through from this in the current quarter."

Mr Kennedy said Western Areas was taking advantage of the hedging facilities recently offered by the Reserve Bank.



Mr Maxwell

One option likely to be considered when the restructuring proposals are announced is a cut in the labour force, since the staff complement was left virtually unchanged at 8 000 in the last financial year.

Mr Kennedy said that the fall in the average gold price to R32 431/kg (R32 900/kg), coupled with poor results from trackless mining operations, were largely responsible for the disappointing figures.

Production figures were surprisingly strong over the year, with gold output increasing by 18 percent to 14 752 kg and the underground yield rising from 3,57 g/t to 4,30 g/t.

However, problems worsened considerably in the June quarter, with costs rising by an annualised 20 percent to R158,19/ton (R149,99/ton in the previous three months).

Coupled with a substantially lower gold price of R31 181/kg (March quarter· R33 437), the bottom line showed a loss of R17,35 million (R1,72 million profit previously).

The contribution from uranium was also slightly down at R5,3 million (R5,5 million).

Commenting on plans for the R2 billion South Deep gold mine, Mr Maxwell said the twin haulage development was now only 855 m from the planned site of the South Deep shaft.

JCI's second major mine, **Randfontein**, had its fair share of problems, with profits in the year to June down by 31 percent from R221 milion to R153,2 million.

Working cost increases were held to a low 10 percent at R85,64/ton and, over the June quarter, even showed a decrease from R84,48/ton to R82,85/ton. But the lower gold price once again took its toll on the bottom line.

In the June quarter gold production at 6 956 kg and a yield of 3,02 g/t were fairly steady.

However, the gold price per kg received fell from R33 514 in the March quarter to R31 227, leaving a profit of R10,94/t (R18,10/t)

Staff retrenchments

After-tax profit and the state's share in the June quarter fell by 34 percent to R29,95 million (R45,42 million).

Mr Kennedy said the mine was looking to conserve costs at every possible scheme, although staff retrenchments were not now being considered.

He said that cost increases of 12 to 13 percent were expected for the current year.

The loss from gold at **HJ Joel** was R15,7 million, adding to the previous quarter's loss of R16,56 million, as the average gold price received fell to R31 442/kg from R33 634/kg.

HJ Joel's exposure to loans during the quarter rose by R36 million to R117 million, comprising a R107 million loan facility from JCI and a rental agreement to buy trackless equipment of R10 million

Gold mine reports R17,3m loss

214

JCI's Western Areas asks for govt aid

B10am
18/7/90

RIAAN SMIT

JOHANNESBURG Consolidated Investment's (JCI) Western Areas gold mine, which yesterday reported a R17,3m loss for the June quarter, has approached government for assistance, gold division chairman Kennedy Maxwell said

Western Areas today published a cautionary announcement to the effect that extensive financial and technical investigations into the mine's results and prospects had been undertaken and directors were considering recommendations to restructure and re-finance the company.

The recommendations included "all extremes" such as closing or mothballing the mine, Maxwell said Western Areas, south of Roodepoort, has 8 500 employees

He said the mine was now taking advantage of a Reserve Bank hedging scheme "to a limited extent" to maximise revenue.

Maxwell said JCI had held initial talks with government about state assistance, but admitted the Marais Committee report on aid for marginal mines published 10 days ago laid down tough conditions for such assistance

He declined to elaborate on the recommendations being considered by directors as they were being finalised. "We hope to have an answer within the next week."

JCI's woes did not end with the Western Areas results Randfontein Estates' taxed income for the quarter dropped 34%, from R45,4m to R30m, while income after tax and capex plummeted 81,2%, from R27,3m for the March quarter to R5,1m

"It's gloomy days," Maxwell said at the end of a media briefing on the results

Western Areas' results, apart from the lower gold price for the quarter, were due to working costs for the June quarter escalating at more than 20% on an annualised basis, director and consulting engineer Bill Nairn said

Lower profits for the June quarter at Anglovaal's gold mines — chiefly the result of a weak gold price — have taken the gloss off annual results. Village Main Reef increased taxed profits for the year ending June, but Hartebeestfontein (Harties) and Eastern Transvaal Consolidated (ET Cons) reported lower earnings after capex.

● See Page 9

Cost per ton milled was up quarter-on-quarter from R149,44 to R158,19, while revenue per ton milled dropped from R148,32 to R138,60 which increased the loss per ton milled from R1,12 to R19,59. In the quarter to end March Western Areas made a net after-tax profit of R1,7m

Maxwell said Western Areas and Randfontein did not hedge in the June quarter, but were now participating in the Reserve Bank scheme The two-pronged scheme makes provision for forward selling of gold for dollars and, in turn, the forward selling of these dollars

The bank estimated in the Marais Com-

☐ To Page 2

Western Areas

B10am 18/7/90 (214

☐ From Page 1

mittee report gold mines through hedging could earn a premium of about 14% on the gold price at its current $360 an ounce level

The Marais Committee has recommended that before a mine applies for state assistance it must have entered into negotiations with the Reserve Bank about such futures transactions

Another precondition for state assistance was that a mine must have entered into negotiations with suppliers of goods and services about concessions to relieve the mine's financial burden

Nairn said yesterday Western Areas had encountered positive reaction when it had negotiated for such concessions

But the Marais Committee made it clear government should be tight-fisted when mines apply for financial assistance

Policy action that was beneficial to the community as a whole ought to come before specific assistance to any single industry, it found

⊙ Picture Page 3

The Star Thursday July 19 1990

Cool heads prevail

214

By Jabulani Sikhakhane

Despite a weaker gold price and a stronger financial rand, investors were not panicking and offloading stocks, dealers said yesterday.

"There is no panic selling and investors are cautiously waiting for fresh direction. Nelson Mandela has been out of the country for six weeks and most investors are waiting to see what he will say and for direction from the gold price. But overall market undertones are still strong," one dealer said.

Dealers added that caution ahead of the US Federal Reserve Board chairman Alan Greenspan's testimony to Congress was another inhibiting factor.

The gold index shed 24 points to 1524, the overall index 15 points to 3053. The industrial index was a touch firmer at 2958 (2957).

On the announcement of possible restructuring and refinancing, WESTERN AREAS fell sharply by 16,1 percent to 390c before recovering slightly to close 55c lower at 410c.

ELSBURG, whose sole income is derived from dividend earnings from Western Areas, closed 30c off to 285c - slightly higher than its morning low. Dealers said investors had over-reacted to the news.

VAAL REEFS fell 300c to R282 and SOUTH VAAL closed 300c lower at R115.

Mining financials were easier, but CHARTER firmed against the trend with a gain of 25c to R33,75 and MINORCO rose 50c to R62,50.

Platinum share BARMINE closed 5c firmer at 420c and RUSPLATS fell 50c to R88,25. DE BEERS eased 75c to R90.

Banking shares continued attracting good demand. UBS rose a further 5c to 685c, NEDCOR rose 50c to R11,50. BOE gained 15c to 550c, while BOLAND, CIBG, REICHMAN and SAAMBOU made modest gains.

Among industrials, SAB rose 25c to R40, REMGRO 5c to R14,20 and REMB BEH 10c to R10,40. BTRDUN and TGH were also firmer.

● The volume of shares traded was 7,119 million valued at R69,366 million. The number of securities active was 360. The five most active stocks were Profurn, Iscor, RMS Prop, Mervest and Allied.

Gengold to phase out production from Buffelsfontein's Pioneer Shaft

BDay 19/7/90

(214)

RIAAN SMIT

PRODUCTION from Buffelsfontein gold mine's Pioneer Shaft would be phased out over the current quarter, possibly affecting 1 300 employees, Gengold MD Gary Maude said yesterday at a briefing on the group's resilient June quarterly results.

In spite of an average gold price which was R2 500/kg less than the March quarter, Gengold's taxed income dropped only 12,3%, Maude said. Income after tax and capex was down 29,4%

Maude said Stilfontein mine, which had been under threat of closure, would be kept operational

He said it had become necessary to phase out unprofitable areas at Buffelsfontein as a result of the low gold price and increasing costs

Pioneer Shaft had been identified as the area where substantial losses had been incurred The shaft would have to be preserved because it was also a ventilation shaft, making reopening easier if the gold price improved substantially, he said

"Regrettably the phasing out of Pioneer Shaft could affect some 1 300 employees, for whom every effort will be made to find other employment if this reduction is unavoidable"

Maude said Gengold had reduced its work force, which accounts for roughly half of a gold mine's working cost, from 93 775 on June 30 1988 to 81 359 a year later to 71 087 on June 30 this year.

"You will see a very similar drop over the next year if the gold price stays at present levels and inflation remains more or less the same"

If this was the case, he added, half of Gengold's operating mines would be seriously affected within the next year.

Although Stilfontein made a loss for three consecutive months and company policy was to "seriously consider" closing such mines, the board decided to keep Stilfontein operational, Maude said

There was a real chance of Stilfontein being profitable even in current gold market conditions, which would give it a "tremendous advantage" when the gold price improved, he said.

"We're not saying Stilfontein is just hanging in there in the hope that the gold price will be going up It can be a profitable mine," he said.

It was feasible to reduce the mine's working costs from the current R38m to R33m through 800 further retrenchments, closing sections of the mine, and obtaining pumping assistance from the state, which the mine was hopeful about receiving

● See Pages 3 and 11

State aid to mines tied to conditions

B/Day 19/7/90 (214)

ROBERT GENTLE

CASH-strapped gold mines wishing to benefit from state assistance in the low gold price climate have to fulfil stringent conditions before they can expect to be bailed out, the recently released Marais Report indicates

This brings into focus the discussions mining house JCI held recently with government on the mechanics of eventual state assistance

According to the report, a troubled mine would have to show it had entered into negotiations with the Reserve Bank or any other approved financial institution on the possible use of hedging operations

Mechanics

Organisations supplying goods and services to the mine should also have been contacted with a view to negotiating concessions that could help relieve the mine's financial burden

A spokesman for JCI, whose Western Areas gold mine yesterday reported a R17,3m net loss for the June quarter, said contact with government had concentrated on the mechanics of such assistance

Moreover, the discussions had been of a "general" nature and did not necessarily apply to any one mine

Other mining houses canvassed yesterday indicated they had had no contact with government over possible future state assistance.

A Rand Mines spokesman said the only contact with government had focused on aid for ERPM and Durban Deep, (in the case of the latter, only to help with pumping operations). Gencor could not be reached

A spokesman for Anglo American said it would be improper to comment one way or the other until the group's gold mining quarterlies were published later today

A Finance Department spokesman said he was not aware of any other mining houses besides JCI and Rand Mines approaching government on the question of possible financial assistance

Although there appears to be no headlong rush towards state coffers, a disturbing number of mines are running at a loss and could theoretically qualify for assistance

According to statistics compiled by Rob Gillan, mining analyst at stockbrokers Frankel Kruger Vinderine, 17 out of 46 gold mines surveyed have annualised costs (including capex) exceeding R942/oz ($360/oz) — yesterday's London gold close

Among the less serious cases are South Roodepoort (Golden Dumps), Bracken (Gencor) and Loraine (Anglovaal), where costs are R951/oz, R983/oz and R1 044/oz respectively

Towards the bottom of the list are mines like Ventersspost (GFSA), Afrikaner Lease (Anglo) and Cengold (independent), where costs are R1 200/oz, R2 191/oz and R1 340/oz respectively

☐ Western Areas had discussed state aid with government, rather than approached government for assistance, gold division chairman Kennedy Maxwell said yesterday, clarifying a Business Day report

Stilfontein mine reports after-tax loss

Cit. Trib 19/7/90

Genmin weathers weak gold price

24

JOHANNESBURG — The drop of R2 000 in the average gold price received had a serious effect on the June quarterly results of General Mining's (Genmin) gold mining companies, but Stilfontein, whose closure is seriously being considered, was the only mine to report an after tax loss

Total tonnage milled fell to 3,89m tons (3,95m), while average yield increased marginally to 5,3g/t (5,2g/t) Total gold production was down 1,2% at 20 449kg (20 690kg)

Average working cost/kg reflected a 2,5% increase to R24 918 (R24 301) but average working income showed a 28,9% decrease to R13,2m (R18,6m) Average capex was 48,75 up at R3,6m (R2,4m)

Average income after tax dropped 12,3% to R9,8m (R11,2m)

Over the past two years Genmin's total workforce has been reduced from 93 775 employees to the present figure of 71 087.

While company policy is that a mine which operates unprofitably must close down unless there is a reasonable chance of conditions improving, in the case of Stilfontein it is believed that that the mine can still be turned around and make a profit at present gold prices

This could be done by using a portion of the R30m retained earnings to mine additional areas, as well as cutting costs The mine could retrench an additional 800 employees over the next 12 months if there is no real improvement in the gold price

Tonnage milled was up at 455 000 tons, but yield was slightly down at 2,4g/t (2,6g/t) and gold production decreased to 1 100kg (1 154kg)

Working costs/kg increased to R34 849 (R33 710), and the mine showed an after tax loss R938 000 compared with the previous profit of R1,3m

Beatrix tonnage milled was little changed at 528 000 tons (524 000),while yield was unchanged at 6,2g/t, resulting in a gold production of 3 271kg, virtually the same as the previous figure of 3 250kg Income after tax decreased to R17,0m (R21,3m)

Bracken's lower milling rate of 133 000 tons (140 000 tons) and unchanged yield of 3,8g/t saw gold production fall to 503kg (530kg) Capex increased to R107 000 from the previous credit of R1,2m As a result of these factors, income after tax fell to R1,8m (R2,2m)

Buffelsfontein reported a slight increase in tonnage milled to 596 000 tons (587 000 tons) which was offset by a drop in yield to 6,0g/t (6,3g/t) Gold production was lower at 3 596kg (3 696kg), and this combined with higher capex of R2,4m (R1,8m), income after tax dropped to R18,8m (R21,5m)

Grootvlei's planned reduction is being implemented and further production and labour cutbacks are necessary to sustain profitable operations at the present gold price

Tonnage milled fell to 157 000 (174 000) while yield rose to 4,2g/t (3,8g/t) Gold production was higher at 667kg (662kg) resulting in an after tax profit of R1,4m (R2,2m)

Kinross reported a lower tonnage milled of 501 000 tons (518 000 tons) and higher yield of 6,1g/t (5,9g/t) Gold production was 3 072kg (3 060kg) and after tax was R17,5m (R18,5m)

Leslie's lower tonnage milled of 131 000 tons (156 000 tons) and lower yield of 4,4g/t (4,7g/t) was reflected in the lower production of 578kg (736kg) After tax income was sharply down at R2,0m (R3,6m)

St Helena's tonnage milled at 439 000 tons (437 000 tons) was little changed, while yield was unchanged at 6,0g/t. Production was slightly up at 2 631kg (2 620kg) and profit after tax decreased to R8,7m (R9,5m)

Unisel reported a tonnage milled of 218 000 tons (212 000) and a yield of 6,0g/t (5,9g/t) Gold production was 1 300kg (1 250kg) and profit afer tax was R8,9m (R7,8m)

West Rand Cons tonnage amounted to 219 000 tons (217 000) and yield at 2,4g/t was unchanged Production dropped slightly to 526kg (530) and after tax profit was sharply down at R102 000 (R1,6m)

Winkelhaak reported tonnage milled of 516 000 tons (540 000 tons) and a yield of 6,2g/t (5,9g/t) Production was little changed at 3 205kg (3 202kg) with an after tax profit of R32,1m (R33,0m)

Operations have started at WELTEVREDEN where shaft sinking and construction work is underway. — Sapa

Cape Times. 19/7/90 (214)

Buffelsfontein mine shaft to close

Own Correspondent

JOHANNESBURG — Production from Buffelsfontein gold mine's Pioneer Shaft would be phased out over the current quarter, possibly affecting 1 300 employees, Gengold MD Gary Maude said yesterday at a briefing on the group's resilient June quarterly results

In spite of an average gold price which was R2 500/kg less than the March quarter, Gengold's taxed income dropped only 12,3%, Maude said Income after tax and capex was down 29,4%

Maude said Stilfontein mine, which had been under threat of closure, would be kept operational

He said it had become necessary to phase out unprofitable areas at Buffelsfontein as a result of the low gold price and increasing costs.

Pioneer Shaft had been identified as the area where substantial losses had been incurred The shaft would have to be preserved because it was also a ventilation shaft, making reopening easier if the gold price improved substantially, he said.

"Regrettably the phasing out of Pioneer Shaft could affect some 1 300 employees, for whom every effort will be made to find other employment if this reduction is unavoidable "

Maude said Gengold had reduced its work force, which accounts for roughly half of a gold mine's working cost, from 93 775 on June 30 1988 to 81 359 a year later to 71 087 on June 30 this year

"You will see a very similar drop over the next year if the gold price stays at present levels and inflation remains more or less the same "

GENGOLD June Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix June	528	6,2	3 271	124,05	20 024	31 456	17 016	10 676	13
March	**524**	**6,2**	**3 250**	**121,71**	**19 623**	**33 637**	**21 304**	**16 538**	**19**
Bracken	133	3,8	503	119,53	31 604	31 391	1 781	1 674	12
	140	**3,8**	**530**	**118,28**	**31 243**	**33 775**	**2 217**	**3 449**	**25**
Buffelsfontein	596	6,0	3 596	161,67	26 796	31 253	18 867	16 415	149
	587	**6,3**	**3 696**	**168,38**	**26 742**	**33 755**	**21 527**	**19 670**	**179**
Grootvlei	174	4,2	667	142,20	33 462	31 613	1 444	1 302	11
	157	**3,8**	**662**	**127,31**	**33 471**	**33 959**	**2 192**	**2 491**	**22**
Kinross	501	6,1	3 072	124,74	20 343	32 296	17 511	15 970	89
	518	**5,9**	**3 060**	**112,47**	**19 039**	**33 933**	**18 550**	**16 539**	**92**
Leslie	131	4,4	578	138,64	31 422	31 461	2 064	1 630	10
	156	**4,7**	**736**	**124,22**	**26 329**	**33 898**	**3 644**	**4 927**	**31**
St Helena	439	6,0	2 631	173,03	28 870	31 119	8 745	5 714	59
	437	**6,0**	**2 620**	**166,54**	**27 777**	**33 620**	**9 568**	**10 174**	**106**
Stilfontein	455	2,4	1 100	84,25	34 849	31 292	(938)	(1 672)	(13)
	450	**2,6**	**1 154**	**86,45**	**33 710**	**33 672**	**1 313**	**2 852**	**22**
Unisel	218	6,0	1 300	138,28	23 189	31 609	8 938	4 131	15
	212	**5,9**	**1 250**	**141,26**	**23 957**	**33 840**	**7 808**	**3 889**	**14**
West Rand Cons	219	2,4	526	77,82	32 401	31 258	102	521	12
	217	**2,4**	**530**	**78,50**	**32 140**	**33 585**	**1 620**	**2 765**	**65**
Winkelhaak	516	6,2	3 205	130,51	21 012	32 474	32 172	11 415	94
	540	**5,9**	**3 202**	**120,67**	**20 351**	**33 779**	**33 057**	**12 659**	**104**

Gengold shows resilience

B Day 17/7/90

RIAAN SMIT

GENGOLD's 11 operational gold mines showed remarkable resilience for the June quarter in the face of the depressed gold price.

Taxed income dropped only 12,3% in spite of a R2 500 reduction in the average kilogram price when compared with the March quarter.

Capex increased by 48,7% to R39,9m, which reduced income after tax and capex by 29,4% to R67,8m.

Gengold's gold production was 1,2% down on the March quarter. Tonnage milled dropped by 1,6%

The average grade of the group's mine continued to improve to 5,3g/t It was 4,8g/t for the June quarter last year, followed by 5 for September, 5,1 in December, and 5,2g/t for March this year

Over the same period tonnage milled was reduced from 4 294 000 tons to 3 893 000, which means more gold for less tons milled (2/4)

Working cost a kilogram produced increased 2,5% over the March quarter and the year-on-year increase was 6,5% — well below the rate of inflation

Gengold MD Gary Maude said the decision to keep Stilfontein operational was taken because the Ventersdorp Contact Reef (VCR) in the lease area had not been well explored, costs at the mine could still be reduced significantly and, "much further down the line", there could still be small amounts of Vaal Reef left.

He said it was decided to use R5m from the mine's R35m retained earnings to explore for additional reserves on the VCR horizon.

If the mine was closed and the company liquidated, shareholders would only receive between R1 and R1,50 a share after closure costs had been deducted

The board believed its course of action would give shareholders a better return than that, Maude said.

Shaft was recommissioned

B Day
19/7/90

Business Day Reporter

214

ALTHOUGH recently recommissioned, the number 8 shaft at Anglovaal's Hartebeestfontein gold mine is not "new", as may have been inferred in yesterday's article on the June quarterly results, an Anglovaal spokesman has said.

Star 19/7/90 (214) (152)

Mine strike, arrests increase tension

By Brendan Templeton

Tension increased at two Welkom gold mines yesterday when workers at one went on strike and four workers involved in a shooting incident on Monday were arrested at another

Mining houses and the National Union of Mineworkers (NUM) are also set to clash over the ban on open political expression for workers on mine property.

Harmony mine, recently the scene of racial tension when a white official was killed by black workers, saw about 3 000 workers start a wage strike yesterday.

NUM members at the mine, numbering 18 000 of the total workforce of 25 000, are demanding management implement an immediate wage increase in line with the increase negotiated by their union with the Chamber of Mines last month.

At nearby St Helena mine, the arrest of the four injured workers yesterday would do little to settle the problems on the mine, said NUM spokesman Jerry Majatladi.

The shooting occurred when toyi-toying workers wearing T-shirts with political slogans clashed with mine security while returning from a union meeting over proposed retrenchments

Over 1 800 workers on the mine face retrenchment and the resultant job insecurity caused tensions to increase, Mr Majatladi said

He said open political activities like wearing T-shirts and holding political marches were banned on mines

A General Mining spokesman said the restriction was necessary to prevent open conflict between different political supporters breaking out

More mineworkers to go as Gengold's earnings plunge

Star 19/7/90 214

By Sven Lunsche

Gengold yesterday announced plans to trim its labour force by a further 2 700 workers because working profit at its 11 gold mines had plunged by 29 percent in the June quarter.

But it also disclosed a rescue package for beleaguered Stilfontein, which would allow operations at the mine to continue for the near future at least.

Gengold MD Gary Maude described the quarterly figures as dismal, with profits hit by a R2 500/kg fall in the average gold price

So far this month the rand gold price received had fallen again by an average R1 000/kg, Mr Maude said.

The proposed lay-offs come on the back of a 10 200 reduction in its staff complement in the 12 months to June, which limited the rise in total working costs over the year to 6,5 percent.

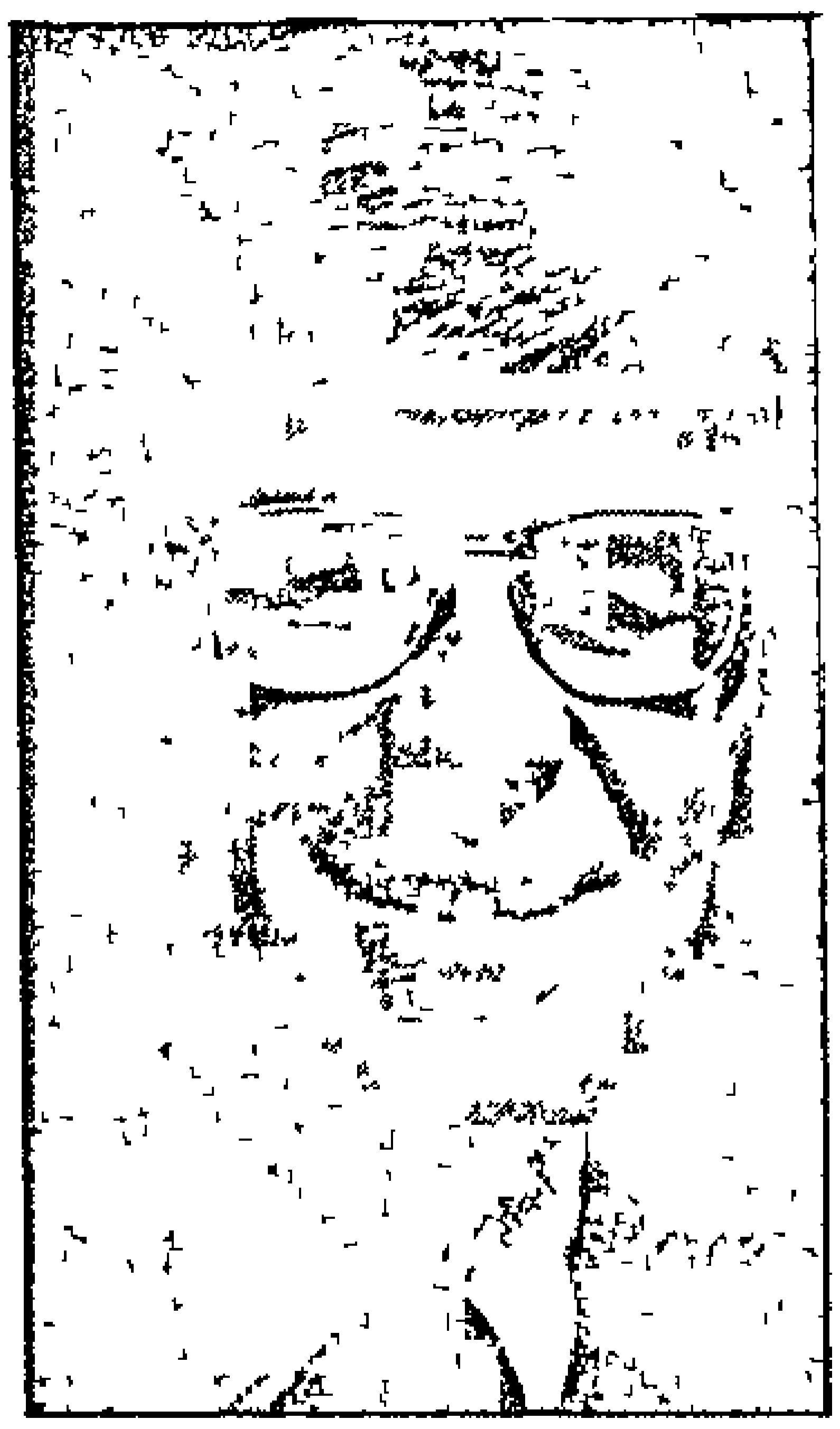
"However, further cutbacks are necessary in the wake of the recent wage increases negotiated with the NUM and the weaker gold price," Mr Maude said.

Hardest hit in numerical terms will be the largest mine, **Buffelsfontein**, where phasing out operations at the Pioneer shaft could effect 1 300 workers over the next three weeks

However, Mr Maude said the decision could be reversed if the gold price improved. The shaft would be maintained as a ventilation shaft and could easily be reopened at a later stage, he said.

In the June quarter, Buffels' taxed income fell to R18,87 million from R21,53 million in the previous quarter, despite a R2,5 million decline in working costs to R96,36 million (R98,84 million). A final dividend of 340c a share was declared.

At marginal mine **Grootvlei** Gengold announced lay-offs of 600 workers in the September quarter after June quarter taxed earnings had fallen to R1,44 million (R2,19 million)


Gary Maude

The mine reported a working loss of R1,2 million (profit of R394 000 previously) But income from interest earned lifted the bottom line and enabled Grootvlei to declare an interim dividend of 25c.

Mr Maude said a three-point rescue package for **Stilfontein**, included the retrenchment of 800 workers in the September quarter on the back of a cutback of 500 in the June quarter.

Previously he had said the mine might close if it reported three consecutive monthly losses, but that the programme could put the mine back on its feet if the gold price recovered.

The rescue package included increased exploration activity at the Ventersdorp Contact Reef, "which has not been well exposed", Mr Maude said.

"Furthermore there is a small amount of Vaal Reef on the lease area, which could be expored profitably."

The mine would finance the increased production by tucking into its retained earnings of about R35 million, which over the quarter were boosted by Stilfontein's R10 million acquisition of Buffels' 20 percent interest in the Chemwes plant.

In the June quarter Stilfontein reported a taxed loss of R938 000 (profit of R1,3 million previously) Gold production fell by 50 kg to 1 100 kg, while working costs were slightly lower at R38,33 million The mine declared an interim dividend of 10c

Mr Maude was satisfied with the developments at marginal mine **West Rand Cons** where consistent profits over the last few quarter had allowed the mine to build up reserves.

Working losses of R567 000 contrasted sharply with last quarter's R785 000 profit as the lower gold price offset stable gold production and costs.

But a boost from interest received saw taxed earnings recover to R419 000 (R1,15 million)

Unisel was the only mine to raise its profits over the quarter, with taxed income rising from R7,81 million to R8,94 million.

Neighbouring **St Helena** fared worse as higher working costs of R75,96 million (R72,78 million) reduced attributable earnings from R9,6 million to R8,7 million. An interim dividend of 165c was declared.

At **Winkelhaak** a higher grade of 6,2 g/t (5,9 g/t) was offset by higher working costs of R67,3 million (R65,2 million), resulting in a R900 000 decline in taxed income to R32,17 million

Kinross reported a R1 million decline in earnings to R17,5 million, while lower profits at **Leslie** of R2,06 million (R3,64 million) followed on a marked decline in gold production from 736 kg to 578 kg

More mineworkers to go as Gengold's earnings plunge

Star 19/7/90 214

By Sven Lünsche

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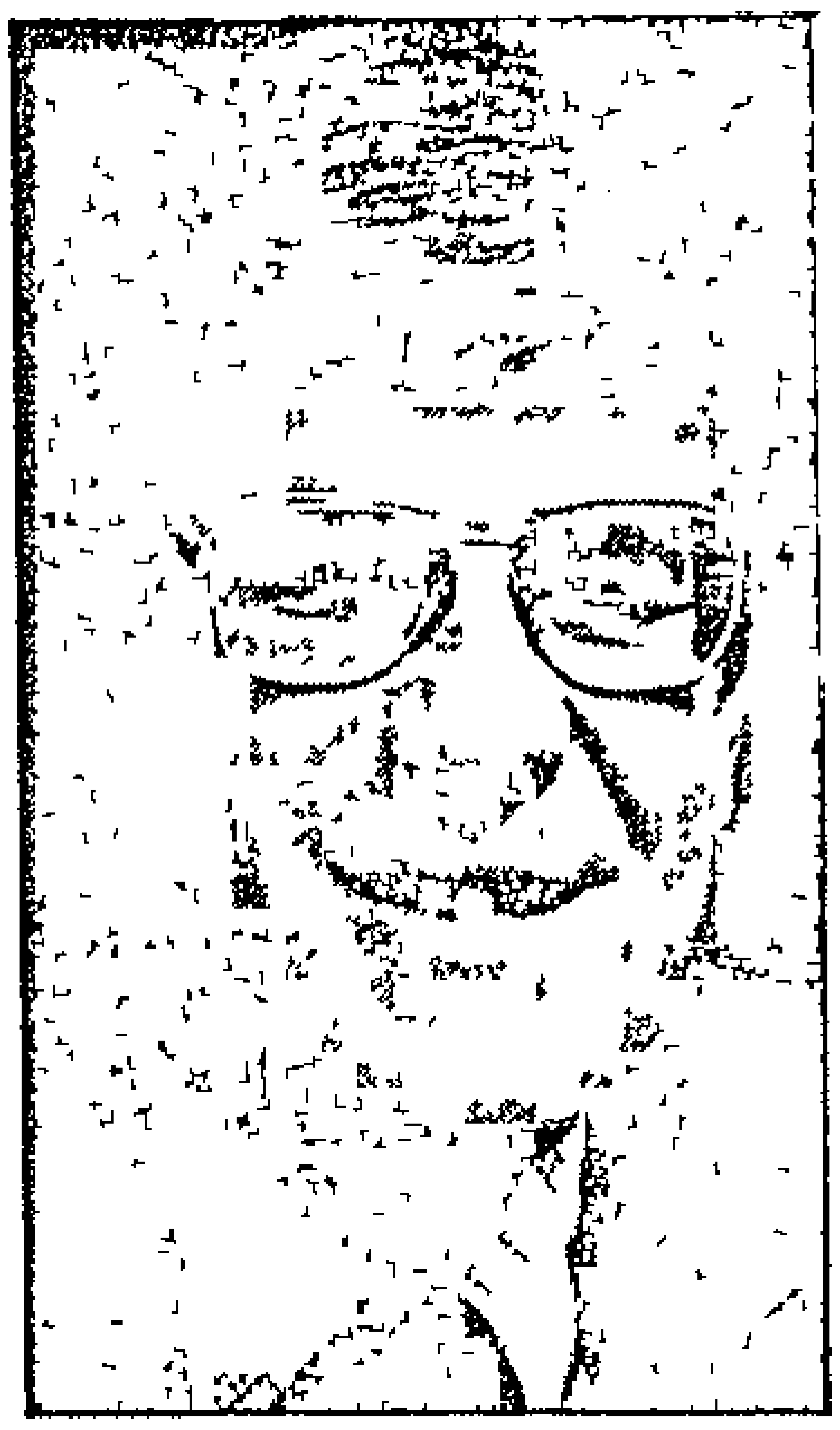
Gary Maude

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Neighbouring **St Helena** fared worse as higher working costs of R75,96 million (R72,78 million) reduced attributable earnings from R9,6 million to R8,7 million An interim dividend of 165c was declared.

At **Winkelhaak** a higher grade of 6,2 g/t (5,9 g/t) was offset by higher working costs of R67,3 million (R65,2 million), resulting in a R900 000 decline in taxed income to R32,17 million.

Kinross reported a R1 million decline in earnings to R17,5 million, while lower profits at **Leslie** of R2,06 million (R3,64 million) followed on a marked decline in gold production from 736 kg to 578 kg

Gengold plans to lay off 2 700

214

Star 19/7/90

Finance Staff

Gengold, Genmin's gold mining arm, yesterday announced that it planned to trim its labour force by a further 2 700 workers because working profit at its 11 gold mines had plunged by 29 percent in the June quarter in the wake of the fall in the gold price.

The renewed lay-offs follow massive retrenchments within the company's mines over the past few years.

Gengold's MD Gary Maude disclosed that the group's total number of employees had dropped by more than 20 000 — from 93 775 in June 1988 to 81 359 in June last year, and to 71 078 at the end of June this year.

The hardest hit in numerical terms will be Gengold's largest mine, Buffelsfontein.

Phasing-out operations at its Pioneer shaft could affect 1 300 workers over the next three weeks.

● Gengold quarterly results — Page 19.

BD 27/7/90

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Southgo operations report satisfactory profits

By Sven Lunsche

Southgo, the gold mining arm of Consolidated Mining Corporation, reported satisfactory profits at all operations in the June quarter, although the average gold price received was more than R2 000/kg down on the previous quarter

Only 30 percent of Southgo's gold production came from underground mining, the greater part being sourced from dump treatment (37 percent) and opencast mining (33 percent)

The best performer was **Knights**, with taxed profits of R2,7 million — close to its March quarter figure of R3 million

During the quarter Knights acquired two additional slimes dumps for R5 million on a deferred purchase arrangement over the next seven years.

West Wits Gold Holdings' taxed profit dropped by R1,6 million to R1,97 million as gold production fell to 558 kg (572 kg)

Capital expenditure included R4,13 million on the carbon-in-pulp plant, which is scheduled for commissioning in November

Although gold production rose from 369 kg to 411 kg at **Nigel**, higher working costs of R10,76 million (R9,8 million) and the lower gold price depressed taxed earnings by R900 000 to R1,1 million

The lower royalty payment by Nigel reduced net profit at **Witwatersrand Nigel** to R24 000

Southgo spent a further R31,8 million over the quarter on the Benoni gold recovery plant, where commissioning starts in mid-August and the first gold pour is scheduled for September.

Some miners back to work

Star 20/7/90

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About half the striking workers at Welkom's Harmony gold mine returned to work last night, Rand Mine spokesman Simon Crawford said today

The mine had lost about 6 percent of its monthly output, as a result of the stayaway and an underground fire, he said.

The fire started last week and was extinguished yesterday.

The workers went on strike demanding the implementation an earlier wage increase agreed by the National Union of Mineworkers and the Chamber of Mines. — Staff Reporter.

CM Trib 20/7/90 214

Freegold production drops 5%

JOHANNESBURG. — Free State Consolidated Gold Mines (Freegold) recorded a 5% drop in gold production to 26 327kg for the quarter ended June 30, 1990.

This reduction is mainly attributable to the aftermath of the tornado which struck parts of Welkom on March 20, 1990, and to incidents of industrial unrest, particuarly in the South Region, that adversely affected gold production during April and May.

The rand gold price received dropped by 7% to R31 501/kg resulting in a decrease in gold revenue to R829,6m (R947,0m) Working costs were down by R10,4m to R777,1m, (R787,5m) and after appropriation for capital expenditure Freegold recorded a loss of R14,2m during the quarter under review

Tons milled increased slightly to 6,439m tons from 6,434m tons, with a lower average grade of 4,09g/t (4,31g/t) being achieved.

Unit costs rose marginally from R28 399/kg to R29 518/kg, and capital expenditure was lower at R72,3m (R121,4m).

At Freegold's North Region, gold production rose marginally to 12 312kg (12 308kg). The average grade dropped from 4,76g/t to 4,64g/t, and tons milled increased to 2,655m tons (2,588m tons).

In spite of a decrease in total costs to R358,5m (R361,5m), the fall in revenue to R389,6m (R425,1m) resulted in operating profit being substantially lower at R31,1m (R63,6m)

Freegold's South Region recorded a decrease in gold production from 15 419kg to 14 015kg. Tons milled were lower at 3,784m tons (3,846m tons), and the average grade declined to 3,70g/t (4,01g/t).

Operating profit was significantly lower at R21,4m (R95,9m), in spite of reduction of total costs to R418,6m (R426,0m). Unit costs, in tons milled, were well contained at R110,62 per ton (R110,76 per ton).

As a result of higher grade material from St Helena mine being treated, gold production at Freegold's metallurgical scheme increased by 48% to 640kg with only a marginal increase in slimes treated to 3,905m tons (3,786m tons).

Acid production was 23% higher at 104 742 tons, while uranium oxide production was down to 38 685kg (96 813kg).

As a result of the low gold price received together with higher working costs, an operating loss of R3,6m was recorded compared with a profit of R1,2m in the previous quarter

At Vaal Reefs gold production increased while working costs were reduced.

The area mined increased by 3% to 513 000m² (497 000m²) and tons milled by 1% to 2,7m tons (2,684m tons).

These factors, together with a slightly higher grade of 6,67g/t (6,64g/t), resulted in gold production increasing by 1% to 18 008kg (17 818kg)

Gold revenue, however, was 4% lower at R575,1m (R597m), reflecting the lower average rand gold price received of R31 422/kg (R33 610/kg).

At Western Deep Levels higher grade resulted in increased gold production.

Gold revenue declined by 5% to R298,2m (R312,7m) as a result of a lower average rand gold price received of R31 301/kg (R33 676/kg).

Profit after tax was R89,5m (R81,2m) which, after appropriations for capital expenditure of R68,1m (R58,0m), left profit available for distribution 8% lower at R21,4m (R23,2m)

Elandsrand reports that mill modification increased gold production.

Gold production rose by 13% to 3 521kg (3 116kg) in spite of a slight decline in grade to 6,04g/t (6,27g/t). Unit costs, in line with the higher tonnage, were 13% lower at R125,04 per ton milled (R143,00), whilst profit after tax at R37,1m (R31,8m) was 17% higher than the previous quarter.

At Ergo a marginal decline in material treated to 9,460m tons (9,463m tons), coupled with lower gold head grades, resulted in a 6% decline in gold production to 28 440kg (31 010kg).

The lower gold production, together with the lower rand gold price received of R31 667/kg (R33 818/kg) accounted mainly for an 8% decline in revenue to R104,2m (R113,6m), and after the appropriation for capital expenditure, profit available for the quarter was 36% lower at R9,9m (R15,4m)

Sallies reports that production increased and costs were contained

Production rose by 6% to 395kg (372kg), reflecting an increase in grade to 0,68g/t (0,62g/t) while tons milled declined by 3% to 581 000 tons (597 000 tons).

Gold revenue was 2% lower at R12,3m (R12,5m), reflecting a lower rand gold price received of R31 283/kg (R33 664/kg) — Sapa

COMPANIES

BDay 20/7/90

Harmony output set to slip 6%

Business Day Reporter

RAND Mines has been hit by a fire and strike at its marginal Free State mine, Harmony, which has experienced a cut in production of about 48 000 tons of ore.

"In aggregate an estimated 160kg of gold or 6% of monthly output will be lost in the July production month," a company statement said

"Production shifts have been lost at the Harmony No 4 and Merriespruit No 3 shafts as a result of illegal strikes related to dissatisfaction regarding wage increases."

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On July 11 a fire, apparently caused by an electrical fault, broke out on the stoping horizon in 32 level of Harmony No 4 The fire was under control

Reuter reported about 3 000 Harmony workers went on strike on Wednesday to back demands for a wage increase

According to a National Union of Mineworkers (NUM) spokesman workers were demanding an increase of 14,5% and 17%, in line with an agreement reached this month between the NUM and the Chamber of Mines

Harmony management's offer of a 13% increase had been rejected by the mine's 18 000 NUM members, the spokesman added The total workforce at Harmony is 25 000

Southgo mines weather low gold price storm

BDay 20/7/90

(214)

ROBERT GENTLE

THE four gold mines in the Southgo group, the gold arm of Consolidated Mining Corporation, have satisfactorily weathered the storm unleashed by the low gold price during the quarter ending June 1990

Improvements in grades and tonnages, coupled with productivity gains and a tight rein on costs, helped keep reductions in revenue and earnings lower than they might otherwise have been

Knights Gold Mining Company, the sand treatment operation, increased gold production by 24kg to 354kg on the back of a higher grade of 0,54g/t (0,48g/t).

Working costs only 4% higher than those of the previous quarter contributed to an after-tax profit of R2,7m, not far off the previous quarter's R3m Earnings a share, after a drastically reduced capex bill, was 3,5c (3,3c)

West Witwatersrand Gold Holdings (West Wits) produced 14kg less gold at 558kg on the back of a slightly lower grade of 1,41g/t (1,44g/t) and essentially unchanged tonnage treated

Despite working costs being a shade lower than those of the previous quarter, a gold price R2 319/kg less than that of the previous quarter meant that after-tax profits were only R1,97m (R3,57m) A tenfold increase in capex turned the previous quarter's earnings a share after capex of 3,45c into a loss of 2,69c a share.

Nigel Gold Mining Holdings also profited from higher grades and tonnages to produce 279kg (252kg) of gold, though the lower gold price meant taxed profit was only R1,07m (R1,85m). Earnings a share after capex improved to 0,20c from the previous quarter's loss of 11,8c, though the latter figure was chiefly due to the capex implications of the Droogebult/Vlakfontein deal

Witwatersrand Nigel, which carries out tribute operations for Nigel, turned in a sharply reduced net profit of R24 000 (R367 000)

Benoni Gold Mining Company made continued progress on the construction of its recovery plant Commissioning starts in mid-August and the first pour is scheduled for end-September

7 800 jobs threatened at South Region

Cit 7ap 20/7/90

JOHANNESBURG. — The sharp drop in the gold price coupled with industrial action could lead to a restructuring at Freegold's South Region involving 7 800 jobs, chairman Clem Sunter said

Sunter who was speaking at the release of Anglo American Corporation's June gold quarterlies yesterday, said that negotiations would be held with employee organisations to see whether operations could be curtailed and the labour force reduced.

"This could involve reducing jobs by some 7 800, but at this stage it is not known how many employees will be retrenched"

To be discussed too with the unions was the possibility of reverting to the 12-shift fortnight from the present 11-shift fortnight, Sunter said

The group was also looking into the redeployment of labour within the Anglo group as well as the introduction of early retirement and extended unpaid leave schemes

During the June quarter 16 669 man-days were lost as a result of labour strife, but since then there had been a marked downturn in unrest activities and a return to normality, Sunter said — Sapa

Anglo mines —govt aid 'only in exceptional circumstances'

W/Mail 2017 – 22/7/90

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By REG RUMNEY

ANGLO American's gold mines would only ask for government assistance in "exceptional circumstances", Anglo gold division head Clem Sunter said yesterday

He was speaking in Johannesburg at the presentation of Anglo's gold quarterlies

"We want our mines to stand on their own feet," he said

The government would be approached only in the last resort

Discussing some of the suggestions put forward by the Marais Committee of Inquiry report released recently, he said hedging was a good idea, but the present gold price uncertainty made it difficult

The report recommended before a mine applies for State assistance it should be able to show it negotiated concessions with suppliers, and approach the Reserve Bank to use futures transactions

There had been hedging at all mines, he said, but he could not state the extent, for competitive reasons

The amount of hedging as a percentage of output had not, however, increased markedly

Anglo had also taken advantage of the Reserve Bank's scheme, in the present quarter to end September, for hedging for two years

"Putting pressure on our suppliers is also a good idea," he said, referring to the report's suggestion that marginal mines negotiate with suppliers

One had only to look at the results of the suppliers to Anglo mines to see that this had already been done, he said

No policy decision had been reached on the idea of a stabilisation fund, he said

It was also revealed yesterday that Anglo's Freegold mine has suffered a 5 percent drop in gold production as a result of the tornado that struck parts of Welkom on March 20 this year

Industrial unrest, particularly in the South region, also hit gold production in April and May

A amount of 16 869 man days had been lost in the quarter through unrest

It was confirmed that Freegold was looking at restructuring the South region, though negotiations were being conducted with unions to see how the impact of the restructuring could be lessened

One possibility was the return to a 12-shift fortnight, from the present 11-shift fortnight

And extra shift would produce gold at 70 percent of normal cost, despite the slightly higher wage paid for the shift

It was reiterated that 7 800 jobs would be lost, but the exact number of retrenchments was not yet known

Workers were being placed elsewhere and natural wastage would account for some job losses

Around 800 employees in the short term were being placed in other mines Natural wastage would account for 300 workers a month out of a total workforce of 47 000

FREEGOLD

Tons milled 6 439 000t (6 434 000t)
Yield 4,09g\t (4,31g\t)
Gold produced 26 327kg (27 727kg)
Working costs R29 518\kg(R28 399\kg)
Taxed profit R52,72-million (R184,45-million)
Available profit R14,17-million loss (R87,82-million)
EPS 12c loss (75c)

VAAL REEFS

Tons milled 2 700 000t (2 684 000t)
Yield 6,67g\t (6,64g\t)
Gold produced 18 008kg (17 818kg)
Working costs R23 670\kg (R23,959\kg)
Taxed profit R137,96-million (R120,71-million)
Available profit R31,78-million (R60,81-million)
EPS 167c (318c)

WESTERN DEEP LEVELS

Tons milled 1 616 000t (1 638 000t)
Yield 5,93g\t (5,69g\t)
Gold produced 9 589kg (9 318kg)
Working costs R23 279\kg (R23 781\kg)
Taxed profit R89,49-million (R81,24-million)
Available profit. R21,43-million (R23,22-million)
EPS 77c (84c)

ELANDSRAND

Tons milled 583 000t (497 000t)
Yield 6,04g\t (6,27g\t)
Gold produced 3 521kg (3 116kg)
Working costs R20 703\kg (R22 808\kg)
Taxed profit R37,09-million (R31,84-million)
Available profit R197 000 (R15,15-million)
EPS nil (16c)

SA LANDS

Tons milled 581 000t (597 000t)
Yield 0,68g\t (0,62g\t)
Gold produced 395kg 372kg
Working costs R25 990\kg (R26 468\kg)
Taxed profit R871 000 (R903 000)
Available profit 834 000 (R1,15-million)
EPS 9c (12c)

ERGO

Tons milled 9 460 000t (9 463 000t)
Yield 0,30g\t (0,32g\t)
Gold produced 2 844kg (3 010kg)
Working costs not given
Taxed profit, R15,63-million (R24,88-million)
Available profit R9,89-million (R15,36-million)
EPS 22c (33c)

Western Areas to close shaft

B/Day 20/7/90

ROBERT GENTLE

JCI's Western Areas gold mine is to discontinue operations at its North Shaft and will have to retrench up to 4 400 employees, about half the mine's total workforce

The mine this week reported a R17,3m loss for the June quarter

The step, which will mean the loss of six tons in annual gold production — about 40% of the mine's total — was announced in a statement last night by JCI

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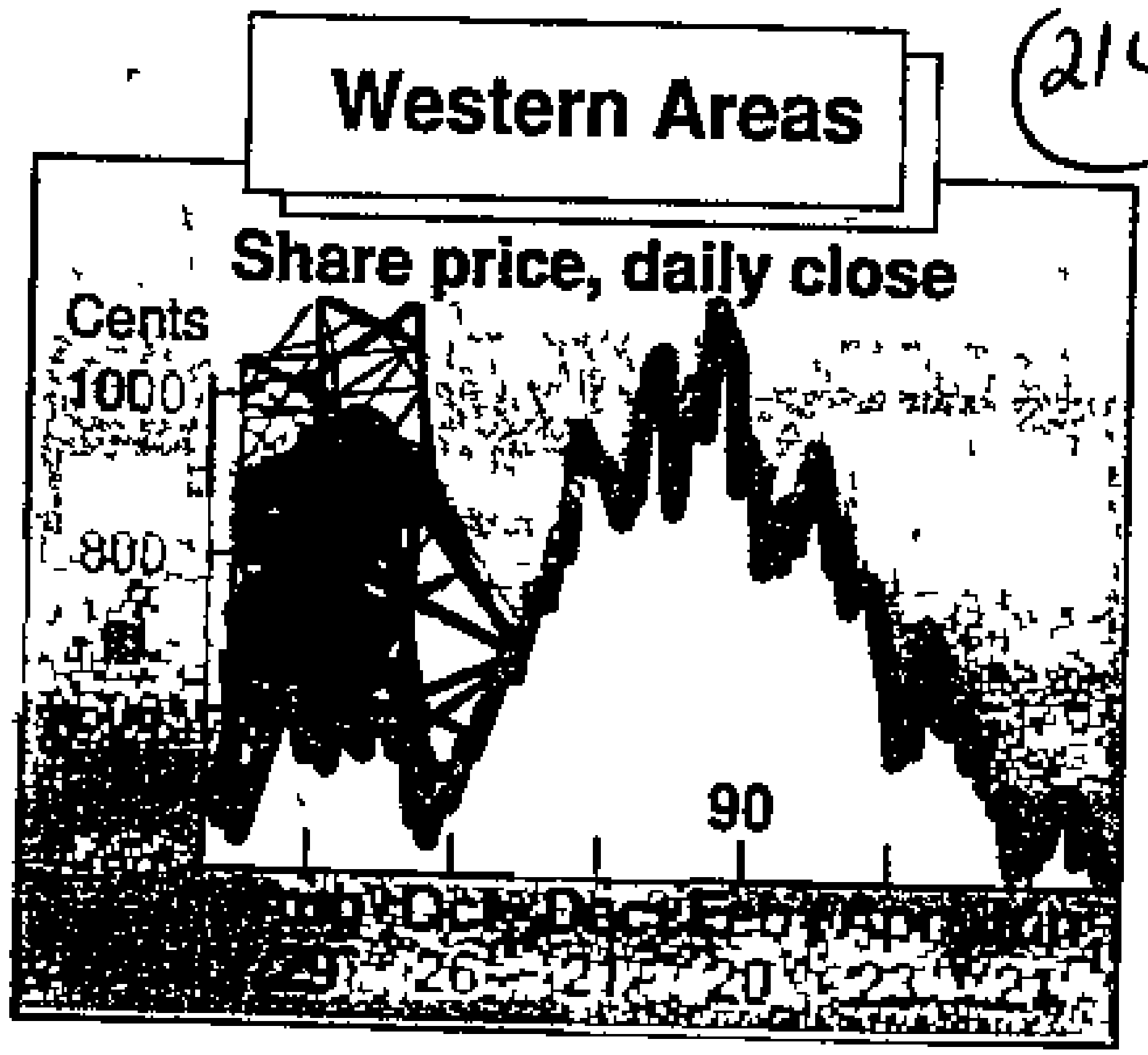

Graphic LEE EMERTON Source JSE

It takes effect next month

Production on the profitable South Shaft will continue, though the management structure will be reduced to match the reduced level of production

The move is just one of a series of measures JCI is taking to staunch the bleeding at what is SA's 10th largest gold mine in terms of annual production

Other steps include forward sale of about 50% of anticipated gold production from the South Shaft until June 1991 at a fixed price of R33 114/kg — about ~~R2 500/kg more than the current~~ price; and disposal of Western Areas' 41% stake in the South Deep Project to an exploration company yet to be formed, with proceeds going to reducing short-term debt, meeting North Shaft closure costs and providing

☐ To Page 2

Western Areas

B/Day 20/7/90

(214)

☐ From Page 1

back-up for capital expenditure

Elaborating on the North Shaft closure, JCI said that the only remaining activities would be stoping operations on the Middle Elsburgs to enable the mine to continue to honour its uranium contract The closure would be effected in such a way that most operating sections could be re-opened at short notice should the gold price rise.

JCI said the company would make every effort to have retrenched workers re-employed elsewhere

Simpson-McKie analyst Rodney Yaldwin said that while the job losses were to be regretted, shareholders would retain rights to the potentially lucrative South Deep Project. Debt would be largely eliminated "Western Areas could by year-end become a much leaner and more profitable operation"

He said the gold price might react favourably today, if only because six tons of "sponsored gold" was to be taken off the market.

⊖ Comment: Page 8

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Rationalisation plans under way

R102m slide in Freegold mine profits

B/Day 20/7/90

RIAAN SMIT

ANGLO American's Freegold, the world's largest gold mine, yesterday reported a R102m quarter-on-quarter decline in profits after tax and capex.

The mine reported a R14,2m loss after tax and capex (available profit) for the June quarter This compared with an R87,9m available profit for the March quarter and available profits consistently higher than R70m for every quarter since the September 1987 quarter

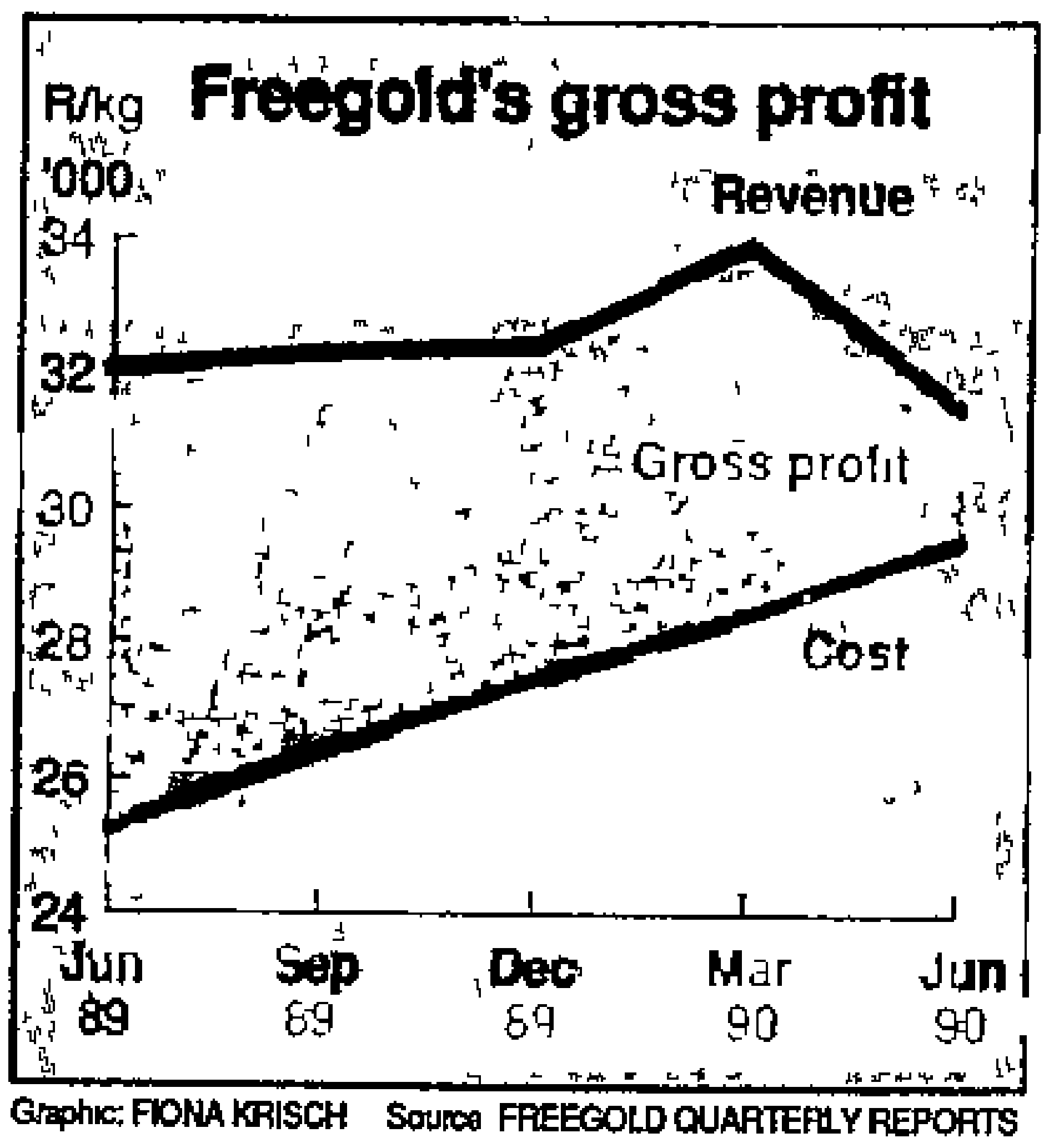
But the group's Vaal Reef, Western Deep Levels and Elandsrand gold mines reported quarter-on-quarter increases in profits after tax, although their available profit was down on the March quarter.

● Picture: Page 3
● Table· Page 6

Executive director Lionel Hewitt said yesterday a combination of factors affected Freegold's results

The effects of the tornado which struck the Welkom area in the March quarter were not fully appreciated at the time and had a spill-over effect into the first month of the June quarter, he said

Damage to equipment and the disrupted lives of employees curtailed production at the mine's South Region, reducing its gold output from 15 419kg in the March quarter to 14 015kg for the June quarter



Graphic: FIONA KRISCH Source FREEGOLD QUARTERLY REPORTS

Labour unrest at the mine, which resulted in a loss of 16 869 man days during the quarter, also affected production Freegold had lost 26 000 man-days during the first six months of this year, Hewitt said

There was now a "very welcome return to normality" at the mine, he added

He said a third factor was a 7% quarter-on-quarter drop in the gold price received.

Rationalisation plans were underway, which included negotiations with employee organisations to cut the workforce by 7 800 jobs and to revert to a 12-shift fortnight from the industry norm of 11 shifts

☐ To Page 2

Freegold

B/Day 20/7/90

(214)

☐ From Page 1

Analysts quoted by Business Day after Anglo's March quarterly briefing expressed concern about unit cost increases at Freegold The mine's cost per kilogram of gold produced for the June quarter was up by 9,8% compared with an average of R26 892 for the 12 months to March 31

At the June quarter cost of R29 518/kg, Freegold is firmly in the league of high cost producers, and is marginal, as rated by brokers Ed Hern Rudolph's Quarterly Gold Review

Compared with this, Vaal Reefs reduced cost a kilogram quarter-on-quarter from R23 959 to R23 670, Western Deep's cost decreased from R23 781 to R23 279, and similarly Elandsrand from R22 808 to R20 708, because of what Hewitt called cost cutting drives by management

Vaal Reefs' profit after tax increased from R120,7m to R138m, but available profit dropped by nearly half from R60,8m to R31,8m Similarly Elandsrand recorded an increase in profit after tax from R31,8m to R37,1m, but available profit was sharply down from R15,2m to R197 00

Western Deep's profit after tax increased from R81,2m to R89,5m, but available profit dropped from R23,2m to R21,4m

All three these mines also increased gold production for the quarter.

Anglo's huge waste treatment operation, Ergo, reported a drop in profit after tax from R24,9m to R15,6m, while SA Lands posted a profit after tax of R871 000 Hewitt said the drop at Ergo was due to metallurgical problems with treating a new dump at the Ergo division

Southgo mines raise output to counter decline in gold price

N/Mail 20/7-22/7/90

(214)

HIGHER gold production, improvements in grades and tonnages, coupled with better productivity and a tight rein on costs materially assisted the gold mining and gold dump recovery operations of the Southgo group, the gold arm of Consolidated Mining Corporation, in countering the full effects of the low gold prices prevailing during the June quarter

In the circumstances, very satisfactory profit levels were reported by all operations, although these were lower than in the previous quarter, Southgo said

The quarter's best performer was the Knights gold recovery operations with an after-tax profit of R2,7-million (R3-million)

Gold production was up 24kg at 354kg Operating profit was R3,2-million(R3,6-million)

West Wits' taxed profit was R1,97-million (R3,57-million) Gold produced was 558kg (572kg) A working profit of R1,85-million (R3,45-million) was made

Nigel made an after-tax profit of R1,08-million (R1,85-million) Gold production was higher at 411kg

Witnigel's revenue from current operations was R396 000 — R304 000 from the tributing operation with Nigel and R92 000 from other sources — which, less expenses of R372 000, left a net profit of R24 000

During the quarter R31,8-million was spent on the construction of the Benoni Gold Mining Company plant, dump site and the installation of permanent water and power connections The unexpended portion of committed capital expenditure amounts to R19,1-million for the year to March 1991 and a further R4,4-million thereafter — Sapa

At the press conference, attended by Western Cape United Civic Association (from whom the UDF

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Gold mine set to retrench 4 400

Cpt Times 20/7/90

Own Correspondent

JOHANNESBURG — JCI's Western Areas gold mine is to discontinue operations at its north shaft and will have to retrench up to 4 400 employees, about half the mine's total workforce

The mine this week reported a R17,3m loss for the June quarter

The step, which will mean the loss of six tons in annual gold production — about 40% of the mine's total — was announced in a statement last night by JCI It takes effect next month

Other steps include forward sale of about 50% of anticipated gold production from the south shaft until June 1991 at a fixed price of R33 114/kg — about R2 500/kg more than the current price, and disposal of Western Areas' 41% stake in the South Deep project to an exploration company yet to be formed

JCI said the company would make every effort to have retrenched workers re-employed elsewhere

● 7 800 jobs threatened at South Region — Page 7

Star 20/7/90 214

4 400 may lose jobs as JCI tries to rescue mine

Finance Staff

JCI today announced a major rescue package at its troubled Western Areas gold mine on the West Rand, resulting in the retrenchment of up to 4 400 workers — half its total work force.

JCI said it will discontinue operations at its North Shaft, with the possible loss of 4 400 jobs and six tons of gold production a year

Among other measures, it has made a deal with the Reserve Bank for the forward sale of half the production from its South Shaft over the next 12 months

Abandoned

This provides a measure of security as the mine will receive gold at a fixed price which is about R2 600 per kg above the current market price of about R30 500 per kg.

JCI has also agreed to defer payment of a substantial part of its "management fees", valued at about R10 million, until it is operating profitably

JCI said it had approached the Government for State assistance, but in view of the recent tough findings by the Marais Committee on marginal profit mines this course of action was abandoned.

"Given the current low gold price there is simply no acceptable option other than the package announced in order to maintain the viability of the mine as a whole," JCI said

At the end of June Western Areas debts totalled about R130 million

Profits are plummeting in the gold mining industry, threatening the loss of thousands of jobs and meagre returns for shareholders.

A combination of rising costs, a low gold price and industrial action is threatening the future of even the major gold producers, who are having to resort to stringent measures to get back into profit

Yesterday, Anglo American announced it had begun talks with the unions to implement cost-saving measures at its giant Freegold mine near Welkom, where earnings slumped by R100 million in the June quarter. A month ago Freegold announced cutbacks in its work force of up to 7 800 people.

This week Gengold announced it would cut back its labour force by 2 700 workers after working profit at its 11 gold mines plunged by 29 percent

The troubled Rand Mines group, which controls the ERPM mine, has even more woes this month, with disruptions from an underground fire and stayaways at its Harmony gold mine A statement said an estimated 160 kg of gold — 6 percent of monthly production — would be lost this month

● Freegold plunges to shock R14 m loss — Page 10.

Freegold plunges to a shock R14-m loss

Star 20/7/90 214

By Sven Liinsche

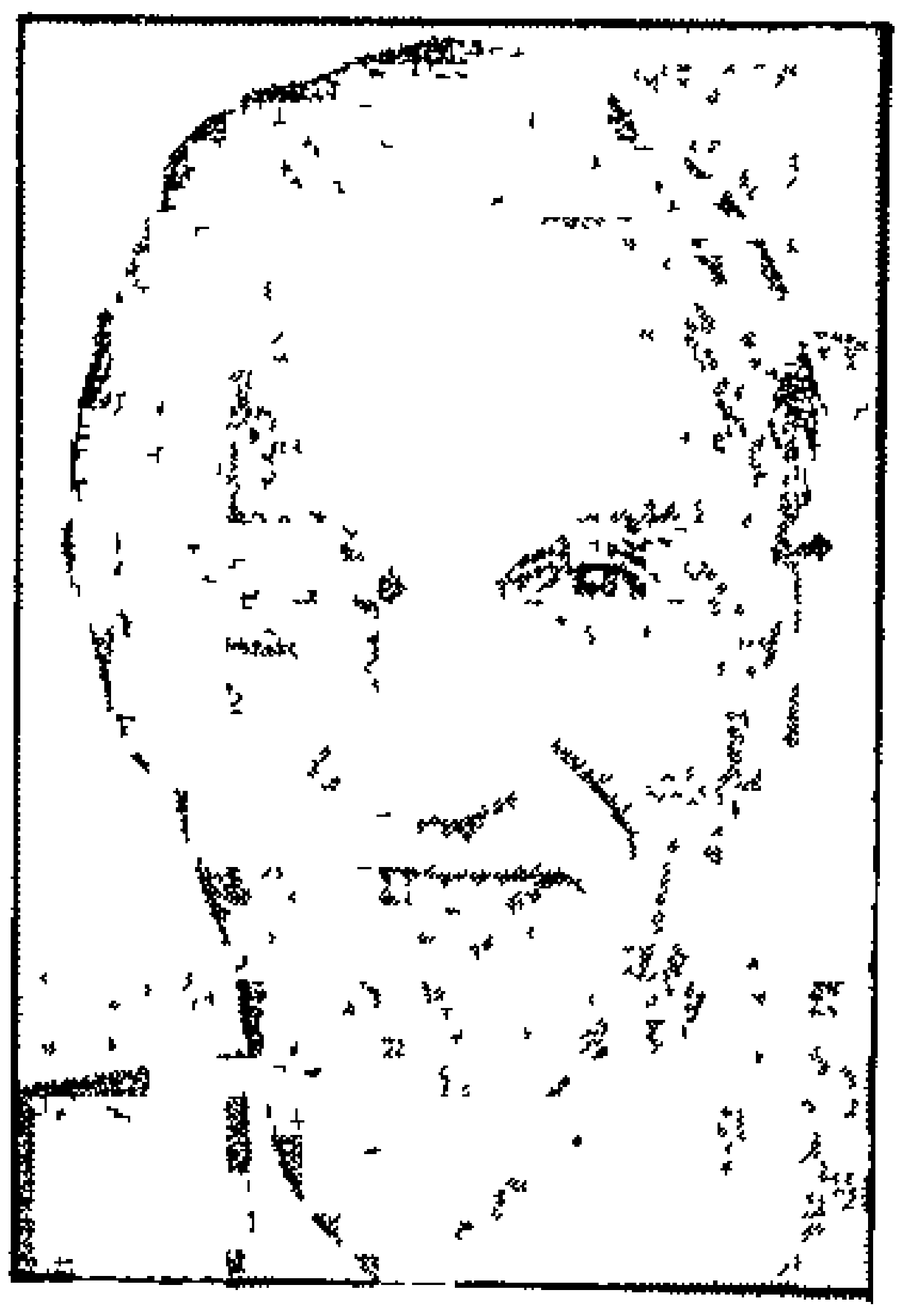
Earnings at Anglo American's Freegold mine, near Welkom, fell by R100 million in the June quarter to a loss of R14,2 million in the wake of substantial production losses and a seven percent drop in the rand gold price.

However, Anglo said yesterday it had entered into discussions with the unions to implement cost-saving measures, including the introduction of one extra shift a month, which would allow gold to be produced at 70 percent of the cost of the normal rate

A month ago Freegold said it would by laying off 7 800 workers at its South Region.

MD of Anglo's gold division Lionel Hewitt said at a press briefing yesterday that industrial and political unrest plus the tornado that hit Welkom at the end of March had caused a five percent fall in production to 26 327 kg in the June quarter

"Isolated incidents of industrial action, coupled with the political unrest in Welkom over the quarter, cost the mine 16 869 in lost man days, compared with about 10 000 in the previous quarter," Mr Hewitt said.


Lionel Hewitt

Production losses were particularly severe at the South Region, declining from 15 419 kg to 14 015 kg, while production at 12 312 kg was unchanged at the North Region

The overall loss in production was accompanied by a decline in grade from 4,31 g/t to 4,09 g/t and a seven percent fall in tje gold price received to R31 501/kg (R33 892/kg)

While working costs were down by R10,4 million to R777,1 million (R787,5 million) and capital expenditure was down by almost R30 million to R66,9 million the bottom line showed a loss of R14,2 million (profit of R87,9 million in the previous quarter)

Mr Hewitt said that apart from the cutback in the labour force, the mine was using the Reserve Bank's hedging facility to protect itself from fluctuations in the gold price

The volatile rand gold price, which, according to Mr Hewitt, had declined by a further R1 000/kg since the beginning of July, had also impacted adversely on the results of Anglo's Transvaal mines

Earnings at Vaal Reefs, its most consistent performer over the past few years, plunged by almost 50 percent from R60,8 million in the March quarter to R31,8 million

Gold production increased by one percent to 18 008 kg (17 818 kg) Working costs were unchanged at R426,2 million, but this was offset by the lower gold price and a 77 percent surge in capital expenditure to R106,2 million (R59,9 million)

Vaal Reefs has declared an interim dividend of 485c per share.

Both Southvaal Holdings and **Afrikander Lease**, whose income derives from royalties paid by Vaal Reefs, reported lower earnings and dividends

Southvaal's taxed profit fell from R71,47 million to R47,16 million The interim dividend drops to 180c (275c) At Afrikander Lease earnings fell from R28 000 to R10 000 A dividend of 5c has been declared

Western Deep Levels' earnings continued to be affected by a fire at the East mine, which will only allow a return to full production levels by the end of this year

Taxed profits rose from R81,2 million to R89,5 million, with the mine benefiting to the tune of R10 million from a previous over-provision for tax.

However, attributable profit fell to R21,4 million (R23,2 million) after a rise in capex by R10 million to R68,1 million

The interim dividend has been lowered from 220c to 160c

At **Elandsrand** production picked up to 3 521 kg from 3 116 kg previously and boosted taxed earnings by R5,2 million to R37,1 million

However, a rise in capex from R16,7 million to R36,9 million, financed to the tune of R17,1 million out of the previous quarter's earnings, reduced attributable profit to R197 000 (R15,15 million) The mine has declared an interim dividend of 15c.

Problems at its Ergo pump station saw available profits at Ergo declining from R15,36 million to R9,9 million

SA Land's interim dividend has been redcued from 25c to 20c on a drop in earnings to R834 000 (R1,15 million)

Gold-mine woes

214

• From Page 1

southern hemisphere To continue with all its research work, Comro needed R72-million for 1990 It has been cut to R43-million

"The downside is that many research projects have been shelved. At least 200 people have had to be retrenched

"Even the Rand Mutual Hospital, which is not fully used, is retrenching staff We chamber are tightening up so that we will cost the mines less money

"SA produces 610 tons of gold a year, not much less than five years ago.

"Canada, the US and Australia have lifted their gold output There has been an increase in supply without a corresponding rise in demand

"Five years ago, SA was the cheapest producer of gold in the Western world Today we are one of the most expensive"

Does this mean that the gold industry in SA is dead?

"Certainly not," says Mr Liebenberg

"Gold has always had an intrinsic value and will always have one Like us, other producers in the world are starting to feel the pinch of increasing working costs A decline in the supply of gold is predicted

"If demand stays the same or increases, we can expect more in dollar terms We are not dejected"

ST 22/7/90

Days of woe for gold mines

(214) S/Times 22/7/90

Gold from the computer dump

AKI MANOLITSIS precious metals recovered from high-tech scrap Picture PIERRE OOSTHUYSEN

By MELANIE SERGEANT

THERE's gold in computers. Scrapped machines also contain silver platinum, palladium and rhodium

Metal Concentrators has set up a refining plant in Kew, Johannesburg Director Aki Manolitsis says it is a "place of last resort for computers which have no useful life left"

Helping to make the business profitable is the fact that vintage computers have a high content of valuable materials.

Metal Concentrators is called in by many firms to scrap computers.

Mr Manolitsis says: "We often move in with angle grinders to dismantle the machines on site, causing consternation and even grief to staff who have babied them for years"

Boards

The machines are stripped to basic steel aluminium and copper state Motors, transformers plastic and precious metal-bearing components are separated.

Base metals are sent to smelters and steel to scrap merchants Metal Concentrators is particularly interested in printed circuit boards

Metallurgist and director Bernard Stern has a coaster on his desk made from a mainframe memory device which probably cost about R20 000 in its heyday

Mr Stern says: "It has a high gold content. In the old days manufacturers put between 30 and 40 microns — a micron is 1 000th of a millimetre — of gold on edge connectors It has come down to between three and seven."

The value of old central processing unit boxes can range between R300/ ton to R2 000 ton depending on vintage and configuration.

Mr Stern says computer scrapping began in the mid-1970s

"Early processors handled more than 200 tons of scrapped machines a month."

Circuit boards went into furnaces and owners were paid for gold and other precious metals

Metal Concentrators has developed processes to extract precious metals efficiently Miniaturisation of computers has lowered the volume of scrap equipment to about 25% of levels five years ago

Mr Stern says "We recently scrapped one of SA s last IBM 3033 mainframes Although we spoke to people who were thinking of setting up a computer museum we couldn't get them to save the old lady

The company does not destroy all the machines it receives It sells components like memory chips if they are in good condition But most contracts stipulate destruction of machines.

Chairman Terry Manolitsis says Metal Concentrators is a tightly run family type business

Realising the recovery of metals from computer equipment is a slowing business, the company does not have all its eggs in one basket.

"We upgrade precious metal bearing equipment into a concentrate which is easily treated by ourselves or by other refineries, local or foreign"

Dodgy

Silver recovery from photographic waste is ignored because the "market is poor and highly competitive with a dodgy track record."

The company also extracts gold from jewellers' sweepings and scrap jewellery and 24-carat gold is returned to the jewellers "We also take low-grade material from mines by products — essentially the tailings from their processes," he says

One large contract under way is recovering gold from a refinery which is being demolished The equipment is scoured to ensure that residues of precious metals are recovered.

2m people face crunch as thousands lose jobs

THE crunch for South Africa's gold-mining industry drew nearer this week. More workers were retrenched, bringing the total to at least 15 000 in the past eight weeks

Another 184 000 jobs are on the line in the medium to long term if the gold price remains low in dollars and the rand-dollar exchange rate stays where it is At risk are 18 marginal mines

Chamber of Mines senior general manager Johann Liebenberg says "To survive the next couple of years the industry needs to be extremely cautious

"Every gold mine is trying to rationalise, lower working costs and improve profitability"

With the extended family system — one breadwinner feeds clothes and houses several people — nearly 2-million could be affected by gold s woes

Rationalisation in under way at marginal mines Unprofitable sections have been closed and operations cut to bare essentials

About 100 000 jobs have gone in the past 18 months, about 25 000 through retrenchment and the rest through natural attrition.

Not only the mining houses are feeling the pinch — 'the multitude of industries which depend on the mines have hit hard times says Mr Liebenberg.

TOUGH

Gold contributed more than 11% to SA s gross domestic product five years ago The multiplier effect took it to about 18%

But its contribution has dropped to about 9%

Anglo American gold and uranium division chairman Clem Sunter says the industry is negotiating tougher contracts with suppliers of goods

We are saying we want concessions If our shafts close, everyone suffers. It s survival logic.

'We are also looking at ways to use labour more productively We have to slim down. We hope that in the late 1990s, when the gold price recovers we can be profitable again."

The gold industry is made up of 44 major mines — all quoted on the JSE, administered by six major mining houses and all belonging to the Chamber of Mines

DEEPER

The mines employ nearly 500 000 people, of whom 10% are skilled, professional or managerial.

Mr Liebenberg says "At least 6 000 of the 50 000 skilled employees are black, coloured or Asian."

By CHARMAIN NAIDOO

which accounts for about 52% of the total — have risen by between 15% and 16% a year

"We could have borne these increases if the gold price in rands was rising at the same rate

"In dollar terms in the past two years the gold price has fallen The rand dollar exchange rate has given us a price that has not kept pace with rising working costs.

"The price of gold has remained at R32 000 a kilogram for three years In recent months it has fallen to about R30 000 kg.

"In the long term, we could be in serious trouble Many factors causing cost increases are beyond our control The gold price is determined on world markets by supply and demand — also out of our control.

'We can control wages We could say no to increases, but workers are also subject to inflation so that would be grossly unfair

The National Union of Mineworkers demanded wage and fringe benefit increases of 76% when negotiations began this year

SHELVED

Agreement was reached at 17% for the lowest category of unskilled workers and 14 5% for the highest.

As a result of an agreement reached last year, the chamber also agreed to contribute 2% more to a provident fund from July 1

Everyone is counting cents in gold mining and scaling down where necessary Even the chamber is cutting expenditure

Mr Liebenberg says: "We have the biggest private research organisation in the

● To Page 3

BANKORP HOLDS FIRE

By IAN SMITH

THERE'S no quick fix for beleaguered Bankorp The effects of the extended shake-up at Saniam s banking arm will be felt far down the line

Surgery by former Nedcor chief executive Piet Liebenberg who took over as executive chairman on June 1 will take time to produce a cure S/Times 22/7/90

Group results for the year to June 30 are likely to be delayed — and analysts expect poor figures, possibly earnings a share cut by nearly 40% to 77c

Mr Liebenberg has predicted that the benefits of a leaner bank with three operating divisions will show on the bottom line only in the next financial year

The share price has barely moved through the drama of the past two weeks, sticking at 285c comfortably above its year s low of 250c but well below the [illegible] high of 705c.

It would make sense to present the worst scenario in the results now due, and investors are staying out of the market in spite of the attractive price earnings ratio of 2,6.

A banking analyst says: "Piet Liebenberg's personal stock is high after the good job he did at Nedcor and he appears to have done many of the right things.

"But the market will want to see positive effects. It will want to be sure no more skeletons are left in the cupboard

Staff

The likelihood of a new rights issue also overhangs the share

The new Bankorp executive in charge of communication, Etienne van Loggerenberg says the restructuring is working down from the top management level.

A central rationalisation committee is looking at all operations and it has been accepted that staff numbers will have to reduced from 16 000

Dr Van Loggerenberg cannot give a date for publication of results. "There is a lot of work to be done.'

Pooh-poohs for platinum claims

Business Times Reporter
S/Times 22/7/90

CLAIMS about two platinum finds are being treated with scepticism by the South African industry — although there was some foreign selling of platinum shares after the London report.

The Indian deposit has not been publicised before, but the Peruvian deposit has been known for some time

A laterite deposit in north eastern India is reported to show platinum grades of between 220 and 520 grams a ton. Platinum alone in the Bushveld complex is about 4g/t.

A geologist says India was a part of Gondwanaland and it is not impossible for ores similar to SA s to occur there However, laterites are notoriously inconsistent and usually shallow

It seems more likely a case of exaggerating the early results of grass roots exploration than a find ripe to ruin the established platinum market, he says

The deposit in southern Peru is reported to yield two tons of concentrates a day and contain high values of platinum group metals. But a high amount of iron makes refining difficult

A backer of the Peruvian deposit says SA refineries have rejected approaches to treat the material This seems unlikely because the refineries major shareholders lack information about the deposits

Underlining scepticism about the size and value of the Indian find is its announcement at a time when rhodium in particular is buoyant. There are few suppliers, making the price vulnerable to manipulation

Timelife's ahead of its time

By IAN SMITH

TIME LIFE Insurance is considering scrapping tradi[illegible] [illegible] [illegible] g ss ems in favour

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attributable to new business fails to display in any accounting period a meaningful account of the trading

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Mr Liebenberg says "At least 6 000 of the 50 000 skilled employees are black, coloured or Asian"

The gold industry in SA is more than 100 years old

Mr Liebenberg says "We have had to go deeper and deeper — we're at depths of 4km in some mines It costs more to get to the gold as we go deeper and farther out

"Working costs have risen sharply Grades have been declining. Twenty years ago we were mining average grades of 14 grams of gold a ton

"Now the industry average is below 5g/t. We have to bring a lot more rock to the surface for the same amount of gold.

"Inflation in SA has been in the double digits for nearly two decades. Our working costs — including labour

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(63)

Staff

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A central rationalisation committee is looking at all operations and it has been accepted that staff numbers will have to reduced from 16 000

Dr Van Loggerenberg cannot give a date for publication of results "There is a lot of work to be done"

Gold mines apply drastic remedies to staunch losses

24 Star 23/7/90

By Sven Lünsche

Mining houses are taking drastic steps to avoid a continued slump in earnings at their gold mines as prospects for a marked recovery in the bullion price remain dim

Provisional calculations show that the combined bottom-line earnings of gold mines in the stables of the six major mining houses slumped by over 80 percent in the June quarter

The decline has been partially blamed on factors such as scattered industrial unrest and production losses in the wake of the Welkom tornado and underground fires

But the falling gold price has played havoc with the results of all mines

In the June quarter the average rand gold price received slumped by about R2 400/kg to levels of R31 100/kg to R31 600/kg

The impact on mine results makes dismal reading

Of the mining houses' 34 producing mines, 11 showed a loss after tax, state share of profits and capital expenditure

Decrease in profits

Included in this figure is the world's largest mine, Anglo American's Freegold, where earnings slumped by R100 million to a loss of R14 million

At the taxed level, eight mines showed a loss and 16 reported a decrease in profits

Only ten mines increased their taxed income for the quarter.

Using the Chamber of Mines' yardstick of what constitutes a marginal mine, 18 of them would currently be considered marginal

The combined results of the six mining houses reflect this trend

Taxed profits fell by a provisional 20,8 percent to R728 million from R919 million.

Two mining houses, JCI and Rand Mines, which controls the troubled ERPM mine, showed taxed losses of R21 million and R17 million respectively

As a result of the problems at its Freegold mine, Anglo's earnings after tax and capex fell below those of Gencor for the first time

Capital expenditure at all the mines increased by a surprisingly high 28,9 percent to R643 million (R499 million), which left the slump in earnings after tax and capex even more pronounced at 82,1 percent to R75 million (R420 million)

The impact of the lower profits is not only limited to shareholders of the mines — the Receiver of Revenue will receive 54 percent less this quarter, with tax payments dropping from R371 million to R170 million

Production levels were, however, barely affected· gold produced fell by only 340 kg to 145 750 kg, while the grade held steady at just under five grams per ton milled

The industry seems to have brought its costs under control, with total costs over the three months rising by 1,3 percent to R3,65 billion (R3,6 billion)

Nevertheless, further cost-cutting measures will be applied over the next few months as the gold price shows no signs of a quick and stable recovery

Industry sources have indicated that since the beginning of the year the rand gold price received has plunged by a further R1 000/kg to R30 000/kg to R30 500/kg

The cost-cutting measures have taken on an even greater urgency at marginal mines because assistance has been virtually ruled out by the recent findings of the Marais Committee into state aid for these mines.

Hardest hit by cost-cutting measures will be the industry's 500 000 workers.

This level is already about 100 000 down on the total workforce at the beginning of last year

On the back of about 15 000 lay-offs in the June quarter, the mining houses have already given notice that a further 20 000 posts will be slashed over the next few months

This has gone hand in hand with the temporary closure of unprofitable sections, as in the case of JCI's Western Areas, where the closure of the North Shaft will result in the loss of 4 400 jobs and six tons of gold annually.

Costs associated with workers — wages, accommodation, overtime, etc — account for just over half of total costs and many mines are seeking arrangements with the unions to reduce expenses even further.

Anglo is currently asking the unions for an extra shift a month over the weekend, which would produce gold at a cost of 70 percent of the normal rate

Other suggestions put forward by Anglo include longer unpaid leave for the workforce to avoid additional lay-offs.

The industry is also negotiating tougher contracts with suppliers, or have appealed to them to bring down the bulk cost of goods

Anglo gold chairman Clem Sunter has said the tougher approach will be reflected in the results of some group suppliers

In order to avoid the impact of the volatile gold price, all mining houses have said they will be making use of the Reserve Bank's hedging facility

So far, the amounts involved have been limited, with the exception of Western Areas, which is hedging about half its annual production at its South Shaft.

But industry sources foresee a greater use of the facility if the gold price falls further.

QUARTERLY FINANCIAL MINING FIGURES (R MILLION)

MINING HOUSES	COSTS		TAX		TAXED PROFITS		CAPEX		PROFITS AFTER TAX & CAPEX	
	MARCH	JUNE	MARCH	JUNE	MARCH	JUNE	MARCH	JUNE	MARCH	JUNE
ANGLO	1 587	1 585	56	17	444	334	257	282	187	52
GENCOR	503	510	93	62	123	108	27	40	96	58
GFSA	548	575	133	36	253	272	159	239	94	33
ANGLOVAAL	248	253	79	46	63	52	9	14	54	38
RAND MINES	395	399	5	5	11	(17)	18	21	(7)	(38)
JCI	322	327	5	4	25	(21)	29	47	(4)	(68)
TOTAL	3 603	3 649	371	170	919	728	499	643	420	75

Gold producers' costs up 9,1% since January

RIAAN SMIT 214

THE average cost of producing a kilogram of gold at the six big mining houses increased 9,1% during the first six months of this year, while their average gross profit dropped 53% from R7 200/kg to R3 400/kg.

During the same period Chamber of Mines gold mine members reduced their unskilled and semi-skilled workforce by 33 000, while a further 12 000 jobs were likely to be cut this month, a Chamber spokesman said. B Day 23/7/90

Eleven of the "big six" mines produced just less than 50 tons of gold at a loss before capex. If capex was added, Anglo American's Freegold swelled the number to 12.

Average cost a kilogram of the big six, excluding Anglo's Ergo and Gold Fields' Vlakfontein, increased from R25 755 during the December quarter to R28 094 in the June quarter. With an average gold price of R32 955/kg for the December quarter and the cost a kilogram of R25 755 the gross profit margin was R7 200.

This shrank to R3 400 with an average June quarter gold price of about R31 500 and cost a kilogram of R28 094.

The worst performing mines included three of Gold Fields. Venterspost's cost a kilogram increased from R32 569 in the December quarter to R38 234 during the June quarter. Similarly, Libanon's cost increased from R31 958 to R34 637 and Doornfontein from R30 800 to R32 963.

Per kilogram cost of Gold Fields' low cost producer Kloof increased 24,6% from R14 789 to R18 429, but Driefontein's, after a R435/kg drop in cost from the March to the June quarter, is now only 3,9% above its December quarter level of R16 558.

Anglo's Elandsrand reduced its cost a kilogram by more than R2 000/kg from the March to the June quarter.

Chamber spokesman Peter Bunkell said on Friday the Chamber's member gold mines employed 425 000 unskilled and semi-skilled workers at the end of June, against an average of 458 137 for last year. The number of skilled workers remained more or less constant at 45 000

A further reduction of 12 200 jobs was likely this month in the light of announcements by JCI's Western Areas and negotiations at Anglo's Freegold, near Welkom

Mines take drastic steps as earnings keep falling

Argus 23/7/90

2/14

From SVEN LUNSCHE

JOHANNESBURG — Mining houses are taking drastic steps to avoid a continued slump in earnings at their gold mines as prospects for a marked recovery in the gold price remain dim

Provisional calculations show the combined bottom-line earnings of gold mines in the stables of the six major mining houses slumped by more than 80 percent in the June quarter

The decline has been partially blamed on factors such as scattered industrial unrest and production losses in the wake of the Welkom tornado and underground fires

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Production levels were however barely affected Gold produced fell by only 340kg to 145 750kg, while the grade held steady at just under 5 grams a ton milled

The industry seems to have brought its costs under control, with total costs over the three months rising by 1,3 percent to R3,65 billion (R3,6 billion)

Nevertheless further cost-cutting measures will be applied over the next few months as the gold price shows no signs of a quick and stable recovery.

The cost-cutting measures have taken on an even greater urgency at marginal mines because assistance has been virtually ruled out by the recent findings of the Marais Committee into state aid for these mines

Hardest hit by cost-cutting measures will be the industry's 500 000 workers This level is already about 100 000 down on the total workforce at the beginning of last year the US Masters as well ”

imagining seeing

name right up there on top

Star 23/7/90

214

Robbers shoot own man

Four armed men made off with R80 000 and accidentally shot one of their own gang members after holding up a West Rand Consolidated Mine hostel manager yesterday

A West Rand police spokesman said a Mr Burger of Greenhills, Randfontein, was on duty at the South Shaft hostel when the gang entered. They demanded money and ordered Mr Burger to open the safe after threatening to kill him

While they were taking the money, an AK-47 rifle handled by one of the gang went off, injuring a gang member.

The gang, including the injured man, fled in a beige Cortina bakkie. — West Rand Bureau.

214

Gold price up, dollar falls hard

Star 24/7/90

Finance Staff

The gold price jumped $7,50 last night to a two-month high of $368,75 an ounce At the same time, American share prices and the exchange rate of the US dollar fell sharply

In Hong Kong this morning gold continued its upward trend, trading at just over $369 at noon

The reason for all these developments is believed to be growing fears that the US economy is heading for a recession

American investors were heavy sellers on the New York Stock Exchange in the first hour of trading and the Dow Jones 30-share average dropped nearly 110 points At the close the drop had been reduced to 56 points.

Gold closed in London at $368,15, a gain of $6,90 from Friday's close and its highest price since May 22. It also marks a recovery of more than $22 from its June 14 low of $345,85

However, for the South African gold mining industry the recovery in the gold price was marred slightly by the renewed firmness of the rand. The currency reached R2,6155 to the dollar last night, its strongest rate since early February

As a result, the rand price of gold did not fully reflect the increase in the dollar price of the metal. The local price rose from R946,79 an ounce on Friday to R962,89 last night

The firmer gold price lifted the all-gold index on the JSE by 31 points to 1532 and the overall index by 41 points to 3086, with further gains expected this morning.

● Wall Street tumbles
— Page 21

Minorco has cash to spend

NEIL YORKE SMITH

MINORCO has good long term potential with its dominant feature being its substantial asset base, largely represented by cash holdings, according to Davis Borkum Hare analyst Trixie Ingram

At R62,25 a share, Minorco's market capitalisation is R10,6bn. Net asset value is R80,75 so the shares trade at a 23% discount

At these levels, Minorco's cash holdings of $1,83bn represent more than 70% of the share price and about 53% of net asset value

Anglo American and De Beers Centenary AG retain firm control, holding 39,1% and 21% of Minorco's equity respectively

Luxembourg-based Minorco has stressed it wants to move away from being an investment holding company and get involved in hands-on management of operating companies in the natural resources business.

Chairman Julian Ogilvie Thompson said recently the group would reduce its cash holdings over the next two to three years, investing in mining and processing acquisitions.

"Everything depends on how and when Minorco spends its money," Ingram says

Most of the cash on hand is invested in dollar-denominated instruments yielding 9%-10% a year

(214)

Anglo's new offshore arm, AEH, is likely to focus on the European market, with Minorco concentrating on North America, according to Ingram

Colorado-based Minorco (USA) was recently formed to house all Minorco's North American assets

Besides its huge cash pile, Minorco is heavily invested in US mining-related groups It recently acquired Freeport McMoran Gold (FMG) for $700m, and renamed it Independence Mining.

It has investments worth $308m in Charter Consolidated (36%), $305m in Engelhard Corp (30%), $177m in Adobe Resources (49%), and $172m in Inspiration Resources (56%)

The book value of its investments in Freeport Gold and Anglo American South America (21%) and Eastern Investments (21%) totals $585m

Call to promote new gold mines

CMT 7/4/3 25/7/90

214

By ARI JACOBSON

THE government's decision to support the gold mining industry by devaluing the rand prevented the rationalisation process from taking place sooner, said Gengold's MD Gary Maude this week

Speaking at the group's mine quarterly presentation in Cape Town, Maude said decreasing gold production worldwide, last year, would have lifted the gold price in six months as all gold producers were suffering the consequences of the lower gold price

He said a 50-ton cutback in local gold production and an additional 50 to 100 tons withheld by overseas producers, was sufficient to affect the gold price.

"Instead, SA embarked on a subsidisation plan for the gold mines which saw the rand devalue to counter the fall in the gold price"

The profit motive was forsaken in the quest to generate much needed foreign currency, he said

"A stand should have been taken last year with gold sales being held back at unprofitable prices This would have created a much stronger connection between quantities produced and profitability"

He said devaluing the currency merely imported inflation and postponed the required stringent process of rationalisation for the mines

Another off-shoot of this exchange rate policy was that the cost of imported capital expenditure had grown faster than the inflation rate

"This hindered the process of developing new mines"

The business strategy of Gengold over the tumultuous last two years, has been to plan each year, by adopting a worst case scenario for the yellow metal

This entailed select and cost effective mining procedures to boost efficiency He mentioned the slicing of the staff component from 94 000 in June 1988 to 71 000 in June 1990 in line with this thinking

"The philosophy of the group has been to contemplate closing a marginal mine, like Stilfontein, with a loss-making position for three consecutive months

"But the surplus cashflow of this particular mine helped by the cash in its uranium processor subsidiary Chemwes allowed this decision to be prolonged

"Also the poor payout to shareholders on closure, provided an added incentive to search for patches of value and other areas of potential profits, such as the uranium market"

Besides this, said Maude, a mine breaking-even is an essential contributor to the general health of the country through employment and expenditure demands on the economy

He said the government should focus on promoting new mines which were profitable at a low gold price He pointed to Oryx the group's burgeoning mine able to produce gold at $220 an ounce

"This meant dropping ring fencing and off-setting capital expenditure from the start of construction against the taxable profits of old mines From a business perspective the long-run benefits to the state will far outweigh the short-run tax losses"

Gold price rises to two-month high

Star 26/7/90 (214)

By Derek Tommey

The gold price continued to gladden the hearts of gold bugs last night, rising more than $5 to reach $373,25 at the close of London trading — its highest level since May 22

However, it fell back slightly in the Far East this morning when it opened in Hong Kong at $371,10

Gold has been rising strongly since the weekend Since Saturday it has gained more than $12

The mining industry will be grateful for the improvement.

When gold hit its 1990 low of $346,90 on June 20 the mines were receiving only R29 740 a kilogram.

Now they will be getting R31 300 a kilogram — around five percent more.

However, the gold price has some way to go before it matches the average of R33 500 a kilogram received by the mines in the first quarter of this year

Gold dealers last night would not make any forecasts about the future of the gold price.

They said the market was nervous and that trading was mainly professional

They were uncertain about the cause of the rise in the price. But they said there were rumours that the Middle East had become a gold buyer.

This reversal is likely to cause hollow laughter in some dealing rooms

Heavy Middle East selling earlier this year is blamed for much of the bullion market's present uncertainty

Dealers in New York believe the prospect of lower interest rates in the United States could have triggered the latest wave of buying

Many economists in the US maintain that the gold price is determined by changes in American interest rates.

But they think the prospect of Iraq forcing Middle East oil producers to curb production in a bid to push up the oil price could also be behind the firmer gold price.

A higher oil price could trigger worldwide inflation and set off renewed investment demand for hard assets

While the South African authorities would like to see a higher gold price, they would not be too happy with a higher oil price because that could undermine their anti-inflation policy

The rise in the gold price inevitably boosted gold share prices on the JSE The all-gold index gained 3,7 percent to 1 605, lifting the overall index by two percent to 3 170.

The change in dealers' sentiment was also reflected in the value of shares traded, which rose from R78 million on Tuesday to R128 million yesterday.

Moscow in $5-bn deal with De Beers

Star 26/7/90

214

De Beers yesterday advanced a $1 billion loan to the Soviet Union's diamond industry.

The Soviet Union's diamond stockpile will be shipped from the Moscow State Treasury to De Beers' Central Selling Organisation (CSO) in London to be held as collateral for the loan

The Soviet Union, the world's second-largest diamond producer in value terms, has also signed an agreement, estimated to be worth $5 billion, to sell its rough gem diamonds exclusively for the next five years through the CSO.

The CSO has continued to market Soviet diamonds, which have reached it through a tortuous trail of intermediaries since their previous direct marketing agreement was ended for political reasons in 1963.

The deal will enable De Beers, which already accounts for more than 80 percent of world trade in rough diamonds and is the world's biggest miner, to deal directly with the Soviet Union and therefore further tighten its grip on the market.

Nicholas Oppenheimer, chairman of the CSO, says: At a time of considerable financial strain, the Soviet Union has been able to raise a loan of $1 billion, while signing a contract with De Beers which assures the Soviet Union of a steady and predictable flow of funds from its diamonds for the next five years."

Gary Ralfe, a De Beers director, says repayments on the loan will start in November and attract a commercial rate of interest, but won't give details.

De Beers found the cash from its own resources and borrowing facilities already in place.

It is already structured to absorb heavy swings in its cash flow as it buys and sells about $4 billion of diamonds a year.

The group is heavily under-geared (the last balance sheet showed $1,7 billion in cash) and certainly has no need to turn to its shareholders for more money.

Mr Ralfe says the changes made by his group in May, which split the company and placed the non-South African operations into De Beers Centenary, a Swiss subsidiary, was an important factor in the deal because the Soviet Union's contract was with the Swiss company.

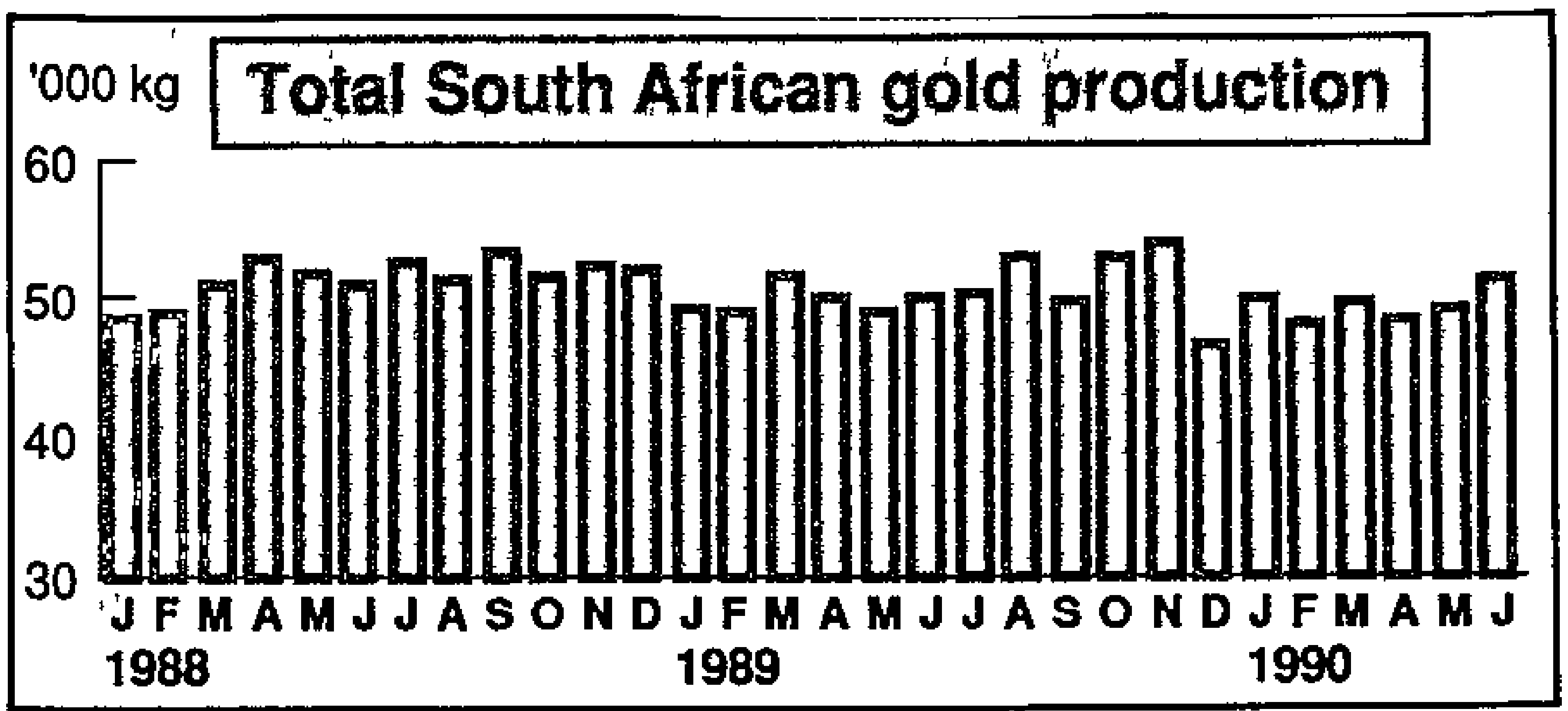
On the Soviet side, it was signed by Glavalmazzoloto, the precious metals and diamonds organisation.

Although not formally stated, it is implied that the $1 billion will go to help finance the further development of the Soviet Union's diamond industry, based in northern Siberia, Mr Ralfe says.

He does not expect the Soviet stockpile to be returned to Moscow

If the diamond market develops as De Beers hopes, the stones will be sold by the CSO over the next five years. — Financial Times

● De Beers shares have risen strongly in the past few days. They have gained almost R7 since the weekened to close at R97 last night



Graphic FIONA KRISCH Source CHAMBER OF MINES

(214) BDay 27/7/90

South African gold output rose again in June to 51 497kg from 49 224kg in May and 48 422kg in April, Chamber of Mines official figures released this week show. A total of 297 369kg have been produced in the first six months of this year, which is slightly lower than the 299 409 kg produced during the first half of last year.

Mining shares drift down as gold slips

MERVYN HARRIS

MINING shares drifted lower on Diagonal Street yesterday as gold failed to hold on to the $370 level, but industrial and financial shares maintained their firm undertone.

Gold eased $4 to close in Zurich at $368,50 but traders noted that good industrial demand held out the possibility that any further weakness would be blunted by physical buying, Reuters reports

In New York gold followed the softer trend, closing at $368,95, $2,40 down from its Wednesday close of $371,55.

De Beers remained the major focus of attention on the JSE after news of a deal to lend the Soviets $1bn and obtain exclusive rights to sell rough diamonds for five years

Profit taking and the easier gold price took the shares off the day's highs for the price to close 75c lower at R96,50 but a weaker finrand limited its downside.

The JSE overall index ended 17 points off to 3 153 as the all gold index slipped 29 points to 1 576 while the industrial index firmed five points to 3 018

BDay 27/7/90

Gold price slips back as institutions take profits

Star 27/7/90 (214)

Finance Staff

Gold share prices on the JSE slipped moderately yesterday as the gold price failed to maintain its level of $372 yesterday

Gold eased by $4 in London yesterday to close at $368,75 from Wednesday's close of $372,75 amid profit-taking by institutional investors, some selling by the Brazilian central bank and a firmer dollar

In Hong Kong this morning gold opened $2,55 down at $368,55

On the JSE the gold share index slipped back by 29 points to 1576 yesterday after rising by 3,7 percent on Wednesday, while the overall index closed 17 points lower at 3153

The gold price also came under pressure from a firmer US dollar, which rose against most other major currencies in Europe yesterday, helped largely by weakness in the yen

The dollar was bolstered by yen selling which began earlier in Tokyo yesterday and continued on the exchange market this morning, Sapa-AP reports

The American currency closed 0,64 yen up at 150,75 yen today. However, the yen fell not only against the dollar, but against European currencies as well, dealers said

Harmony mine recognises NUM

[redacted] 214

Star
27/7/90

By Guy Jepson

The National Union of Mineworkers (NUM) has won recognition for the first time at the Harmony Gold Mine in Virginia

In terms of a negotiation agreement finalised yesterday between NUM officials, the Rand Mines group and the mine's management, NUM members at the mine will also receive salary increases of between 14½ and 17 percent

The union had rejected a 13½ percent increase, "implemented unilaterally" by management at the end of June, NUM offical Martin Nicol said.

"The union has striven for many years for recognition against management's unwillingness to recognise its role," Mr Nicol said

The increases negotiated yesterday were in line with salary rises in the rest of the gold mining industry and were "fair" in the light of the difficulties the industry was facing, he said

The managing director of the Harmony Gold Mine, Michael Watson, confirmed that a settlement had been reached "along the lines of the settlement reached between the Chamber of Mines and the NUM"

Smaller gold mines in fight for survival

(214) Star 27/7/90

By Derek Tommey

The large gold mines are not alone in being in serious difficulties as a result of the depressed gold price Several smaller gold mines are also fighting for their lives

This is reflected in the announcements by the Severin Group that it is retrenching about 1000 workers in a bid to curb losses at Rand Leases and Eersteling, and by Consolidated Modder that it has started a rationalisation programme to reduce costs

The serious situation in which the smaller mines are finding themselves in highlighted in their June quarterly reports.

Depressed result

Of the seven "smaller" mines reporting, one (Rand Leases) has increased its loss, three (Osprey, Consolidated Modder, and Eeersteling) have moved from profit to loss, one (South Roodepoort) reports a sharp drop in profits, one (Modder B) a small drop in profits and one (Gazgold) an increase in profits — but from a depressed March result

The feature of the Golden Dumps group mining quarterlies issued today was the relatively small drop in profits at **Modder B Gold Holdings.**

Its production figures shows the mine tried hard to maintain profits The milling rate was increased from 8 073 tons in the March quarter to 9 230 tons in the June quarter resulting in the amount of gold recovered jumping from 46,7kg to 53,1kg

But the drop in the gold price limited the rise in revenue from R1 559 000 to R1 652 000 which was not enough to offset the increase in working costs As a result the operating profit dropped from R320 245 to R290 666 After paying R114 169 (March quarter R113 136) in interest on the R1 852 000 debt, net profit before tax was R176 497 - down from R207 109 in the March quarter

Another Golden Dumps' mine, **South Roodepoort**, also reported a profit — but much lower than last quarter Net profit before tax slumped from R1 072 000 to R94 000 and after capital expenditure of R117 000 (March: nil) the mine had a loss of R23 000.

South Roodepoort was another mine that tried hard to overcome its unfavourable environment and pushed up its gold production from 308,5kg to 338,7kg But again the drop in the gold price restricted the growth in income This grew by R283 000 to R10 454 000 This was not enough to offset the R1 269 000 jump in expenditure to R10 225 000 and working profit tumbled from R1 216 000 to R229 000 Interest payments on the R995 000 debt further reduced the profit.

Working costs

Consolidated Modder increased its milling rate, but a significant drop in the average yield from 4,89g/t in March to 3,68 g/t on the June quarter and a drop in the gold price resulted in revenue falling from R20,8 million to R15,5 million

Working costs rose from R17,4 million to R18,7 million, partly as a result of a R1,3 million non-recurring payment and the profit of R3,4 million in the March quarter was replaced by a loss of R3,6 million in the June quarter Net interest took another R2,88 million (R2,16 million) increasing the loss to R6,46 million against a profit of R1,5 million in the March quarter

Severin is another group confronting major problems A sharp drop in production at **Rand Leases** caused revenue to fall But owing to heavy retrenchment payments operating costs were only trimmed

The result was that the working loss jumped from R1 6 million in the March quarter to R3,2 million in the June quarter. The payment of R1,2 million in interest pushed the total loss for the quarter to R4,5 million

The drop in production reflected a change in the mine's management philosophy from increasing production to maintaining an economical tonnage of 12 000 tons a month, says a director, Mrs F Severin

Altogether the the mine is laying off about 600 workers

Interest payments

The results should improve rapidly, says Mrs Severin adding that accumulated interest payments have doubled the mine's debt in the past five years Plans are being considered to remove all the debt in the near future This could be through a rights issue with Severin capitalising its entire loan to Rand Leases

She says that shareholders were warned recently to exercise caution in dealing in their shares and this situation still holds

Eersteling, the other mine in the Severin group, swung from a profit of R10 000 in the March quarter to a loss of R1 360 000 in the June quarter

One reason was the drop in the grades in the payshoots which is common in greenstone ore However, the average grade for the year has matched the predicted grade, says Mrs Severin

Another reason was an illegal two-week strike which badly affected production for a month This led to the dismissal of the entire underground workforce.

Eersteling is also to reduce milling to 12 000 tons a month and this has resulted in the retrenchment of 400 employees Capital expenditure has been limited to underground development

Soviet deal tightens De Beers market grip

214 Star 27/7/90

By Sven Lunsche

Over the last few months the market has been rife with rumours that De Beers was losing its grip on the diamond market, which it has controlled with remarkable success for over 50 years

But this week De Beers silenced critics by entering into a multi-billion-dollar agreement with the Soviet Union that firmly re-establishes its virtual monopoly of the market

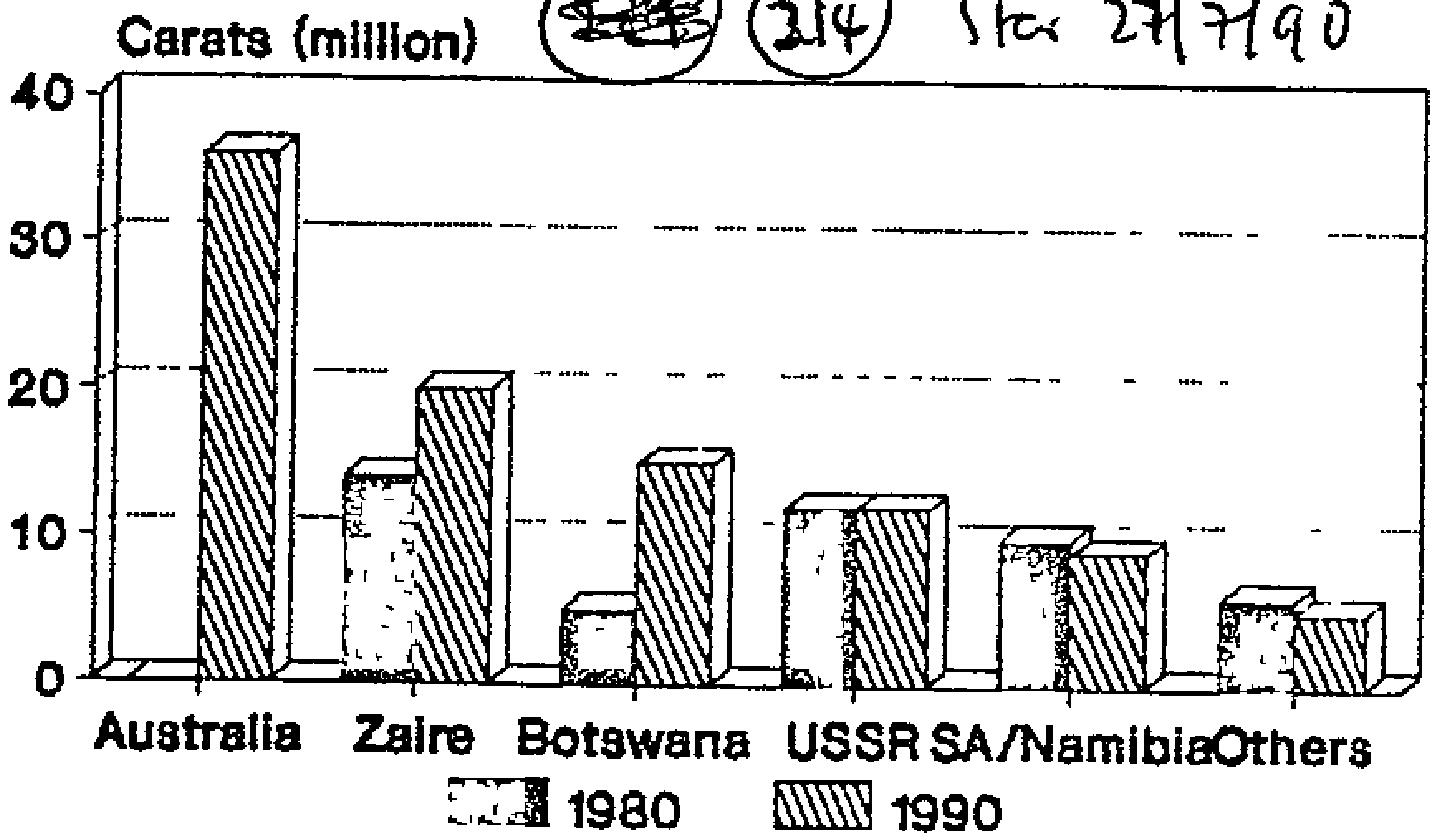
Analysts say that at the same time De Beers is doing more to help the Soviet Union overcome its shortage of hard currency than any country or financial institution

In terms of the agreement, De Beers Centenary will lend $1 billion to the Soviet Union's diamond industry in exchange for the exclusive rights to sell its rough diamond exports, valued at over $5 billion, over the next five years

Swiss-based De Beers Centenary controls De Beers' non-South African interests, including the Central Selling Organisation (CSO), which markets roughly 80 percent of the world's diamonds

The CSO buys and sells gemstones from its own mines, but mainly those from producers such as Australia, Botswana, Angola, Namibia, Zaire and the Soviet Union

Although De Beers' mines produce only about 25 percent of the world's rough and industrial diamonds, it has been labelled the most succesful corporate monopoly, given its success in controlling the retail market



Producer share of annual world diamond production

But cracks appeared in the foundations of the empire this year, with producer members of its international diamond cartel demanding better supply contracts

There have been grumblings, in particular in Botswana and Australia, blaming De Beers for deteriorating sales as hefty price increases over the last 18 months have met with resistance from diamond cutters

In Botswana the misgivings concern the sole diamond producer, Debswana — an equal partnership between the government and De Beers

Some observers believe the government wants a better deal when the agreement is re-negotiated later this year

There is talk of a local marketing board and in an unusual step De Beers last week dismissed as pure conjecture rumours that a US diamond firm might be seeking to woo Botswana away from the CSO

Australia's Argyle mine, which is responsible for 35 percent of the world's diamond production, is moving towards greater independence, which it willassert when the current contract expires next year

Already the mine sells 20 percent of its own production through its own sales office in Antwerp

De Beers has been worried that the Soviet Union and other producing nations are selling increasing amounts of diamonds outside the cartel

But as De Beers enters into negotiations for new sales contracts with Botswana and Australia, so the Soviet agreement will be a powerful incentive for other members to toe the line

"The fact that the Soviets have become an official member of the cartel will go some way in convincing other producers that De Beers is too powerful a force to deal with," says a dealer

The CSO has continued to market Soviet diamonds in the past, although the previous direct marketing agreement was ended for political reasons in 1963

The deal with the Soviet Union's diamond organisation Glavalmazzoloto goes a great way to ensuring the stability of the diamond price

"There was always a nightmare for the CSO that the Soviet Union would flood the market," a London analyst told the Star Bureau yesterday

"There is, of course, a practical difference between rough diamonds and gemstones, and the Soviet Union has long been stronger in the former than the latter

"But the danger nevertheless remained That is now gone," he said

Production and marketing data on Soviet diamond production remains an impenetrable secret

The CSO's estimate that the Soviets produce 12 million carats a year, or 13 percent of world output is conservative

The major source of production is northern Siberia, which contains at least 12 kimberlite regions, according to a recent survey by London brokers Warburg Securities

Although not formally stated, the CSO believes the $1 billion loan will go to helping finance the further development of the mines

The deal obviously suits the Soviet Union, which is strapped for foreign exchange at a time of major economic upheaval.

Early last month Viktor Gerashchenko, chairman of the state bank, said the Soviet Union would sell and deposit gold and other commodities as collateral to raise $2,5 billion, Reuter reports

The Soviets have been forced into commodity-for-foreign-exchange swaps because delays in payments to German, Japanese, Scandanavian, Australian, New Zealand and other Western suppliers are discouraging bankers from lending to the Soviet Union

About 200 to 300 tons of gold have been deposited as collateral with Western banks, dealers estimate

This gold has been swapped for foreign exchange, they say

SA gold mining policy attacked

B Day 27/7/90 (214)

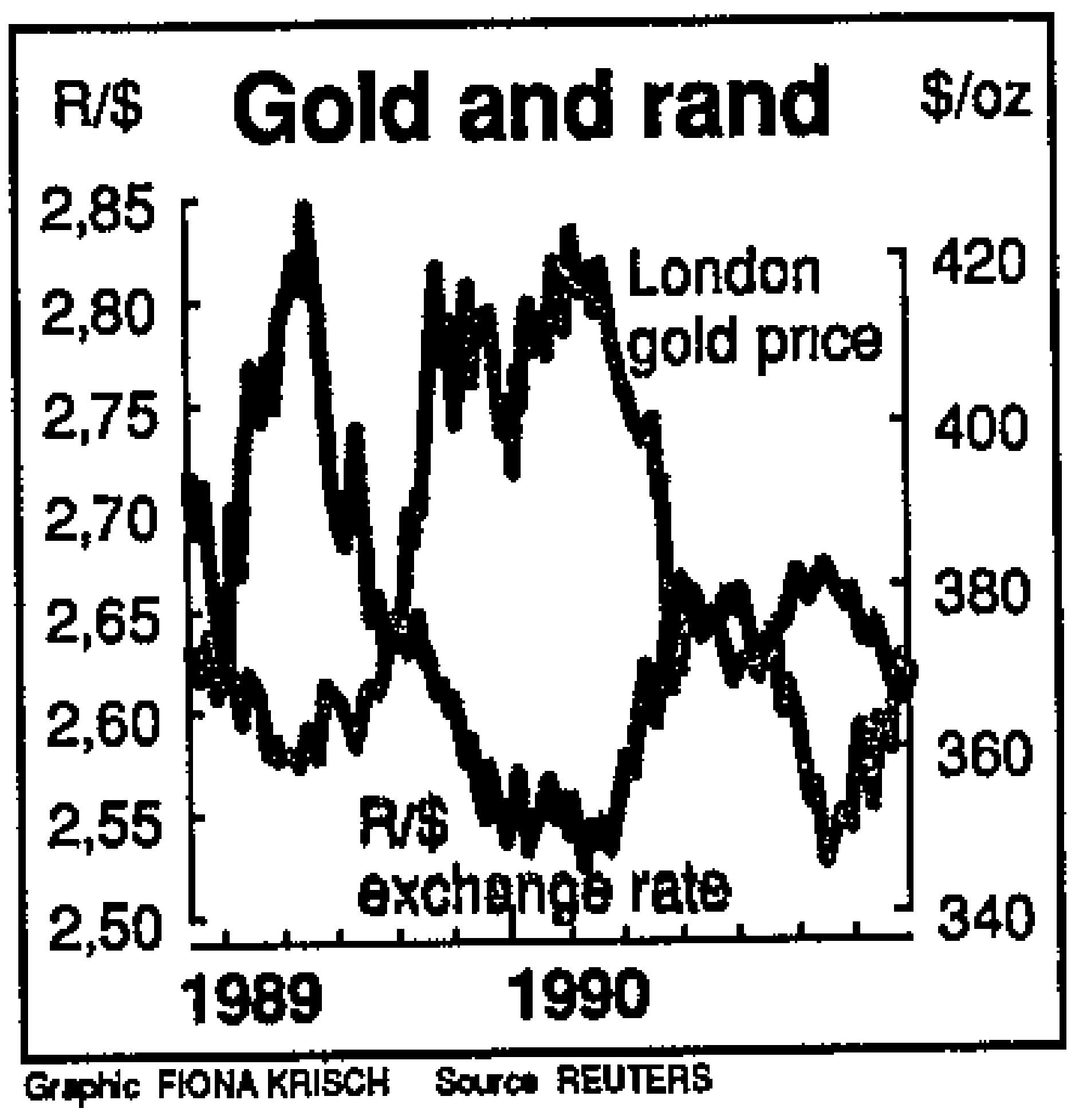
LESLEY LAMBERT

CAPE TOWN — The gold price and the rand would have been stronger now if government had forced gold mines to rationalise last year, rather than rely on rand devaluation as a support measure, says Gengold MD Gary Maude

The gold price, which fell by $4 an ounce to close at $368,75 an ounce yesterday, would have to increase by another $100/oz to get back on its long-term trend line, Maud said.

Referring to the tough new line on financial assistance to gold mines recommended by the Marais Committee earlier this month, he said that stricter control of support measures last year would have hastened the critical rationalisation process which the mines were having to undergo at present

If the current "crisis" in the industry had happened a year ago, the chances of recovery would have been stronger as a worldwide decrease in gold production would have lifted the gold price in about six months. The effects of a 50-ton cutback in local gold production, coupled with the 50 to 100 tons withheld by foreign producers, would have been enough to boost the price, Maude told mining analysts at a presentation in Cape Town this week



Graphic FIONA KRISCH Source REUTERS

But, the authorities chose rather to embark on a subsidisation plan for the gold mines and the rand was devalued to counter the fall in the gold price As a result, sales were made at unprofitably low prices as producers clamoured to generate valuable foreign exchange

Another effect of the devalued rand, said

☐ To Page 2

Mining policy

B Day 27/7/90 (214)

☐ From Page 1

Maude, was that it imported inflation by pushing the cost of imported capital goods to rates above domestic inflation However, it was hoped that this effect would be reduced this year by the financial authorities' strong commitment to beating inflation

Maude said local producers would have to increase their supply of gold as they were producing the same quantities this year as last year, at lower prices The need to increase supply was being taken more seriously now that the rationalisation was under way

He urged government to remove tax measures which were inhibiting the development of new mines as these were crucial to a healthier and more internationally competitive industry Of the tax measures, ring fencing was most restrictive

The long-term benefits to the economy of promoting new mines would outweigh the losses in tax revenue if the authorities were to make the necessary alterations to mining tax Output would increase and new jobs would be created

WESTERN AREAS FM 27/7/90

Profit plan

(214)

Rationalisation at Western Areas was surely long overdue Apart from a minimal profit in the December 1989 quarter, the mine has made an operating loss since the September quarter of 1988 and dividends have not been paid since December 1986

Gold output is to be reduced by some 40% through closure of most of the operating sections at North shaft, only the stoping operations on the Middle Elsburgs will continue, at 40 000 t/month Output from the South shaft is "being achieved on a profitable basis" and will remain at normal levels In the year to end-June, the mine produced 14,75 t of gold, but the loss in production that will result from this move should amount to 6 t/year

Some 4 400 employees will become redundant in the scaling down, about 40% of the current complement Not all will be retrenched, as JCI will seek to find them alternative employment in the group

Western Areas is also selling its 41% interest in the South Deep prospect, which management claims "probably represents the largest and most important known and delineated orebody remaining to be exploited anywhere in the world" It must hurt to sell something so promising and clearly this was not a decision taken lightly

The value of South Deep is subject to much debate Western Areas would like to receive enough funds to be in a position to at least pay off its short-term debt of R95,9m, cover retrenchment expenses (somewhere between R7m and R10m) and other costs, including certain capex Ideally, Western Areas would like the venture to fetch R130m, but nothing has been finalised The sale will be made through an offer to existing Western Areas shareholders on a pro rata basis for shares in a new listed company.

Significantly, the cash injection will reduce the interest burden In the year to end-June, interest payments of R16m all but wiped out the profit from uranium sales

In a further cost-cutting measure, manager JCI has agreed to defer payment for its wide range of management services until the mine is again operating profitably "At this

FM 27/7/90 (214)

stage," states chairman Kennedy Maxwell, "the benefit cannot be quantified, but an estimate will be given in the document to shareholders"

Half the current year's gold production has been sold forward through the Reserve Bank at a price of R33 114/kg Maxwell says the mine will at least break even at this price and will possibly make a marginal profit, "though it will still depend on how the overheads fall once the North shaft has been closed"

Though the mine is not expecting to make much in the way of profits in the short term, this seems the best solution available Losses will be halted and reopening of the North shaft will be possible at short notice should the gold price rebound Shareholders will still be able to get into the South Deep prospect and certainly at a cheaper price now than would be the case in a few years' time

Gillian Findlay

GOLD PRODUCERS FM 27/7/90

Tackling the cost spiral

(214)

Thousands of jobs are now being lost on the gold mines But how far can the cost cuts go before the gains are again overtaken by inflation? That is a central question facing investors, who are looking at a static gold price, thinner profit margins and, in many cases, dwindling dividend prospects

Cost-cutting programmes are now being pushed through forcefully and virtually all the mining houses are retrenching workers on a large scale On the whole, the mines are now showing benefits of these cutbacks, with many producers this quarter reporting working costs which are lower or rising at rates below inflation

For many the belt squeezing will last for some time The extent of the cost curbs that could realistically be expected varies between mines, but there is a move towards a more creative approach Rather than simply seeing the whole exercise in terms of bringing working cost escalations closer to the inflation rate, some mining houses are trying to reshape the cost structure

If that can be made to work, the benefits will continue for longer than some analysts think Gengold head Gary Maud, for example, says the Gencor mines are more flexible than before and will continue to act quickly in response to price changes

"We are past the point where we retrench a lot of people and then stop," says Maude "Each mine's payable stopes face changes from week to week and, during the past half year, we have been responding to the average price over the previous two to three weeks A year ago, we said we could keep this up for about six months but the managers are finding the tighter they squeeze the more they can do without "

Maud emphasises that while labour makes up about 40% of working costs, the cost-cutting programmes are aimed at reducing the total cost, including fixed costs

At June 30, total employment on Gencor's gold mines had shrunk to 71 087 from 81 359 a year earlier and from 93 775 in mid-1988 A static gold price over the coming year would probably result in retrenchment of a further 10 000 at the group's mines Similarly, Anglo American announced earlier it would eliminate some 7 800 jobs at Freegold and JCI last week announced a cutback of Western Areas' operations, with 4 400 job losses GFSA is taking the same route

Anglo gold division chairman Clem Sunter adds that a tougher line is being taken with suppliers "We think putting pressure on our suppliers is a very good idea," he says "You will see this in the results of some of our suppliers " The houses are also taking greater interest in hedging sales, though the overall hedging activities do not appear to have increased much

Effective as these measures may be, profit margins are unlikely to show any general improvement without a significant price recovery As Maud puts it, the marginal mines are in a survival phase rather than a profit phase But the industry does at last appear to be improving its efficiency and

GOLD QUARTERLIES

	Gold															Profit		
	Produced kg		Working cost R/kg	$/oz*†		Cost incl Capex R/kg	$/oz*†		Revenue R/kg	$/oz†	Milled 000 t*		Recovery g/t*			Gold R'000	Uranium & other R'000	♣EPS(c) Jun
ANGLO AMERICAN																		
Elandsrand	3 521	(3 116)	20 703	245	(277)	29 989	354	(376)	31 304	367	583	(497)	6 0	(6,3)		37 810	−53	4,5
Ergo	2 844	(3 010)							31 667	370	9 460	(9 463)	0,3	(0 3)		18 136		21,9
Freegold	26 327	(27 727)	29 518	349	(344)	32 263	381	(398)	31 501	369	6 439	(6 434)	4 1	(4 3)		52 500	9 500	−16 7
Vaal Reefs	18 008	(17 818)	23 670	280	(291)	29 454	348	(343)	31 422	368	2 700	(2 684)	6 7	(6 6)		148 900	−7 100	176,9
Western Deep	9 589	(9 318)	23 279	275	(288)	31 213	369	(364)	31 301	367	1 616	(1 638)	5,9	(5 7)		75 000	3 600	48,4
ANGLOVAAL																		
ET Cons	938	(867)	18 078	214	(221)	22 924	271	(275)	30 876	365	97	(93)	9 7	(9 3)		12 005	−927	107,0
Hartebeestfontein	7 575	(8 043)	21 751	257	(246)	22 653	268	(252)	31 944	378	1 229	(1 247)	6,2	(6,5)		77 216	9 629	32,0
Loraine	1 801	(1 979)	36 557	432	(397)	37 614	445	(402)	33 089	391	367	(395)	4 9	(5 0)		−6 246	4 598	−18,6
GENGOLD																		
Beatrix	3 271	(3 250)	20 024	237	(238)	‡21 962	260	(256)	31 456	369	528	(524)	6,2	(6 2)		37 584	−10 672	21,7
Bracken	503	(530)	31 604	374	(379)	31 817	376	(351)	31 391	370	133	(140)	3,8	(3 8)		2 163	1 153	12,0
Buffelsfontein	3 596	(3 696)	26 796	317	(324)	27 478	325	(330)	31 253	367	596	(587)	6,0	(6 3)		16 240	3 579	149,2
Grootvlei	667	(662)	33 471	396	(406)	33 684	398	(400)	31 613	372	157	(174)	4 3	(3,8)		−1 198	2 850	11,4
Kinross	3 072	(3 060)	20 343	240	(231)	20 845	246	(239)	32 296	382	501	(518)	6 1	(5 9)		37 588	6 039	88,7
Leslie	578	(736)	31 422	371	(319)	32 173	380	(298)	31 461	370	131	(156)	4,4	(4 7)		1 815	1 023	10,2
St Helena	2 631	(2 620)	28 870	341	(337)	30 022	355	(334)	31 119	369	439	(437)	6,0	(6 0)		6 103	3 733	59 4
Stilfontein	1 100	(1 154)	34 849	412	(409)	35 516	420	(393)	31 292	364	455	(450)	2,4	(2 6)		−3 831	1 650	−12,8
Unisel	1 300	(1 250)	23 189	274	(291)	26 887	318	(329)	31 609	371	218	(212)	6 0	(5 9)		11 367	477	14,8
WR Cons	526	(530)	32 401	383	(390)	31 605	374	(364)	31 258	363	219	(217)	2 4	(2 4)		−567	1 019	9,2
Winkelhaak	3 205	(3 202)	21 012	248	(247)	27 488	325	(324)	32 474	385	516	(540)	6 2	(6,9)		38 216	6 344	93,7
GFSA																		
Deelkraal	2 390,3	(2 421 3)	21 875	259	(249)	31 409	371	(319)	31 614	374	405	(405)	5,9	(6 0)		23 396	4 858	5,8
Doornfontein	1 998,0	(2 052 5)	32 963	390	(359)	38 232	452	(397)	31 396	371	390	(390)	5,1	(5 3)		−3 042	1 310	−32,5
Drie Cons	12 977,1	(12 843 1)	17 555	207	(207)	21 524	254	(246)	31 438	372	2 025	(1 992)	6 4	(6 4)		180 166	15 177	40,2
Kloof	6 276 5	(5 814,0)	18 429	218	(223)	40 057	473	(399)	31 411	371	540	(540)	11 6	(10 8)		81 775	6 085	−16,6
Libanon	1 757,7	(1 749 9)	34 637	409	(412)	37 360	442	(444)	31 444	372	425	(415)	4,1	(4 2)		−5 558	5 980	−18,5
Venterspost	1 376,6	(1 588 5)	38 234	452	(387)	47 965	567	(446)	31 573	373	390	(390)	3 5	(4,1)		−9 126	6 609	−70 0
Vlakfontein	112 0	(141,5)	29 973	354	(424)	27 821	329	(422)	32 891	389	94	(123)	1,2	(1 2)		327	67	6,2
JCI																		
Randfontein	6 956	(6 950)	27 479	325	(336)	31 047	367	(368)	31 227	369	2 307	(2 279)	3 0	(3,1)		25 232	8 173	8,4
Western Areas	3 801	(3 829)	35 708	422	(410)	38 111	450	(421)	31 181	369	858	(865)	4 4	(4 4)		−16 809	−540	−65,7
RAND MINES																		
Blyvoor	2 343	(2 423)	29 365	347	(350)	30 498	360	(353)	31 850	376	579	(603)	3 9	(4,0)		5 822	846	12,0
Durban Deep	973	(948)	30 309	358	(370)	31 533	373	(143)	32 961	390	435	(414)	2 2	(2,3)		2 580	150	66,2
ERPM	1 414	(1 569)	42 873	507	(515)	44 062	521	(515)	31 356	371	589	(704)	2,4	(2,2)		−16 285	−8 463	−158,8
Harmony	7 505	(7 249)	31 980	378	(385)	32 656	386	(392)	31 342	370	2 438	(2 380)	3,1	(3 1)		−4 788	8 248	−19,5

* Figures in parentheses refer to previous quarter † Calculated at R1=$0,38 when dollar figure not given by mine ♣ Earnings after tax and capital expenditure

‡ Cost after capital appropriation

FM 27/7/90 (214)

group will seek to find other employment for them The shaft will be preserved as a ventilation shaft and could be reopened fully should the gold price recover adequately

St Helena continues to hold its recovery grade at 6 g/t, but higher costs and the weaker gold price saw working income more than halved from R15,7m to R6,1m The mine has started exploratory development in the No 10 shaft prospecting area and is also investigating a possible extension to payable areas in the south western portion of the lease area

Unisel has been overcoming its technical problems and management is confident gold output will be lifted back to levels around 1 500 kg a quarter The industrial relation atmosphere at the mine remains tense, though is better than in the past nine to 12 months

Operations remain steady at **Kinross** Cost rose for the quarter, but the mine has benefited from effective year-on-year cost controls, as well as an improvement in grade **Bracken's** remaining life is now reckoned in months Mining will cease when shaft pillars are mined out, probably towards the end of next year Closure is expected a few months later, after the remaining clean-up is completed

Capital spending remains high at the expanding **Winkelhaak,** which maintained capex at R20,8m last quarter, lifting the total to R63,9m for the nine months to end-June, and it is expected that R40m will be spent in the next six months That could imply a dip in distributable earnings, based on the present price, but the recovery grade has increased to 6,2 g/t from 6,0 g/t for the three quarters and could partly offset tax effects of any reduction in capex

Leslie is facing a difficult period while it opens up the northern block, where production is due to start in early 1991 To remain profitable until then, production has been reduced Some setbacks have been encountered with grades, some higher grade areas were mined out and the recovery grade fell last quarter from 4,7 g/t to 4,4 g/t

Less gloomy is **Grootvlei,** which is back in profit after being in the red in the March quarter The mine remains close to breakeven and more production and labour cutbacks are planned — the work force will be cut by about 600 by September, when management will review the position

Rand Mines' major producer, **Harmony,** had a good operational quarter An improvement in tonnage throughput helped keep a tight damper on the unit cost escalation and the recovery grade was maintained Even so, the mine is highly geared to the gold price and swung from an after-tax profit of R17,3m to a loss of R164 000 Capital commitments have dropped to only R1,2m and profit will respond sharply to a price recovery

Troubled **ERPM's** latest quarterly loss of R24,8m lifted the total for the mine's June half-year to R45m, a situation which will not have surprised investors, considering the price weakness and the delays in firming up a rescue programme (*Fox* July 13) **Durban Deep** is now receiving water pumping assistance from the State and made a R2,7m (R2,5m) after-tax profit The mine has maintained its gold hedging programme — 317 kg of gold were sold for the fourth quarter at an average realisable value of R39 165/kg — and the price received for the quarter was only 2,7% lower than in the March quarter

At **Babrook,** operational problems — arising largely from labour unrest — have resulted in further demand for funds By end-June, borrowings amounted to R44,9m, alternative financing options are being considered but meanwhile the two major shareholders are to jointly provide up to R3,5m in interest-free loans **Blyvoor's** recovery grade has again fallen, reflecting the limited life expectancy and the effect was a virtual halving of the profit

At **Hartebeestfontein,** the combination of higher costs and lower production from mining operations and the low-grade gold plant sliced R8,2m off taxed profit Anglovaal's other major producer, **ET Cons,** recovered from the previous quarter's grade problems, gold recovery increased and the mine paid a final dividend of 200c, equal to the interim payout

Loraine, another high-cost producer that has announced a rationalisation programme, slumped to a R1,2m loss after a R4m profit in the March quarter Most of the rationalisation, which includes retrenchment of 600 and reduction in tonnage throughput of about 10% to 12 000 t/month, will take place this quarter, so cost gains may be seen in the December quarter

Andrew McNulty and Jim Jones

NUM GOES FOR THE MINNOWS

24

S/Times 29/7/90

By JULIE WALKER

CONS Modder shares softened on the JSE because of foreign sales on Friday after a strike at the East Rand gold mine

The mine is managed by independent Golden Dumps The National Union of Mineworkers is not recognised at the mine, or at other independently run mines

The wave of strikes in the gold-mining industry in the past few years missed the independents Their labour relations never made the news

Now the NUM says workers are demanding recognition of their union More than 1 500 came out on strike at Cons Modder after 30 drillers were dismissed for demanding bonuses

The strikers want better pay and service increments, and call for improvements in the food and kitchens and the removal of a security gate to allow taxis to drop workers near the hostel gate

The union claims that management has divided workers across tribal lines "to break the strike and dismiss the Xhosa- and Sotho-speaking workers"

Nobody at the mine or the management company was available to comment on Friday

Modder is not the only independent mine to experience difficulties Severin Mining & Development's Rand Leases has reduced tonnage in an effort to make the mine profitable

Severin Mining director Franka Severin says the mine has changed its mining philosophy from increasing tonnage to reducing it to 12 000 tons a month Operations at the KR2 shaft were stopped and 600 miners retrenched Labour unrest is reported to have contributed to loss of production

Rights

Mrs Severin says working costs are falling and the mine is diversifying its activities

Interest has doubled the amount of borrowings at Rand Leases in five years A rights issue is possible, in which the management company would willingly capitalise its loans to the mine

Severin's other gold mine, Eersteling, suffered from lower grades in payshoots in the variable greenstone orebody

It will also mine at 12 000 tons a month, and 400 employees have been retrenched An illegal two-week strike affected a month's production

The two mines suffered large losses because of retrenchments

De Beers-Soviet deal reassures gold market

Star 30/7/90 (214) ([illegible])

By Neil Behrmann

LONDON — The Soviet Union's $1 billion credit from De Beers and a recent $3 billion loan from West Germany have reassured the bullion market.

The reason? The market is no longer fearful that the Soviet Union will be forced to liquidate a part of the estimated 200 to 300 tons of gold it placed with Western banks as collateral

The market was concerned that bankers might be reluctant to roll over the loans known as gold swaps

Since the market was depressed and the loans were negotiated at much higher gold prices, bullion dealers were worried that the USSR might be forced to sell more gold on the open market.

Most of the Soviet gold swaps already in place were negotiated in the first quarter of this year, say bullion dealers

Normally gold swaps avoid the market place and do not have any impact on the price of bullion.

Yet some of the Soviet gold swaps were negotiated at prices of more than $400, say bullion dealers

Since the value of the collateral is much lower, dealers feared that bankers would force the USSR to sell the gold if it could not raise alternative finance to repay its obligations

Meanwhile, the $20 price spurt in recent weeks has boosted the confidence of a bullion market that was shattered by a wave of Saudi Arabian selling

To be sure, the price action in recent days reflects a technical squeeze, says a London bullion manager

Well over 100 tons were sold by the National Commercial Bank of Jeddah in March and the end of May after advice from a very bearish London chartist

But in mid-June when the price briefly fell to $340, Middle Eastern investors were selling short rather than offloading bullion holdings

Gold bounced back swiftly, but when it rallied towards $360, the Saudi Arabians attempted to push it lower with another bear raid

Their speculation has failed and in recent days, frantic short-covering precipitated the spurt over $370

Concerns over Iraq and Kuwait, a higher oil price and a depreciating dollar encouraged other bears to cover and attracted new buying interest

The fundamentals are also more cheerful

Physical demand is improving in the Far East and Middle East

There has been a significant increase in offtake in Hong Kong, Singapore and Tokyo in recent months

"My projected trading range is $350 to $390 in the next two to three months," says Edwin Arnold, metals analyst at Merrill Lynch

When the Italian jewellery industry returns from holiday in mid-August there should be a jump in orders, he says

"We should also see a significant rise in investment and jewellery buying in the Far East from late August onwards," says Mr Arnold.

"It seems that the Chinese astrological signs favour marriage and investment at that time"

ERPM chiefs see light at end of the tunnel

Str 30/7/90

214

By Derek Tommey

ERPM, the troubled gold mine which has been kept going only through the receipt of substantial aid, may have turned the corner.

Chairman Clive Knobbs said at the annual meeting in Johannesburg last week that providing the gold price was maintained and production reached planned levels, he saw no reason why the mine should not be making profits in about two years' time.

Karl Eick, the new MD, was more bullish

He said the rationalisation plan was going well

The mine was operating under budget, he said Even if the mine acheived only its budgeted figures, the rationalisation plan would be successful.

He said grade was up to expectations and that the mine was milling slightly more ore than had been planned

The rationalisation plan requires the mine to mill 71 000 tons of ore a month at an average grade of 5,6 g/t and to mill 85 000 tons from surface dumps

It is also dependent on the mine receiving an average of R30 500/kg for its gold this year and a steady increase in subsequent years (The current gold price is just under R31 000/kg)

Mr Knobbs said the company was considering selling 1 185 hectares of freehold land between Boksburg, Heidelburg and Germiston.

This had been bought in 1983 for sliming. But the reduced milling rate meant the land would not be needed for 10 to 15 years.

A special resolution increasing borrowing powers from R400 million to R500 million was approved with 6,659 million votes in favour, 100 against and 100 abstaining

Gold expected to stay in tight range in short term

B/Day. 30/7/90 (214)

NEW YORK — Despite two sharp rallies in the first four weeks of the third quarter, spot gold prices are expected to maintain a fairly tight range through the beginning of September as the market lapses into the traditionally lethargic summer months, analysts and traders said

A survey of 10 analysts and traders found that most expect a range of $350/oz to $380/oz through to the end of the quarter, although most concur that the bias will be toward the upper end of that range

The predictions range from a low of $352 to a high of $400

The same trading pattern that predominated in spot gold trading during the second quarter is expected to continue through the third quarter, surveyed participants agreed

Intermittent price erosions are expected, but prices will gradually work higher, they said

Spot gold closed up $4,05 at $371,55 above the pyschological resistance level of $370 on July 25, and it ended New York trading on Thursday at $369,25, down $2,30

Gold snapped out of the slow pace that marked the start of the quarter when Federal Reserve chairman Alan Greenspan testified about US monetary policy before the Senate banking committee Spot gold rallied a total of $10,50 that day, July 12, and the following day, a Friday

The catalyst for the gains were said to be Greenspan's remarks that the central bank was ready to ease money, thereby lowering interest rates

Although those gains were erased the first two days of the following week, Baker said the market looked steady and "would continue to bump its way higher"

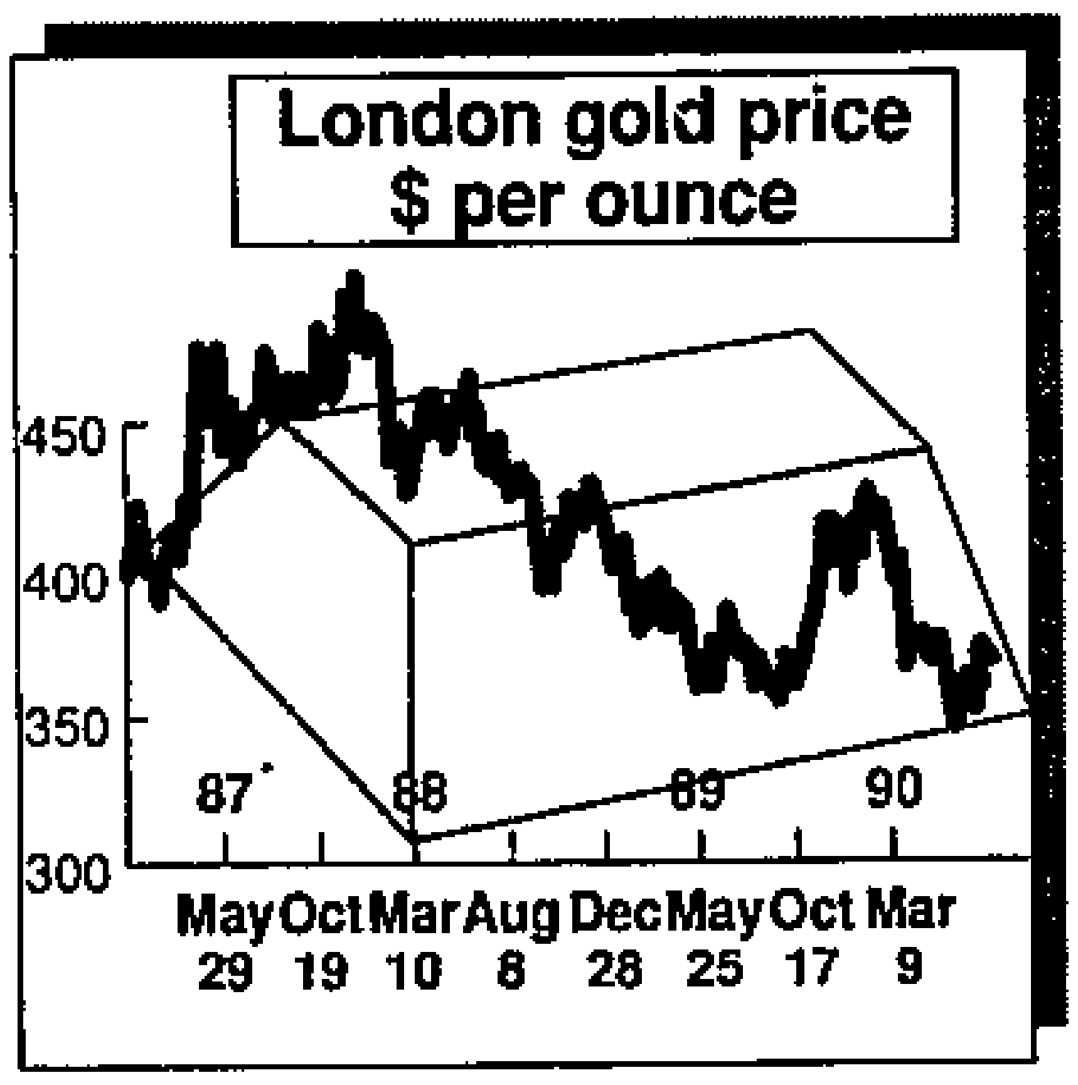
When James Koppel, MD of metals trading at Deak International Trading, was asked what would cause gold prices to move, he said "Any significant movement in gold prices will be dictated by events that can't be predicted"

That remark was borne out July 23

On that day, gold prices soared $7,50 to $368,50 as the Dow Jones Industrial Average (DJIA) closed off 56,44 at 2 904,70

"Developments in SA are potentially very significant — any one development which interrupts supply for any length of time will boost gold prices," said Union Bank of Switzerland's Ken Gettinger

Prudential Bache Metal's Bette Raptopoulos said "The potential for severe disruptions in SA mining operations, either because of labour strikes or the threat of nationalisation of mining operations by the ANC are bullish factors for gold" SA Chamber of Mines president Kennedy Maxwell said in mid-June that it seemed inevitable that SA's gold production would fall to between 580 tons and 600 tons this year, compared with 608 tons last year, unless a dramatic increase in the gold price occurred.



Graphic LEE EMERTON Source JSE

Deak's Koppel said higher pay for unions would mean higher costs overall for the mining industry He said he saw the break-even point for most SA mines at $350/oz to $360/oz

Economist Fred Demler at Painewebber Inc said "Gold prices have stabilised recently and, with the break above $368, traders are more comfortable buying"

Analysts and dealers contacted agreed that the traditional relationship of the US dollar to gold where gains in the dollar usually mean a decline in gold prices and visa versa has not been a consistent focus recently of the gold market "Those looking for a traditional relationship between the gold and the dollar have been burned recently," one trader said

Another said "The investment community has learned to diversify against the decline in the dollar without necessarily turning to gold"

Potential outright sales by the Soviet Union of gold to bolster a flagging economy is a potential bearish factor for prices, traders agree — AP-DJ

ERPM beating its budgets

214

B Day 30/7/90

MANDY JEAN WOODS

RAND Mines' ailing East Rand Proprietary Mine (ERPM) is currently running ahead of budgets presented to the Melamet Commission and is on line to return to profitability within the next two years provided gold prices, grades and costs are in line with forecasts, ERPM chairman Clive Knobbs said on Friday

The mine was threatened with closure earlier this year because of the impact of the lower gold price on its operating costs It successfully appealed for government help At Friday's annual meeting in Johannesburg, ERPM MD Karl Eick said the mine had a very good future.

The financial and rationalisation rescue plan accepted by government, ERPM and its major creditors had been put into place and was going well, he said

The salient features of the plan included concentrating mining activity on high-grade underground sections of the mine and its sand treatment operations, sale of surplus assets, a 50% reduction in Rand Mines' management fee, a R35m loan bearing interest at prime rate by Rand Mines to ERPM, extension of the date of repayment of certain loans, and a guarantee by government to make available R33m after January 1993 only if ERPM needed it to meet deferred interest payments due on a consortium loan

A further R12m — included in the aid package — was required to finish the mine's R300m Far East Vertical (FEV) project which was expected to be completed very soon.

The new sub-vertical shaft — a major aspect of the FEV project — was producing 60 000 tons of ore a month, Eick said

Rand Mines 'has paid out Pouroulis'

214 **ROBERT GENTLE**

MINING entrepreneur Loucas Pouroulis has obtained the R12m owed to him by Rand Mines after the purchase of his ailing Lefkochrysos platinum venture in September 1988, sources close to the deal say

The R12m, the balance of the R138m total consideration, had been held back by Rand Mines on the grounds of alleged material non-disclosure

BDay 30/7/90

The sources said Pouroulis was "very happy with Rand Mines" following the settlement Both Pouroulis and Rand Mines chairman Clive Knobbs said they had no comment to make on the issue

A mining analyst from a leading stockbroking firm said he had heard that, according to the settlement, Pouroulis had received a cash payment of R12m plus interest outstanding — at least R3m

If, as reliable market talk suggests, a settlement has been reached, it will almost certainly fuel further talk of a comeback by Pouroulis, who last week unveiled Goudini Chrome, his latest mining venture

Star 31/7/90

Osprey to open up high yield areas

24

By Derek Tommey

Osprey Gold Mine, one of the smaller mines, has doubled its rate of development in order to open up higher grade areas, says the managing director, Mr R Hodgen.

He also reports that a slimes retreatment operation will start making a contribution to profits, and that arrangements are being made to capitalise the loan of R1 863 000.

This loan rose by R400 000 during the year and interest payments on the loan were R331 786.

Osprey had a profit before tax of R694 416 for the year ended June, a drop of 28,3 percent from the R969 000 earned in the previous year. No tax was paid as Osprey has a tax shield of about R25 million

Costs fell from R5,4 million to R4,4 million, but this was not enough to offset the drop in revenue from R6,4 million to R5,0 million.

In the June quarter Osprey overcame some of its March quarter problems by sharply increasing its yield from 1,68 g/t to 2,36 g/t which helped boost gold production from 29,41kg to 38,99kg. This helped convert a loss of R79 082 in the March quarter into a profit of R272 344 in the June quarter.

Below-average grades persisted on the new developed levels in the June quarter, which has affected the head grade and resulted in a significant drop in the ore reserve values.

Production and mill tonnages in the June quarter were below projected targets owing to labour disruptions and problems with No 7 Shaft.

Capital expenditure dropped from R311 511 in the March quarter to R225 065 in the June quarter.

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Soviets pour gold into London, Zurich

B Day 31/7/90

ZURICH — The Soviet Union, faced with a liquidity crunch, delivered as much as 300 tons of gold to London and Zurich in the first five months of this year, Credit Suisse said yesterday.

That was equal to the Soviet Union's total annual production last year, CS Holding's unit said in its latest quarterly bulletin

"However, a significant portion of the amount delivered probably took the form of swaps for short-term import credits and did not, therefore, come on the market," Credit Suisse said

It also said the long-term outlook for gold remained good

Credit Suisse predicted that the successful restructuring of Eastern European economies would boost the global economy, making gold valued in the form of jewellery and as an investment

The world supply of gold should outstrip demand by 270 tons in 1990 as mining output rises and industrial demand declines, Credit Suisse said

But a drop-off in central bank sales should keep the surplus from widening significantly from 1989, when the oversupply, excluding stockpiles, was 271 tons

"The gold market has again come to be dominated by industrial users and monetary authorities," it said

Credit Suisse predicted that industrial demand would continue to set the tone for gold as high interest rates blocked investor demand for the metal.

Brazil, which mined about 97 tons last year, sold 137 tons between February and the end of June. The Brazilian central bank had also started to buy gold with dollars at market prices to prevent smuggling, Credit Suisse said.

The tumbling gold price pushed many SA mines into the red but output this year could be only about 30 tons lower than last year's 608 tons

GOLD	**1989**	**1990**
Mining output	1 653	1 700
Tons of which SA	608	580
Eastern Bloc output	296	320
Central bank sales	225	50
Scrap	304	300
TOTAL	**2 478**	**2 370**
Industry demand	2 207	2 100
Central bank purchases	0	0
TOTAL	**2 207**	**2 100**
BALANCE	**271**	**270**

Australian production would peak this year at about 200-220 tons, declining to 100 tons annually in reaction to a new tax that will add substantially to mining companies' costs

North American production jumped to almost 418 tons last year from 336 in 1988 as companies turned to cheaper mining of surface and shallow deposits

However, environmental laws would raise North American production costs this decade, it said

"All in all, global mining production looks set to continue to rise during the first half of the current decade, albeit at a more modest pace than in the 1980s," the bulletin forecast

A dearth of investor demand should keep silver under pressure, Credit Suisse believed But platinum had gained from buybacks by SA producers Demand, it said, should remain brisk

No real improvement in palladium prices was foreseen, the bulletin said — Reuter

Star 31/7/90 214

The Star
Finance

Higher costs bring 8 percent drop in Rustenburg's profits

By Sven Lunsche

Not only the gold mining industry is being hit by the higher costs of production

JCI's Rustenburg Platinum, the world's largest platinum mine, reports an eight percent drop in profits as a result of higher cost of sales and rising renewal and replacement charges

Distributable income declined by 7,5 percent from R597 million to R551,3 million in the year to end-June This translated to earnings a share of 440c, against 475c previously

However, the total dividend is up slightly from 300c to 310c with an unchanged final dividend of 185c

Gross sales revenue increased slightly to R2,943 billion (R2,931 billion) as the weaker rand-dollar exchange rate partly offset the generally weaker dollar price received for most platinum group metals during the year.

Earnings from rhodium were higher but the substantial increase in the price of the metal which occured in late June came too late to have an material effedct on the group's results, the directors say.

Costs of sales increased by 12,6 percent to R1,660 billion (R1,475 billion) during the year, leaving profit on metals sales lower at R1,28 billion (R1,46 billion)

Other income rose by R55 million to R182 million (R127 million) resulting in a 7,5 percent decline in operating profits to R1,465 billion (R1,584 billion)

But the results were really hit by a 67 percent surge in the increased renewal and replacement charges to R240 million from R143 million, which the directors say reflected the high costs associated with maintaining ore reserves at increasing depths

Capital spending

In line with the lower profits, provision for tax and leases decreased by 20,3 percent to R670 million (R840 million)

However, total capital spending was raised by R67 billion to R313 million, of which R74 million (R102 million) was for expansion and mining projects

JCI's second platinum mine suffered a similar fate. Lebowa Platimum's taxed profits dropped by 21,5 percent in the year to end-June

Taxed income fell to R18,6 million, compared with R23,6 million in the previous financial year, which translated to earnings a share of 15,5c (19,7c)

A final unchanged dividend of 5c brings the total for the year to 7,5c, also unchanged

Gross sales revenue increased by R9 million to R78 million but the cost of sales rose from R50 million to R60 million.

Non-mining income was also down at R6 million (R12 million), leaving net operating profits lower at R22,8 million, 25,2 percent down from last year's R30,5 million

Taxation fell from R5 million to R1,8 million, largely due to the decrease in non-mining income

Capital spending was reduced sharply from R83,6 million to R34,6 million, most of which — R32,2 million — was spent on the expansion programme at the Atok section of the mine

Talks began early in 1990

(214)

SA's mining houses eye Soviet deals

B Day 1/8/90

ROBERT GENTLE

THE Soviet gold mining industry has approached its SA counterpart about the possibility of transfers of technology, expertise and capital, highly placed mining sources said yesterday.

In return for these transfers SA could gain exclusive rights to selling some of the cash-strapped Soviets' metals, giving the two countries immense clout on the world market

One such agreement was reached last week when Centenary, the Swiss-based twin of diamond giant De Beers, lent the Soviets $1bn in exchange for exclusive marketing rights over their next five years' supply of rough diamonds.

The contacts with the Soviets apparently go back to the beginning of the year and have been both direct and indirect — for example, via enquiries from overseas consultants representing the Soviet mining industry.

They were further nurtured in May at the World Mining Congress held in Beijing, China, where the largest delegations present were from SA and the Soviet Union. They are understood to have got on very well together.

There was no comment yesterday from the Chamber of Mines, which is said to be one of the avenues through which the Soviets are sounding out the SA mining industry.

The big mining houses were reluctant to comment.

"The Russians have been hawking various projects all over the world, and not just SA," said an industry source.

"It's still early days, but we are learning more about each other."

This supports claims made in a recent edition of the Sunday Telegraph in London — and published in today's Business Day — that the Soviets want to open up to 100 mining projects to overseas joint ventures.

Among the specific areas of interest to the Soviet gold mining industry are rock mechanics, metallurgical development, extraction rates, refrigeration at great depths and mine management.

It is commonly acknowledged that SA, which has the world's largest and deepest mines — such as Rustenberg Platinum and Freegold — is a world leader in underground mining technology.

Gold mines in the Soviet Union, though not as deep as SA gold mines, apparently face many of the same problems because of their particular climatic and geological conditions.

A more serious problem faced by the Soviets, highlighted by former US Secretary of State Henry Kissinger at the recent gold conference in Boston, is the lack of technological progress in mining because of years of secrecy.

SA mining technology, on the other hand, has shown a much more satisfactory rate of progress over time because of the free flow of information

Another source, confirming market talk of contact with the Soviets, said: "If there is business to get out there — anywhere — we will go for it."

He said that offshore operations of SA mining conglomerates could greatly facilitate joint mining ventures with the Soviets.

☐ To Page 2

Soviets

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(214)

☐ From Page 1

Examples were Anglovaal's 29,9%-owned Anglo-Pacific Resources (active in Australian gold mining), Gencor's significantly held Sao Bento Gold Mine in Brazil, De Beers' Swiss-based Centenary, and Anglo American's 39%-held mineral resources company Minorco

Analysts canvassed for comment said they were not surprised at talk of contact with the Soviets One ventured that it was merely lifting the veil on discreet contacts that had probably been going on for many years.

● See Page 8

Smaller producers will lead gold growth stakes

B Day 2/8/90

(214)

LONDON — Botswana and Mozambique are the countries expected to show the fastest percentage growth in gold mine output in the five years to 1993 Sharp rises are also expected in Indonesia, Mexico, Ghana, Papua New Guinea and even France

This prediction comes from the Washington-based Gold Institute and International Trade Association which has collated the projections of 206 mining entities in the 57 countries that are mining — or are expected to mine — gold up to 1993

Apart from Papua New Guinea, which is already the eighth-largest gold producer and is expected to see a rise of 65% in output to 1993, rapid growth in the other countries is from a relatively low base

Mozambique, for example, was not expected to mine any gold until this year when 10 000oz should be produced, rising to 39 000oz in 1993 Botswana's 1 000% rise was from 2 000oz last year to an expected 22 000oz in 1993

Indonesia's output is predicted to increase from 148 000oz to 566 000oz over the five-year period, Mexico's from 280 000oz to 449 000, and Ghana's from 411 000oz to 717 000, while France's is forecast to move up from 88 000oz to 115 000oz

Producers expect total output from the world's gold mines to rise by 15,5% in the five years up to and including 1993, from 62 372-million ounces last year to 72 094-million ounces

It is predicted that SA, the biggest producer, will have virtually unchanged output by 1993, 19,48-million ounces compared with 19,49-million last year. Its share of world production will therefore fall from 31,3% to 27%

The Soviet Union, the second-largest producer, is forecast to have only a marginal decline — from 14,9% to 14,6% — as its gold output rises by 13% from an estimated 9,3-million ounces to 10,5-million.

A 35% rise in gold production in China is forecast, taking the total from 2,8-million ounces to 3,8-million in 1993

Over the five years, continued strong production rises from the US, Australia and Canada are expected US output is predicted to climb from 8,33-million ounces to 10,6-million and Canada's from 5,1-million ounces to 6,5-million. — Financial Times

Aussie mines hit by falling gold price

2/8/90

Star

(214)

The Star's Foreign News Service

PERTH — A depressed gold price and rising costs have brought a major shake-up to the gold mines on Kalgoorlie's famous Golden Mile

One of Australia's leading mining companies, Kalgoorlie Consolidated, has retrenched 170 underground workers and 20 surface staff at the Fimiston Deep mine. They are not likely to find similar work in the near future.

It is estimated that their lost wages will cost the local economy at least R300 000 a week

Despite the Golden Mile's impressive production history since 1897, the Kalgoorlie mines have been profitable in only short bursts since the area's initial heyday.

In recent years, Fimiston only made a profit in 1986 after its revival a decade earlier.

With the recent slump in gold prices, annual losses have surged towards an annual rate of R15 million.

Average cash production costs of about R1 000 an ounce this year have offset the gains made through expanded opencast mining.

It is now forecast that Fimiston's underground production will drop to an annual rate of about 65 000 ounces from about 106 000 ounces.

But extra output from opencast mining will more than cover the shortfall

The Emu opencast mine, where six men drowned in a flooding accident in June last year, is being closed because of diminishing ore bodies and rising costs.

Primrose moves into loss

Star 2/8/90 (214)

By Derek Tommey

Primrose Gold Mines says 30 kilograms of gold worth about R1 million was "locked up" in a newly commissioned plant in the June quarter

The non-recovery of the gold resulted in the company showing an operating loss for the quarter of R801 000, against a profit of R404 000 in the March quarter.

Ore milled rose by almost a third from 23 979 tons in March to 31 760 tons in June.

But the yield dropped from 5,68 g/t to 4,28 g/t and gold production remained unchanged at 136kg.

A drop in the gold price resulted in revenue falling from R190,04 a ton milled to R134,19 a ton.

Although working costs dropped from R173,19 to R159,41 a ton milled, this was not enough to prevent the the mine from reporting an operating loss of R25,22 a ton milled, against an operating profit of R16,85 in May

After taking into account sundry revenue, Primrose had a net loss of R446 000 for the quarter (profit of R254 000 in March).

The directors say that all but essential capital expenditure, including the Stanhope development programme, has beencurtailed.

Gold price off peak but oil and dollar soar

3/8/90 214

Finance Staff

The gold price failed to maintain its high levels achieved in the immediate aftermath of Iraq's invasion of Kuwait, declining by more than $10 from the peak of $387 touched in London in early morning trading.

Dealers said profit-taking in late trading was primarily responsible for the fall, which pushed gold down to a close of $379,25 in London — a gain of just $4 from Wednesday. The metal opened at $378,20 today.

The trend was also evident in Hong Kong this morning where the metal opened at $374,90, just 90 US cents up on yesterday's close. Since then, however, it has recovered slightly to $378.

Frankel Kruger Vinderine analyst Keith Bright said today profit-taking on gold was evident when the metal rose above the $380 level. He added that the US dollar seemed to be the main beneficiary of investor nervousness.

Sapa-Reuter reports the dollar's rally, which started in Europe yesterday, continued in the Far East this morning

Highest levels

Oil prices soared by up to 15 percent to the highest levels in four years amid concern about the security of supplies from the Middle East in general.

The dollar left two-and-a-half year lows against the mark behind and jumped as high as Dm1,6212 from Wednesday's close in London of Dm1,5945

The dollar also jumped to 151,58 yen from a previous 147,35, then dropped back to end in London at 150,05 yen. In Tokyo this morning the dollar closed at 149,35 yen, up 0,45 yen from yesterday's close

"Active selling hit the yen across the board this morning after a round of safe-haven dollar buying," a London dealer said.

Japan is particularly sensitive to oil prices since it produces no crude of its own and imports about 60 to 70 percent of its needs from the Middle East.

Dealers said the market had temporarily cast aside negative sentiment on the dollar as players focused attention on the latest news from the Middle East.

On the local currency market the rand was stronger on the back of the higher gold price and was trading at just below R2,60 to the dollar, while the financial rand, South Africa's investment currency, continued to strengthen and closed 3c stronger at R3,83c.

Stock markets fell across Europe as investors worried that higher oil prices would be inflationary and lead to higher interest rates or stall rate cuts The Financial Times Stock Exchange index of 100 leading shares closed 34,5 points down at 2 304,5

In New York the Dow Jones index fell 35 points to 2 864,6, while share prices on the Tokyo Stock Exchange, as measured by the Nikkei index, closed 2,41 percent lower today

On the JSE yesterday gold shares rose sharply with the all gold index closing 94 points higher at 1652 The overall index rose rose 56 points to 3216

The bullish mood spilled over into the industrial shares with the index rising 17 points to 3062

Dealers, however, expect a substantial fall in prices today in line with the decline in the gold price

Rush for gold shares on JSE — Page 12.

Bday 3/8/90

Primrose Gold Mine posts loss for quarter

(214)

PETER GALLI

PRIMROSE Gold Mines reported a loss of R446 000 for the June quarter compared with the March quarter's profit of R254 000, but posted a net profit of R709 000 for the year to end-June

As was previously forecast, a lock-up of gold in the newly commissioned plant was a major contributor to the quarter's loss It is estimated that about 30kg of gold is locked up in the plant, representing nearly R1m in income.

An operating loss of R801 000 was recorded during the quarter from the previous quarter's profit of R404 000 as costs exceeded revenue by R25,22 a ton. There was a large rise in tonnage milled, but the gold lock-up brought the recovery yield down to 4,28 grams a ton from 5,68g/t. The average gold price was also much lower, at R31 338/kg from R33 507

The directors say that in the light of the current gold price, and contingent upon its improvement, all but essential capital expenditure has been curtailed

During the quarter Primrose had non-mining income of R435 000, from the disposal of the group's investment in Cengold Holdings, royalty payments and tax benefits.

high of 160c *Gerhard Stibbe*

GOLD INDEPENDENTS (214)

Into the red

FM 3/8/90

At a time when all gold producers are suffering from rising costs and a falling gold price, the independents are facing severe difficulties Of the 11 mines to report for the June quarter so far, all but two saw a slide in profits, with more than half in the red after capex For the present, though, most are surviving without an increase in debt, or are raising funds through rights issues to cover the loans

During the 1990 second quarter, the Southgo mines were again among the better performers, though all three of the group's mines saw dwindling profits Dump retreatment operation **Knights'** costs continued to be well-contained while the average recovery grade again rose However, the 7% fall in the gold price translated into a 10% drop in after-tax profit to R2,7m (R3,0m) Capex was pared to a minimal R75 000 (R462 000)

Nigel has kept costs at its underground operations on a particularly tight rein, they fell for the third time in the past four quarters, reaching R99,98/t milled (R100,33/t) Revenue was sharply down though, and working profit was slashed to R2,28/t milled (R8,57/t) The Goldam dump project was again the most important income earner, despite a hefty rise in costs it contributed R1,77m (R1,86m) to the total operating

FM 3/8/90 (214)

profit of R1,96m (R2,5m)

Working costs were also brought under control at **West Wits**, where they fell to R15,37m (R15,54m) However, the lower recovery grade and gold price wiped out the benefits, with profit after tax slipping to R1,97m (R3,57m) Construction of the carbon-in-pulp plant began in April, absorbing some R4,1m Total cost of the plant, scheduled for commissioning during November 1990, will be just over R7m

At Golden Dumps' mines, some gains have been made by lifting tonnage throughput **South Roodepoort** lifted tonnage to 89 194 t (83 946 t), while the recovery grade rose to 3,80 g/t (3,68 g/t) The main pressure on operating profit came from costs which jumped to R114,64/t milled (R106,69/t), largely as a result of the wage increase of 15% which took effect in May Working profit was dramatically lower at R2,57/t milled (R14,47/t) and after-tax profit slid to R94 000 (R1,1m)

At **Cons Modder** a sharply lower grade of 3,68 g/t (4,89 g/t) put paid to any attempts to weather the gold price Costs were well-contained at R135,94/t milled (R135,68/t) — not bad considering that two months of higher wages are included in the figures — but the lower recovery grade sliced 31% off revenue per ton milled After the rights issue debt has been reduced substantially, which should improve future cash flow

Modder B has kept its head well above water this quarter Costs were reduced to R147,46/t milled (R153,39/t), which helped to cushion the impact of lower revenue The mine saw a relatively modest decline in after-tax profit, to R176 497 (R207 109)

The Severin group retrenched about 1 000 workers in the June quarter in an attempt to curb losses, but this entailed additional costs At **Rand Leases**, a drop in the recovery grade to 2,11 g/t (2,58 g/t), together with metallurgical difficulties, had a negative impact on performance Last quarter's operating loss doubled to R3,2m (R1,6m)

The directors issued a cautionary announcement when the share price fell some time ago They say they are "still of the opinion that caution should be exercised by shareholders in trading in the company's shares " This does not seem to be consistent with their comment that they are "confident that results should improve very rapidly due to better control as a result of lower tonnage being mined and the lower areas which have to be controlled " The mine's debt has doubled in the past five years and plans are under way to remove this, which could mean a rights issue More clarity is needed

Eersteling was also a victim of lower grades at 2,94 g/t (3,40 g/t), while tonnage was reduced, a two-week wildcat strike further hampered production Unit costs leapt by 18% to R135,33/t milled (R114,64/t), to produce a R1,4m loss after breaking even last quarter

After a first quarter plagued by civil unrest in Gazankulu, **Gazgold** has been able to

FM 3/8/90 (214)

turn around in the second quarter, the only independent to show profit growth Underground costs were brought down to R67,35/t milled (R77,24/t) and the working profit rose to R7,10/t milled (R5,37/t) A rise in recovery grade at the dump reclamation project saw its working profit rise to R6,04/t milled (R4,61/t) Higher tonnages, with the improved profitability, gave rise to a 40% jump in operating profit to R324 691 (R235 066)

Lindum Reefs is still battling with reopening the old, comparatively high-grade Stubbs shaft, thereby limiting flexibility Production has been cut and 254 employees were retrenched in an effort to eliminate losses Underground costs were successfully pared to R71,67/t milled (R84,35/t), but this was insufficient to offset the fall in revenue and the unit loss widened to R8,86/t milled (R6,33/t)

Osprey staged a dramatic turnaround in the June quarter, largely as a result of a higher recovery grade of 2,36 g/t (1,68 g/t) Working profit rose to R13,88/t milled (R5,24/t) as revenue per ton rose and costs fell, but production and mill tonnages were below targets due to labour disruptions and problems with No 7 shaft *Gillian Findlay*

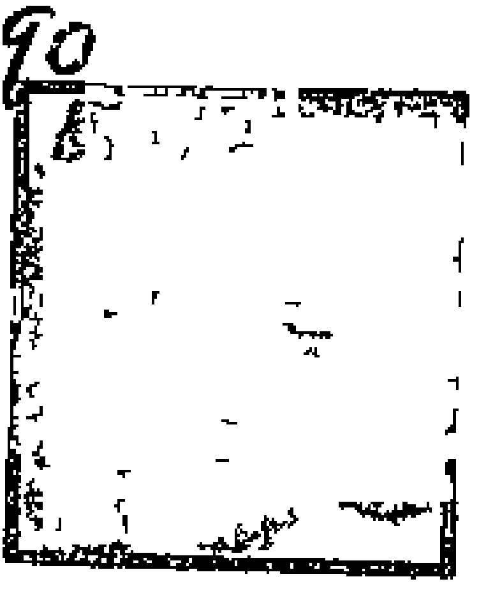
If a war can't do it for gold, what will?

Star 4/8/90

Inside Out

214

ANN CROTTY



IT seems that not even a major Middle East conflict can get international investors excited about gold. After a flurry on Wednesday and early Thursday it has sort of slunk back.

But it was up for long enough to make sure that this week's trading volumes on the JSE were reasonably strong — so the prospect of reclaimed Porsches receded a little.

M-Net's listing on Wednesday caused some excitement. It was a bit of a sad coincidence that it was listed on the same day that CNA-Gallo announced a bid to take out the minority shareholders in Video Lab.

M-Net was quite heavily traded during the week but Myles reckoned that the price of 145c at which it was trading yesterday was looking a bit difficult to sustain

There was a reasonable amount of trade in Lonrho throughout the week with selling pressure from London being taken up by local institutions Myles believes that the London institutions that took up Alan Bond's stake in Lonrho are now offloading some of those extra shares He reckons that the London guys aren't quite as keen on Lonrho as the local investors

Myles couldn't get any gen on the Standard Engineering cautionary but thought maybe it related to plans to delist the share. Malbak holds over 90 percent of the shares and it's rarely traded. The previous chairman, Klaus Zirker also a Malbak director, recently retired from Malbak.

Investors obviously didn't pay too much heed to Slow Joe's talk about nationalising the banks — the banking sector remains remarkably strong and still attracting a lot of interest. This is despite the fact that just about all of the major banks are going to need rights issues within the next 12 months or so.

Myles reckons it's going to be difficult to get shareholders excited about following rights issues while they're hearing noises about banks' being nationalised. Perhaps Joe and the boys could be persuaded to cough up the necessary funds

On a sortof related note, no reaction from the Quantum share on speculation that the ANC was interested in Ponte. Myles thought it was rather odd of the ANC to be considering putting all their exiles in the one basket.

The Nampak over-invoicing affair continues to puzzle and worry the market despite management's reassurances

Rusfurn's results are due out at the end of August They're going to be released in a rather unusual manner — at Dion's in Wynberg After a 40 minute presentation starting at 6pm, the tills will be opened for the analysts with 10 percent off everything in the store

Myles thought it was a fairly smart move by the Rusfurn guys — obviously knew analysts are only a good risk for cash sales No doubt loads of them will be whingeing to get the usual 14-day trading period

Gold up as fears of inflation grow

(24) ([illegible]) Star, 7/8/90

Gold prices rallied in New York trading yesterday and in the Far East this morning as inflation fears were fanned by the surge in crude oil prices to their highest levels since the end of 1985.

On the New York Commodity Exchange gold futures led other precious metal prices higher in volatile trading.

While the spot gold price closed about $7 up at $384,75, the most active December gold contract ended $17,40 higher at $393,80.

In Hong Kong this morning gold traded at just over $386.

Prices were driven up by concern that Iraq's surprise invasion of oil-rich Kuwait last Thursday may bring US military involvement.

Crude oil prices soared 14,5 percent or $3,56 to finish at $28,05 a barrel.

Middle East tensions and higher oil prices, combined with weakness in financial markets and the US dollar all contributed to the sharp gains in gold.

Platinum also ended higher on inflation fears It closed $2,30 higher at $490,40 for October delivery.

Selling on JSE

Gold's late rally failed to stem selling on the Johannesburg Stock Exchange in afternoon trading, as investors responded to the plunge in stock markets around the world

At the close the JSE overall index shed 43 points to 3167 while the gold index declined by eight points to 1639 after being as high as 1659 at one stage.

Industrial shares, after holding firm initially, came under heavy selling pressure in the afternoon, with the index dropping 45 points to 3028.

Several internationally traded stocks such as De Beers (down 385c to R89,50), FIT (down 200c to R15,50) and Richemont (down 155c to R26,50) took severe punishment as international investors took fright and sold out.

The talks between State President FW de Klerk and ANC-deputy leader Nelson Mandela failed to have any significant impact on the market, although a slighter firmer rand was evident late yesterday.

However, analysts predicted that the ANC's suspension of the armed struggle, announced late last night, would boost share prices today as foreigners could return to the market.

Sharp losses

The collapse of share prices on world markets continued this morning with Tokyo's Nikkei index falling to 27 653,07 at the close, down 946,46 points, or 3,31 percent, after a drop of more than 900 points on Monday.

Sharp losses overnight on Wall Street and fears of a US recession added to the sell-off.

Wall Street tumbled yesterday in heavy selling as the Middle East turmoil intensified economic concerns.

Investor confidence has been eroded by speculation that the US economy will slump further into recession if it must weather a prolonged oil price spiral.

The Dow Jones index plunged 93,31 points to 2 716,34.

Earlier on in London the FTSE 100 index closed 64,4 points, or 2,8 percent, lower at 2220,2.

The dollar also lost more ground yesterday against all major foreign currencies except the Japanese yen.

But the decline was tempered by uncertainties about Iraq's occupation of Kuwait. Those worries made traders reluctant to push the dollar lower because of the possibility that a military outbreak could send investors in search of the perceived safety of the currency. — Finance Staff, Sapa-Reuter-AP.

Star 7/8/90 ⑵⑴⑷

Gold at $850 not unthinkable — analyst

By Derek Tommey

Predicting a gold price of $850 in the next two to five years is not over-ambitious, says David Fuller, chairman of Chart Analysis, a London-based investment advisory group.

Mr Fuller, who is visiting South Africa at the invitation of stockbrokers, Andrew Forbes & Company, says that the price of gold had lagged badly behind that of most other investments.

But he believes that the world is entering a tricky period

"We are seeing the end of the Roaring Eighties with its complete breakdown in financial discipine, reflected in the leveraged buyout lunacies, lending without any sort of financial discipline whatsoever, leveraging Japanese properties and the savings and loans debacle," he says.

All these excesses are coming homing to roost

The Roaring Eighties are being replaced by the Nervous Nineties as people become more conservative and return to real money.

They have good reason to fear the Nineties, Mr Fuller believes

One reason is that there is likely to be a serious shortage of capital.

Most of West Germany's savings are likely to be invested in East Grmany, Eastern Europe and Russia

Japan, the other main source of savings, is likely to experience a marked reduction in wealth as many of the instruments in which the Japanese have invested lose their value.

Another reason is the steady growth of the US Federal debt. At the last count it stood at $3,162 trillion and is accumulating at the rate of $6,9 billion a week

This is happening at a time when the world is entering a recession.

The US and Britain are already in one, although owing to a time lag this has not yet been reflected in the statistics. Australia is in a recession too, he says..

This situation has been counterbalanced by strong economic conditions in Continental Europe and Asia.

But that economic strength is threatened by the weakness of markets outside those spheres, principally the North Americn market.

That strength is also threatened by persistent high interest rates caused by capital dislocations and the financial excesses of the West in the past decade.

It does not take much analytical ability to see that the longer high interest rates persist, the greater the recessionary threat, he says.

In this situation the question is who will buy American debt? Mr Fuller belives the US will probably have to let the dollar ease in order to encourage foreign support for its loans

"My intermediate-term scenario is that we will see a further decline in confidence in many of the more fashionable financial instruments such as stock markets and see this decline continue over the next few months and even years.

"I think we will see a fundamentally based bear-market as corporate profits decline"

This is not a bullish short-term scenario for gold. But at some stage the recession will lead to a worldwide fall in interest rates, which will create the environment for a much more buoyant gold price, says Mr Fuller.

Profits decline at GFSA companies

Star 8/8/90 p14 ([illegible])

Profits at three of four Gold Fields companies have declined.

Profits at **Gold Fields Property** for the six months to June fell 50 percent, from R8,071 million in the first half of last year to R3,974 million.

Earnings per share were 39c (79c). The dividend is unchanged at 18c.

Taxed profit at **Vogelstruisbult Metal Holdings** fell from R8,838 million to R5,816 million.

Earnings per share were 32c (48c). The dividend is an unchanged 25c.

At **Witwatersrand Deep** profits for the year to June fell to R3,609 million (previous year R4,512 million). Earnings per share were 45c (56c). The final dividend is 20c.

Taxed profit at **Selected Mining Holdings** rose from R864 000 to R978 000.

Earnings per share were 98c (86c). The dividend is unchanged at 40c. — Sapa.

Gold and forex reserves show marginal increase

8/8/90

By Sven Lünsche

After five months of successive declines South Africa's gold and foreign exchange in July showed a slight 5,33 percent rise to R5,434 billion from R5,159 billion in June.

The reserves reached a peak this year of R5,95 billion in February but have been declining after meeting foreign debt commitments totalling about R3,2 billion in the first half of the year.

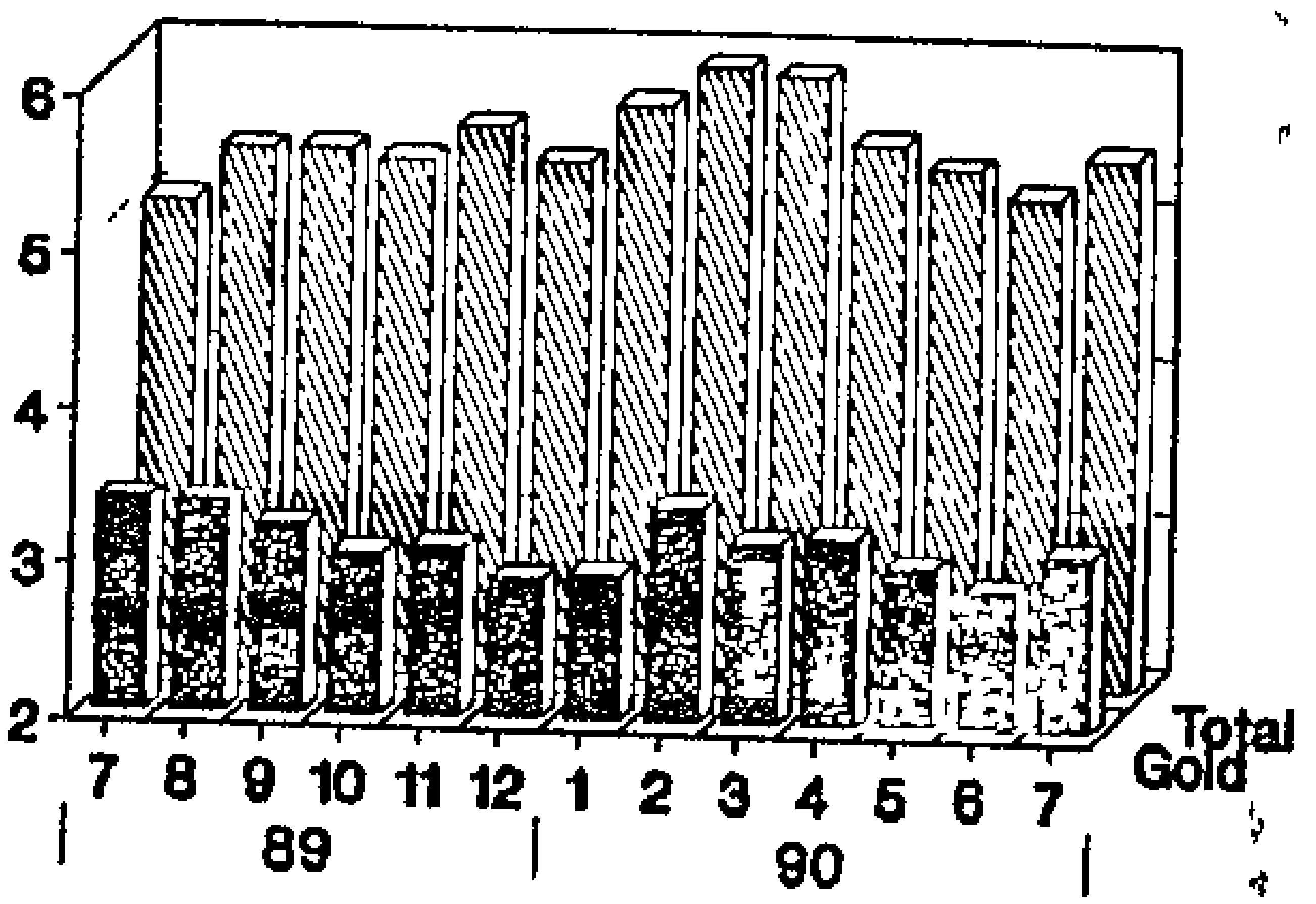
FURTHER RISE

Economists expect a further rise in the reserves in the month ahead as debt repayments are limited and imports are likely to decline in the wake of the slowdown in consumer and corporate demand

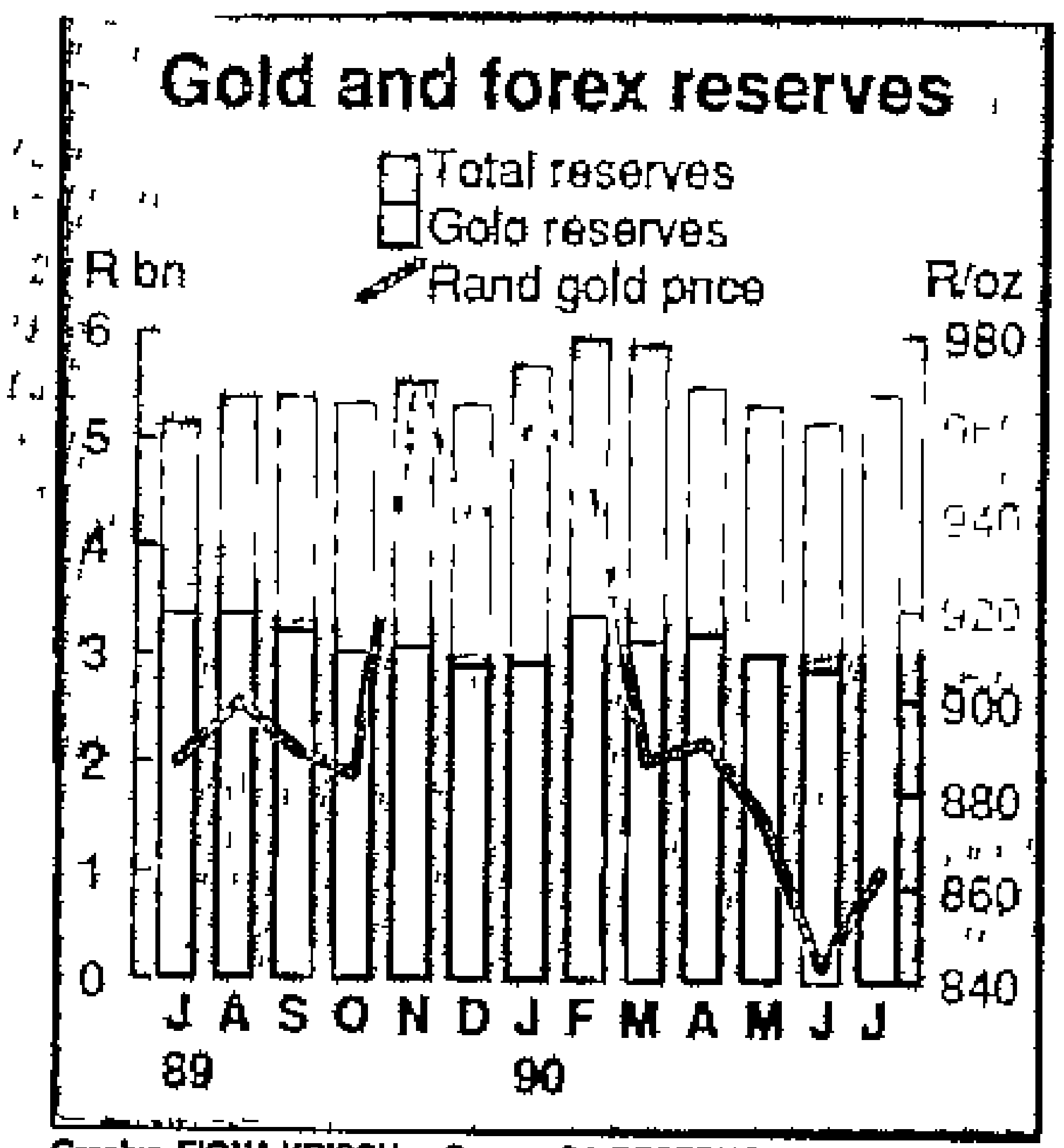
The figures released by the Reserve Bank yesterday show that foreign exchange holdings in July increased marginally by 1,66 percent to R2,325 billion from R2,287 billion in the previous month.

Gold holdings, however, jumped by 8,15 percent from June's R2,871 billion to R3,108 billion.

The physical volume of gold holdings was boosted from 3,413 million fine ounces to 3,598 million ounces. Gold was valued at an average of R863,72 per ounce during the month, compared with R841,28 in June.



Gold and foreign exchange holdings



Graphic FIONA KRISCH Source SA RESERVE BANK

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Bank's foreign reserves boosted

B Day 8/8/90 ANDREW GILL

A SHARP increase in gold holdings boosted the Reserve Bank's gold and other foreign reserves in July to notch up an increase for the first time in five months, latest Bank statistics show.

Reserves increased R274,8m to R5,43bn in July coming off their year low of R5,16bn in June, and with the large debt repayments of the second quarter over economists expect them to rise steadily in the near future

A 5,4% monthly increase of 185 229oz took the physical holding of gold to 3,6-million ounces The valuation of gold was also higher (by R22,4../oz) at R863,72/oz, resulting in gold assets increasing R236,6m to R3,1bn.

The percentage of gold assets in relation to the total gold and foreign assets increased to 57,2% from 55,7% in June but was still off last July's 65,6%.

Foreign assets, consisting mainly of foreign exchange holdings, increased R38,1m to R2,3bn — the highest since March.

Nedcor chief economist Edward Osborn said they should continue rising as a result of the decreased foreign debt.

A R702,8m decrease in "other liabilities", which increased by R1,2bn in June, could reflect a repayment of short-term foreign credit which may have been borrowed in June to cover debt repayments, said Osborn

The reserves position may have been stronger had it not been for the decrease, he said.

Gold Fields companies post mixed results

B/Day 8/8/90

(214)

ROBERT GENTLE

GOLD Fields' four investment holding and property companies, which together account for about 10% of group income, have announced mixed results for the year-ending June 1990

However, all four companies, which derive their income essentially from shares held in portfolios of precious and base metals, maintained dividend payments.

Selected Mining Holdings, with shares in listed precious metals, diamond and coal mining operations, lifted earnings a share to 98c (86c) but held the dividend a share steady at 65c.

New Wits which has a portfolio comprising shares in precious metals, coal, base metal, property and industrial operations, lifted earnings a share to 80c (71c) with an increased dividend of 50c (45c) while maintaining dividend cover

Vogelstruisbult Metal Holdings, with shares in coal, copper, lead, silver, tin and zinc producing companies, suffered the effects of lower base metal prices during the six-month period under review Earnings a share fell to 32c (48c). The interim dividend was maintained at 25c

Gold Fields Property Company bore the brunt of sharply reduced revenue on the surplus of investments — down from R4,7m to R209 000 — and a higher tax bill Earnings a share consequently slumped to 39c (79c) and the dividend of 18c was maintained only by slashing dividend cover from 4,4 to 2,2.

St 9/8/90

Consortium in R29-m deal with ERPM

Finance Staff 214

Southern Prospecting, acting for a consortium of East Daggafontein Mines, Lyden Exploration and Potchefstroom Gold Areas (PGA), has reached agreement with ERPM to acquire assets worth R29,5 million.

The deal covers certain slimes dams, sand dumps, freehold property and options from the beleaguered ERPM.

In terms of the agreement, the consortium has acquired 77 million tons of gold and uranium-bearing slimes in the Boksburg area, with the right to treat the material

About 44 million tons is considered to be of sufficently high grade to be treated viably for gold at current prices

An investigation by Southern Prospecting has shown

- A gold content of about 25 tons in the high-grade material
- A freehold surface area of 7,35 hectares suitable for the erection of a gold treatment plant.

Southern Prospecting has an option to acquire an additional 96 million tons of low-grade slimes, uneconomic at prevailing commodity prices and available technologies. It also has

- An option to acquire the freehold to the property underlying the slimes dams, measuring about 237 hectares
- A right of first refusal to buy a freehold surface area of 163 hectares in the vicinity of Boksburg, with the right to deposit slime there, should ERPM decide to sell it.
- An option for five years to acquire a further freehold surface area of 800 hectares 20km south of ERPM in the Heidelburg district, with the mineral rights to certain parts of the property
- Right of first refusal to acquire the Angelo sand dump now being treated by ERPM

The total price of R29,5 million will be paid in cash by East Dagga from resources obtained by the disposal of capital assets

Lydex will acquire a 50 percent interest in the high-grade material and a 7,35 hectare plant site through the issue of shares and payment of R13,25 million in cash.

PGA will acquire the other 50 percent of the high-grade material through the issue of shares and R250 000 in cash

East Dagga will retain an interest in the low-grade material, for which it will pay cash It will retain a 10 percent participation right in the high-grade material and participate indirectly in it through its 12 percent holdings in PGA and Lydex

Southern Prospecting has retained a five percent participation right for exploitation of all slimes and dump material

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[redacted]

[redacted]

De Beers is facing strike

214

By Brendan Templeton

The National Union of Mineworkers (NUM) intends ballotting members for strike action at De Beers Consolidated Mines

This was confirmed by the union and management yesterday after talks deadlocked.

The NUM is demanding a 22,5 percent increase in the minimum wage of R653. The company has offered between 15 percent for skilled and up to 16 percent for unskilled.

Cape Times 9/8/90 214

ERPM sells assets

Own Correspondent

JOHANNESBURG — ERPM, the ailing gold mine in the Rand Mines stable, is to sell off certain assets for R29m cash to Southern Prospecting, acting on behalf of a consortium comprising East Daggafontein (East Dagga), Lydenburg Exploration (Lydex) and Potchefstroom Gold Areas (PGA)

The assets comprise slimes dams, sand dumps and freehold property and options, some of which could be exploited for their gold content in the longer term should prices improve

The agreement follows the announcement of a rescue plan by ERPM which is currently being kept in production by government aid

According to an announcement, the transaction has been approved in principle by the Mining Commissioner and the Government Mining Engineer

Explosion at Anglo laboratory

Star 9/8/9

Staff Reporter

214

An explosion which resulted in a fire at the Anglo American Research laboratories at Crown Mines, Johannesburg, yesterday caused extensive damage to the property but no one was reported seriously injured.

A spokesman for Anglo said the explosion occurred in one of the extraction ducts above one of the laboratories in the complex.

Thick black smoke which billowed above the building was noticed by passing traffic inspectors.

The fire department was called and the complex was evacuated.

Firemen put out the flames. Several people were treated for smoke inhalation.

The spokesman described the explosion and fire as an "industrial accident".

ERPM to sell some assets in R29m package deal

PETER GALLI

ERPM, the ailing gold mine in the Rand Mines stable, is to sell off certain assets for R29m cash to Southern Prospecting, acting on behalf of a consortium comprising East Daggafontein (East Dagga), Lydenburg Exploration (Lydex) and Potchefstroom Gold Areas (PGA)

BDay 9/8/90

The assets comprise slimes dams, sand dumps and freehold property and options, some of which could be exploited for their gold content in the longer term should prices improve

The agreement follows the announcement of a rescue plan by ERPM which is currently being kept in production by government aid

(214)

According to an announcement today, the transaction, approved in principle by the Mining Commissioner and the Government Mining Engineer, sees the consortium acquire

☐ About 77-million tons of gold- and uranium-bearing slimes and sand, with the right to treat this material. Approximately 44-million tons of this material is considered to be of a sufficiently high grade to be treated for gold at current prices,

☐ A freehold surface area of 7,35ha suitable for the erection of a gold treatment plant, and an option to acquire an additional 96-million tons of low grade slimes, as well as the rights to treat this material,

☐ An option to purchase the freehold to the

☐ To Page 2

ERPM

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(214)

☐ From Page 1

244ha property underlying these slimes dams,

☐ Right of first refusal to purchase a 125ha freehold near Boksburg;

☐ An option for five years to acquire a further freehold surface area of about 800ha in the Heidelberg district, together with certain mineral rights; and

☐ Right of first refusal to acquire the Angelo sand dump, which is at present being treated by ERPM.

The approximately R13m each payable by Lydex and PGA (in cash and shares) will not detrimentally affect their current exploration activities.

Once the project to treat the high grade material has been successfully developed and is operational, Lydex and PGA should derive a substantial cash flow for up to 15 years, said Southern Prospecting MD Chris von Christierson

"This would probably avoid these two companies having to approach shareholders for additional capital to fund exploration activities."

GOLD PRODUCTION FIM 10/8/90

Losing share

(214)

Botswana and Mozambique may show the most percentage growth in gold mine output in the five years to 1993 Sharp rises are also expected in Indonesia, Mexico, Ghana, Papua New Guinea — and even France

FINANCIAL MAIL AUGUST 10 1990

FIM 10/8/90

This prediction comes from the Washington-based Gold Institute, an international trade association, which has collated the projections of 206 mining entities in the 57 countries that are mining — or are expected to mine — gold during the years to 1993

The output of SA, the biggest producer, is expected to be virtually unchanged by 1993, at 19,48m oz compared with 19,49m last year SA's share of world production would, therefore, fall from 31,3% to 27%

The Soviet Union, the second-largest producer, is forecast to experience only a marginal decline in share — from 14,9% to 14,6% — as its gold output rises by 13% from an estimated 9,3m oz to 10,5m

A 35% rise in gold production in China is forecast, taking the total from 2,8m oz to 3,8m oz in 1993 (214)

Apart from Papua New Guinea, already the eighth-largest gold producer and expected to see a rise of 65% in output, rapid growth in other countries is from a relatively low base Mozambique, for example, is not expected to mine any gold until this year, when 10 000 oz should be produced, rising to 39 000 oz in 1993.

Of other countries

☐ Botswana may rise from 2 000 oz last year to 22 000 oz,

☐ Indonesia from 148 000 oz to 566 000 oz,

☐ Mexico from 280 000 oz to 449 000 oz,

☐ Ghana from 411 000 oz to 717 000 oz, and

☐ France from 88 000 oz to 115 0000 oz

Total world gold output is expected by the producers to rise by 15,5% in the five years to 1993, from 62,4m oz last year to 72,1m oz. ■

Competition probe into Anglo's GFSA stake

(214)

ROBERT GENTLE

COMPETITION Board chairman Pierre Brooks said at the weekend there was a prima facie case for the view that Anglo American and its associates' 25% stake in Gold Fields of SA (GFSA) constituted a monopoly position which could restrict competition

B/Day 13/8/90

His remarks followed the disclosure in the Government Gazette on Friday that an investigation had been launched by the board into share transactions made by Anglo and its associates in GFSA

"However, there is no clear answer as yet," said Brooks

The probe is in terms of the Maintenance and Promotion of Competition Act. It follows a disclosure in Anglo's recently released 1990 annual report that the corporation and its associates had increased their holdings in GFSA to 25% Anglo's own stake is listed as 8,9%

The investigation will seek to determine whether the broad 25% holding in GFSA constitutes a controlling interest and whether a monopoly situation that may restrict competition might now exist

Anglo American is SA's largest mining house in terms of gold production, while GFSA is second

Brooks said that the disclosures in the Anglo annual report confirmed what the board had established in the wake of Anglo associate Minorco's bid for GFSA's then UK parent Consolidated Gold Fields This was that the party behind a certain nominee company buying into GFSA from about June 1989 was, in fact, Anglo

Brooks said the board would also assess the relevance or right of Anglo and its companies to appoint directors to the GFSA board A GFSA spokesman said Peter Gush was the only Anglo member on

□ To Page 2

Anglo stake

B/Day 13/8/90

(214)

□ From Page 1

the 11-man board, which included six GFSA executive directors.

The largest shareholder in GFSA is GFSA Holdings, with a 43% stake, the spokesman said It is 40% owned by Rembrandt, 40% by Asteroid (a company controlled by GFSA and its major gold mine Driefontein) and 20% by Liberty Life.

There was no further comment from GFSA on the investigation. Anglo merely confirmed it was aware of it

Brooks was reluctant to speculate on what action might be taken against Anglo should the investigation conclude that a monopoly situation and possible restrictive practice did indeed exist

214

Welkom mine shaft 'should be open by today'

THEO RAWANA
and MATTHEW CURTIN

PRESIDENT Steyn Mine's No 4 Shaft, near Welkom, was expected to re-open last night after Friday's meeting between management, trade union representatives and associations affected by last week's violence at the mine.

The opening depended on employees signing a declaration committing all parties to uphold discipline and good order on the mine, Anglo public affairs manager Adrian du Plessis said yesterday. He hoped this would be done by last night.

B/Day 13/8/90

He said all parties condemned the violence on Wednesday and Thursday and agreed to take steps to prevent people from taking part in violence and intimidation

Anglo closed the No 4 shaft on Friday "in the interests of the safety of employees" under provisions of the Mines and Works Act after four mine workers died in violent incidents

The parties met to discuss under what circumstances work could resume on the shaft.

The shaft produces 40% of the President Steyn mine's gold output at the corporation's Free State Consolidated Gold Mines complex

The decision to shut the shaft followed the deaths of three black mine workers in the No 4 shaft hostel (on Wednesday police and mine security clashed with workers) and of a white miner, N J Jordaan, found underground on Thursday. The NUM said mine security and police fired on mine workers without warning, while Anglo and police reports said security forces defended themselves against mine workers who attacked with petrol bombs and pangas

Du Plessis said it would be "conjecture" to link Jordaan's death to the earlier incident

Mine security was monitoring the situation closely and the mine was quiet on Friday, he said.

Welkom police liaison officer Maj Johann Fouche said police detained 10 black mine workers for questioning It was not clear whether Jordaan's death — from head injuries — was an accident

An investigation by police and the Inspector of Mines would continue.

Anglo closes shaft after mine violence

Sowetan 13/8/90

214

ANGLO American has closed the Number Four Shaft at the President Steyn gold mine following the death of four mineworkers in violence at the mine last week

Mr NJ Jordaan (42), was found dead underground on Thursday while three more mine employees were killed in violence at the mine hostel on Wednesday night

Spokesman for the Anglo American Corporation Mr Adrian du Plessis said the decision to close the shaft until further notice had been taken to ensure the safety of all mine employees.

Suspect

He said police had detained a suspect in connection with the death of Jordaan and were questioning witnesses

He said management extended its sympathies to the family and friends of of the dead and deplored the continuing incidents of violence.

"Every endeavour will be made to reach arrangements with employees and their representatives that will bring threats and the use of violence to an end," he said - *Sapa*

CP warns over black protest march

Star 14/8/90 (214)

White miners are told: Carry arms

By Julienne du Toit
and Brendan Templeton

Despite a peace deal at the President Steyn gold mine, Welkom remained tense today as the Conservative Party called for party members to form countrywide self-defence organisations and for white miners to carry arms while working underground.

A threat was made that the CP would resort to violence if one white person died when black miners staged a march through Welkom on Saturday

White mineworkers returned to work last night at the President Steyn Number 4 shaft at the mine, said Anglo American spokesman Adrian du Plessis

Addressing a stormy right-wing meeting in .Welkom last night, CP MP for Overvaal Koos van der Merwe said the party might soon call on party members to stop protest marches by violent means should white lives be threatened

The belligerent tone of the meeting caused high anxiety in spite of the agreement reached last night between white miners' unions and management at the mine

Picture — Page 2

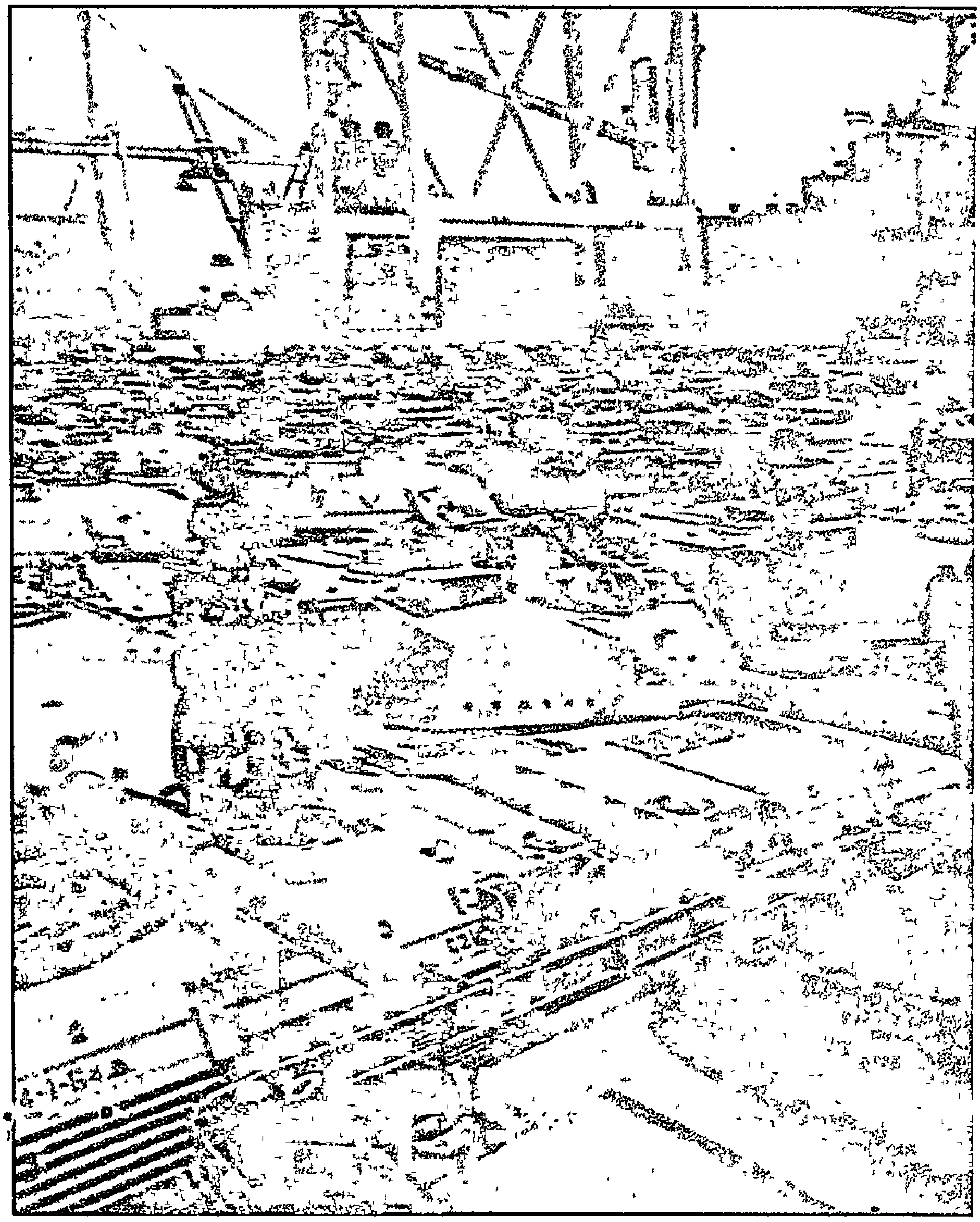
A motion of no confidence in the National Party members of the Welkom City Council and demanding their immediate resignation was passed.

Conservative MP Arrie Paulus, dubbed the future Minister of Law and Order by the 350-strong audience, said white miners should demand that the Chamber of Mines guarantee their lives before they went underground He said militant black miners "should be sent back to their country of origin"

He also called on white miners to arm themselves before they went underground.

Mr du Plessis said today "We totally reject this call They are being unhelpful and an agreement needs to be worked out satisfying everyone."

The call to arms came in the wake of a white miner found killed



US pours in thousands of t

NICOSIA — The United States' air bridge to Saudi Arabia moved into top gear today as up to 10 000 US paratroops already in the desert kingdom fanned out to frontline defences facing Iraqi-occupied Kuwait

US warships accompanying the aircraft carrier Eisenhower in the Red Sea could, in the next two days stop and board an Iraqi

Saudi Arabian roads near the tense frontier with Kuwait were said to be choked with troops yesterday as US and Egyptian forces streamed in

Across the border in Kuwait, Iraq's tank-led invasion army sat tight as the biggest US deployment since the Vietnam war raced on ahead of schedule.

Huge US transport aircraft were

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Japan said it

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The call to arms came in the wake of a white miner found killed underground last week

Police said 10 people had appeared in court in connection with the death of Nico Jordaan.

Earlier yesterday white miners refused to sign a truce undertaking drawn up by management and countersigned by black miners

Mr Paulus said that since Piet Retief's time blacks could not be relied on to honour an agreement.

He asked for a solution from the crowd for whites being blamed by blacks for all racial incidents.

"Shoot them," bayed the crowd

Mr van der Merwe warned that the proposed march by 5 000 black protesters through the town on Saturday was an invitation to bloodshed "If one white person dies it will be on the Government's conscience. We will mobilise our people and stop them with violence."

Mr van der Merwe painted a picture of whites being forced to share their houses with two or more black families in the new South Africa, and said whites would suffer desperate poverty and stinking Third World conditions

He thanked the hundred-strong AWB contingent and the Blanke Veiligheid (BV) for their protection and at the end of his speech quoted Winston Churchill. "We will never, never surrender "

Scenario sees Anglo with 69% of SA's gold output

214

B/Day 14/8/90

ROBERT GENTLE

THE view that Anglo American and its associates control Gold Fields of SA (GFSA) — the subject of an investigation by the Competition Board — would imply they control 69% of SA gold production.

This figure is computed by annualising the latest quarterly production figures of Anglo American, GFSA and 39,8%-owned Johannesburg Consolidated Investments (JCI), and relating them to the total.

This assumes Anglo could exert direct control over JCI, but especially over GFSA, by virtue of its 25% stake. However, analysts canvassed for opinion yesterday were divided on whether this was indeed the case.

A Mathieson & Hollidge analyst said he did not think Anglo wanted, or needed, to exert control

It was not the first time this view had been aired, he said, referring to the time when Anglo associate Minorco still had a 29,9% stake in GFSA's then UK parent, Consolidated Gold Fields (ConsGold)

"ConsGold had 38% of GFSA then and nobody said ConsGold had control", he added, echoing a point made by other analysts

An Irish & Co analyst said that even with the 25% stake, Anglo could not control GFSA unless there was disagreement between the parties making up GFSA Holdings, the major shareholder with a 43% stake

But all agreed Anglo could use its 25% stake to block any special GFSA resolution that it did not like

Majority

A special resolution requires at least 75% of the votes of shareholders present at a meeting

On the ease with which Anglo could appoint directors to the GFSA board — the Competition Board is also looking into this — a simple majority (50% or more) would theoretically suffice However, the Irish & Co analyst said he could not see why Anglo would want to put its own men on the board because the present team under chairman Sir Robin Plumbridge was "as good as anyone can get"

Another analyst did not rule out the likelihood of eventual control, but stressed that a sizeable strategic stake in GFSA was a good investment on straight fundamentals

"GFSA has some of the richest and healthiest gold mines in the country, and the overall exposure to gold is higher than in any other mining house"

The stake should also be seen in the light of increased inter-conglomerate competition in the long term and eventual rationalisation within the gold mining industry as costs continued to rise, he said

Analysts said other advantages Anglo could get from an eventual move on GFSA included the latter's Northam Platinum project, which would slot in nicely with JCI's Rustenburg Platinum — and would probably prompt another probe

The investigation highlighted the need for takeover legislation to fix the maximum stake one company could have in another before a full bid became an obligation, they said

8 BUSINESS DAY, Tuesday, August 14 1990

Gold price rise fails to make mines profitable

214

B Day 14/8/90

RIAAN SMIT

A GOLD price of $400/oz means some relief for the gold mining industry, but at this price 14 mines are still producing about 86 tons of gold, annualised, at a loss, June quarterly figures show

The rise in the gold price from around R950/oz for the June quarter to about R1 030/oz yesterday theoretically changed another nine mines from loss making to being marginally profitable

However, these figures dealt with a "moving target" — cost inflation which ran from 15% to 18% annually, stockbrokers Ed Hern gold analyst Tom Dale said yesterday

Ed Hern's cost calculations, including capex, for the June quarter identified 12 mines with costs between R1 103/oz and R6 931/oz

The cost after capex of two other mines — Gengold's Grootvlei and Anglo's Ergo — were R1 048 and R1 031 respectively for the quarter

Mines could only cut capex to a limited extent before endangering the economic viability and safety of operations thus capex was inseparable from ordinary production costs

Top of the list of loss-makers were developing mines Barbrook (Rand Mines) and Joel (JCI)

Barbrook's cost after capex for the quarter was R6 931/oz and Dale forecast it would lose 19c, 11c and 2c a share over the next three years on its 151,9-million issued shares if the gold price averaged R1 100/oz

Working

The mine already had R105,6m in accumulated losses, stated Ed Hern's Quarterly Gold Share Review and Forecast

Similarly, Joel, which had a working cost after capex of R2 673/oz for the quarter, would lose 30c and 31c a share each year on its 97,9-million issued shares for the next two years before making a profit of about 50c a share, Quarterly Gold forecast

But Joel had accumulated losses of R424,6m, or 144c a share, Quarterly Gold stated

Gold Fields of SA's Kloof mine had costs after capex of R1 246/oz and its Venterspost and Doornfontein mines recorded R1 231/oz and R1 189/oz respectively

JCI's Western Areas had a cost after capex figure of R1 185/oz and its Lindum operation R1 133/oz

Gengold's Stilfontein recorded R1 105 and its Grootvlei mine R1 048/oz

The nine mines which were profitable at a gold price above $400/oz (R1 030/oz), but were not so at a gold price of R950/oz were Harmony (cost and capex R1 016/oz), Freegold (R1 004/oz), Leslie (R1 001/oz), Bracken (R990/oz), West Rand Cons (R983/oz), Durban Deep (R981/oz), Deelkraal (R977/oz), Western Deep Levels (R971/oz), and Randfontein Estates (R966/oz)

White miners seek Anglo assurances

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MATTHEW CURTIN

BDay 14/8/90

ANGLO American's President Steyn gold mine's Number 4 shaft was "not fully operational" yesterday as management and representatives of the white Council of Mining Unions (CMU) were locked in talks, public affairs GM Adrian du Plessis said

He said, while black mine workers had reported for work on Sunday, the CMU wanted management's assurances for their members' personal safety before they would return to work.

[illegible] [illegible]

He said the meeting looked set to continue until the start of the night shift

After a meeting between management and National Union of Mineworkers (NUM) representatives on Friday, black miners signed a written declaration not to participate in or encourage violence and not to take part in certain actions likely to compromise discipline and good order at the workplace. Management undertook to launch a commission of inquiry into last week's incidents, Du Plessis said

Three black miners died in a confrontation with police and mine security last week A white miner N J Jordaan, was found dead underground the next day

Sapa reports that 10 men appeared in the Welkom Magistrate's Court yesterday in connection with Jordaan's murder The case was postponed pending further investigation

Soaring gold price falls back

Star 13/8/80 214

Finance Staff

The rapid rise in the gold price in the past two days to above $415 came to an abrupt halt yesterday, although the US dollar fell to its lowest level against the Deutschemark since World War 2.

The gold price closed in New York at $404,75, after hitting a six months high of $416 in early afternoon trading in London

The price met with stiff resistance at its high levels from profit-taking and producer selling and fell back in London to a close of $408,25.

In Hong Kong this morning the metal opened at $403,90, compared with yesterday's close of $401,50

The retreat in the gold price also reflected lower international oil prices. In New York crude oil closed at just over $26 after reaching a day's high of $27,45.

Gold shares on the JSE were expected to fall today after the 10 percent rally of the past two days.

The US dollar was driven down by mounting concern over possible recession in the US. It closed at Dm1,564 in New York, well below Monday's close of Dm1,576.

Americans hold key to a higher gold price

Star 16/8/90 (214)

By Derek Tommey

Bullion dealers say two conditions need to be satisfied before the gold price moves permanently to a higher level.

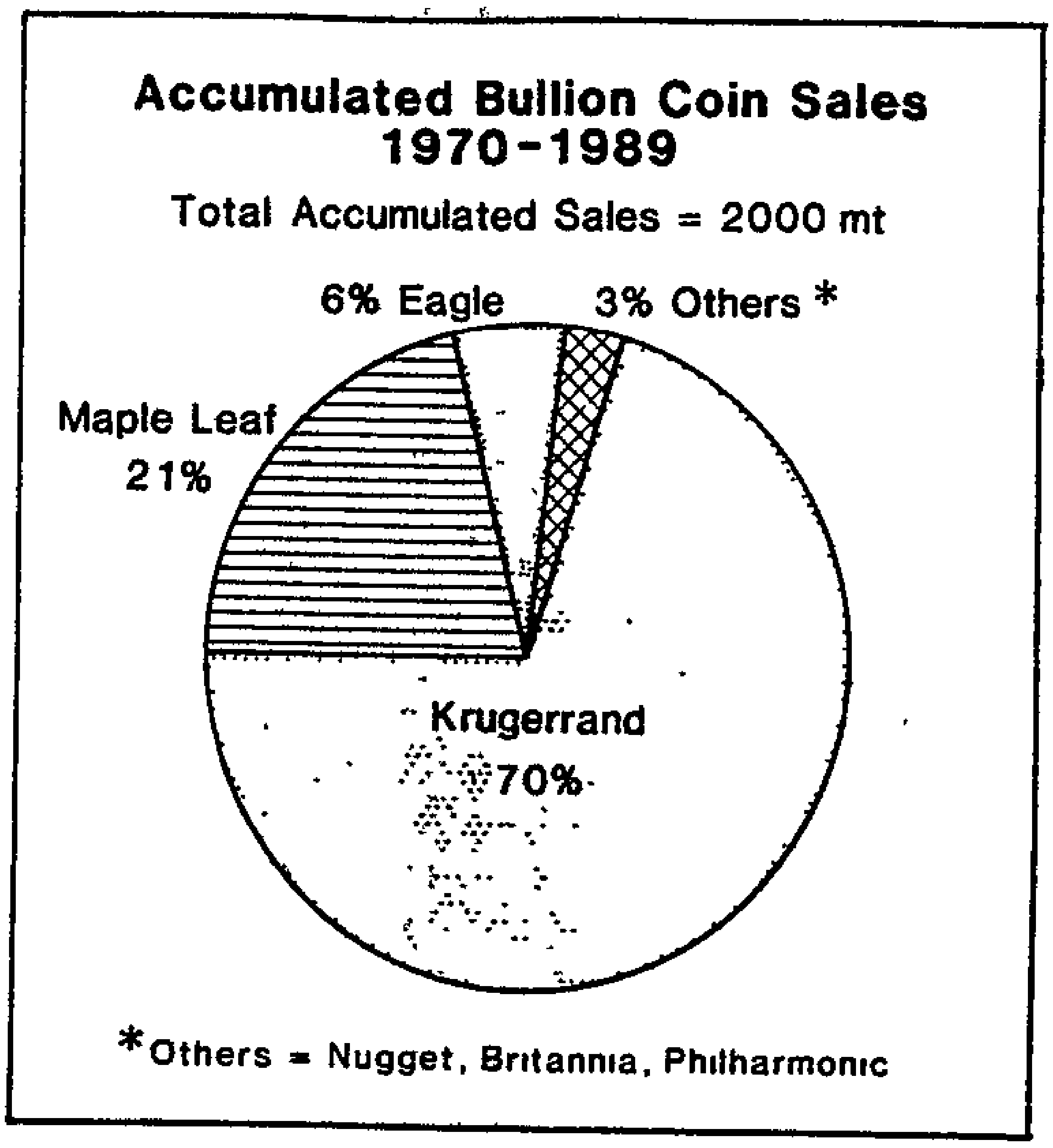
The first is that American investors have to learn to love gold again.

The second is that the gold coin market must be ready for this renewed demand

So far, the firming in the gold price in the past week or so has been almost entirely a reaction to bad news, say dealers

There is as yet no sign of any renewed relationship between Americans and bullion

But they believe that should the Iraqi-American confrontation continue, and should this lead to a weak dollar and a surge in prices in the United States, it is possible that gold could become much more alluring to American investors in the coming months.



Accumulated Bullion Coin Sales 1970-1989

Total Accumulated Sales = 2000 mt

*Others = Nugget, Britannia, Philharmonic

Quality guaranteed

Meanwhile, two World Gold Council researchers, J de Zeeuw and J Hildebrandt, have been investigating what needs to be done to improve sales of gold coins, reports the International Gold Mining Newsletter

One of their findings is that investors prefer to hold gold coins, rather than other forms of bullion

Those investors questioned say that gold coins are legal tender in their countries of origin.

Moreover, the fineness and quality of the coins is guaranteed.

In addition, no special formalities or assays are necessary on resale, they argue.

These coins come in practical sizes ranging from a quarter of an ounce to an ounce of gold

Furthermore, buyers have to pay only a small premium, the coins are easy to buy and sell and they are internationally exchangeable Because of their small size, they are also easy to store and transport

The South African gold mining industry will find gratifying the finding that the Krugerrand is still by far the best known gold coin in the United States and Germany, even though it has not been promoted in those countries since 1985

The investment climate for gold is expected to improve in the 1990s, say the researchers But demand for gold coins is likely to increase only if the industry takes a number of steps to meet the requirements of the public

One is that the supply side must be rationalised, the researchers say Since only a few coin producers are likely to survive as truly global players, a more focused and differentiated strategy will be needed

This need to rationalise the supply of gold coins could give the local gold industry some food for thought Though the Krugerrand is well known, it is a little dated

Some of its rivals change their designs annually to encourage coin collectors to hold them

But probably its gravest drawback is that its South African connections are so well known And no matter what happens in this country, the Krugerrand could well find it difficult to gain renewed acceptance

A second need is the elimination of the sales tax, or VAT, on bullion coins Here the researchers are able to report some success

A well-orchestrated lobbying effort in the United States has successfully convinced the authorities of the unfairness of the tax A similar campaign is being waged in Europe to influence the European Community ahead of moves to harmonise VAT

With a total population of 320 million, the VAT decision will have a considerable impact on the future of the bullion coin market in Europe

A third requirement is that gold coins should be included in gold-backed products So far, these products have been mostly backed by bullion But the inclusion of coins is in the interests of bullion coin producers and product sponsors

The two researchers also have some good news to report

Sales of gold coins in the first half of this year were close to 50 tons, 25 percent more than in the same period last year

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Gold steadies above $400 after slide

Gold steadied above $400 today after partly recovering late yesterday from a sharp fall earlier in the day

It opened in Hong Kong at $403,40, little changed from yesterday's close

Heavy selling pressure pushed the price down $11,85 to $398,40 at the London afternoon fixing yesterday But renewed demand emerged and it recovered to $401,25 at the close in London and $402,25 in New York in spite of a strengthening of the US dollar against the German mark

Lorraine leads market higher

Star 17/8/90

(214)

By Derek Tommey

Gold shares were steadier on the Johannesburg Stock Exchange yesterday as the gold price settled down at just above $400 an ounce. This encouraged buying and the gold share index closed 41 points higher at 1815.

Shares of marginal mine **LORAINE** led the market higher, gaining 65c (6,8 percent) to 1025c. This rise followed two days of sharp fluctuations in this share price.

EGOLI, GENBEL, GFSA, KINROSS, SOUTHGO, DRIES and **HARMONY** were also markedly higher. **KNIGHTS** continued to attract buying.

VAAL REEFS recovered 850c to 33050. **FREEGOLD, RANDFONTEIN** and **AMGOLD** also made gains. But **OFSIL** lost 250c to 9750c. **BLYVOOR** was another weak spot dropping 150c.

Mining financial **JCI** was heavily traded with R36,3 million worth of shares changing hands, though with no change in price. **GFSA** gained 400c to 8900c. **MINORCO** was firmer.

TRANS-NATAL was easier in a quiet coal sector, dropping 75c. Platinum share **IMPLATS** shed 75c but other platinum shares **BARPLATS** and **BARBROOK** continued to firm. Diamond share **DE BEERS** continued to lose ground, dropping 65c to 8085c. Rand-hedge share **RICHEMONT** was easier.

UBS was active in the banking sector and some R18,8 million worth of shares changed hands. The share closed 20c higher at 750c. **ALLIED** was again actively traded but closed unchanged.

The JSE industrial index was off one point at 3016. **SA BREWERIES** was a firm spot and **ISCOR** showed signs of rallying for the first time in weeks. Iscor's results are to be published on August 31. **CARGO** and **PICBEL** both dropped 50c.

The overall share index rose to 3172 from 3153.

- The volume of shares traded yesterday was 13 076 708 valued at R176 971 313 compared with 9 993 639 valued at 110 726 404 on Wednesday.

Warning over rising costs of mining in SA

BDay 17/8/90

PETER GALLI

THE gold price will have to rise to $1 850/oz by the year 2000, unless SA black mineworkers' wage demands and the inflation rate abate, Michael Spriggs reported in the August issue of the London-based Warburg Securities.

Working cost inflation on SA gold mines would continue to stand at about 14% if this did not happen, and this gold price would be necessary were percentage margins to be restored to their 1988 level, Spriggs said

The operating margin — the percentage difference per ton between revenue and costs — for SA gold mines fell to 23% in the quarter to end-June, the lowest point in the past decade.

Also, total distributable earnings (after-tax earnings less capex), showed a 60% decline — the steepest quarterly fall for over a decade — said Spriggs

"We have to make some very optimistic gold price assumptions or expect a disastrous slump in the rand if the industry is to retain some semblance of health

"Shaft closures and labour retrenchments are only short-term solutions, and the potential for raising grades is also limited Extreme caution is now required," Spriggs warned

However, Ed Hern, Rudolph gold analyst Tom Dale suggested that management could address the cost squeeze by hedging some gold production to lock in better prices, reduce capex, and calculate pay limits at a conservative gold price

This should be combined with a tight control over mining policy, which would involve the closing of unprofitable shafts, he said

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Uneconomic

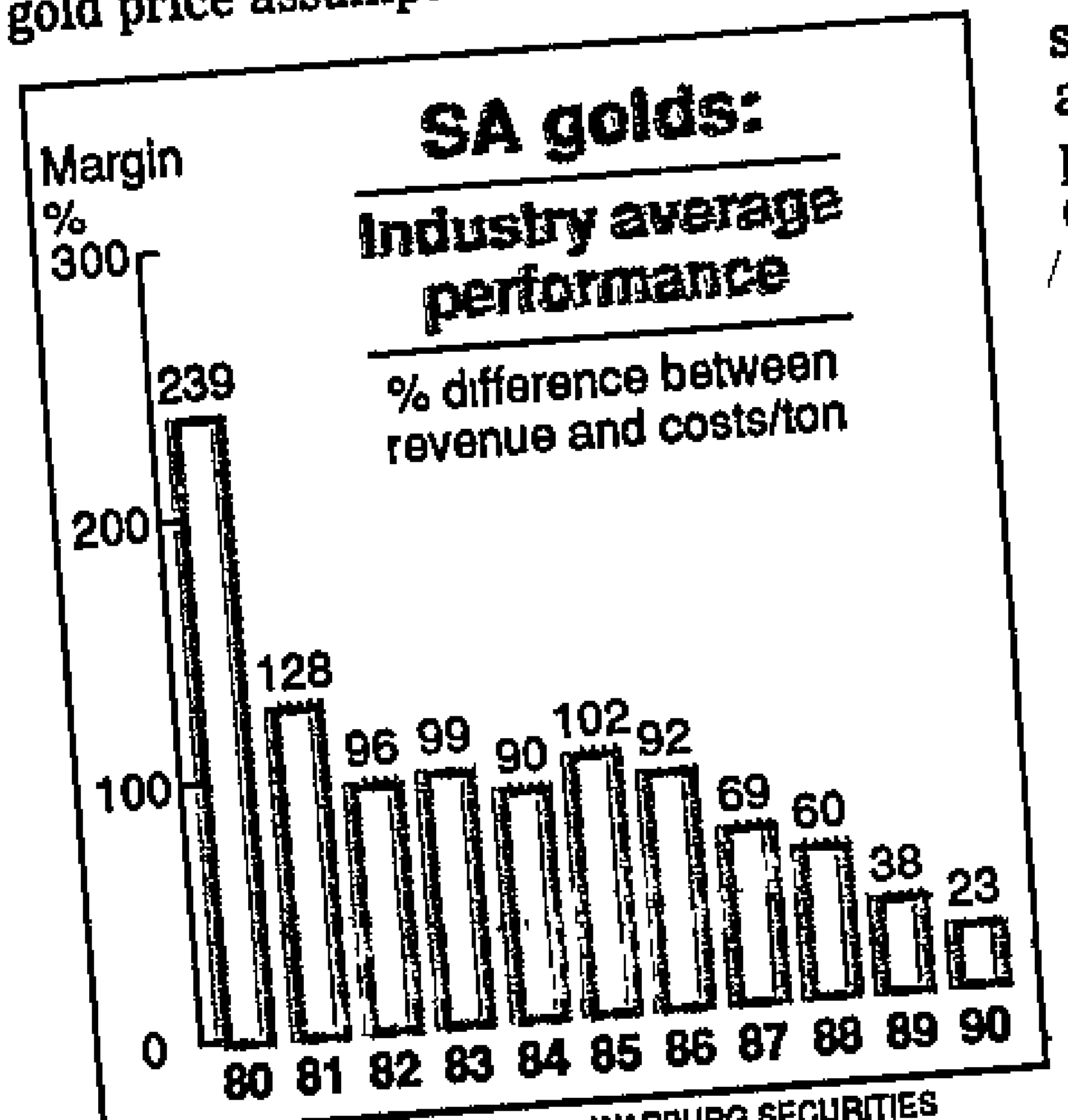
Spriggs felt that the condition of the SA mining industry remained very serious, since working costs continued to rise at an average of 14% per year, the average gold price decreased by 7% to $370/oz ($396/oz) for the June quarter compared with the March quarter, and tax and lease payments by the industry continued to decline.

Apart from this, the average price of R31 537/kg was the lowest for 18 months.

At current gold prices, about 20% of SA gold production is uneconomic.

Industry's response to these dire conditions has been severe, with massive drives under way to contain costs either by cutting production or deferring spending

Furthermore, the work force in the industry continued to be cut, as a direct consequence of the drive for cost control, industry sources said



Graphic. FIONA KRISCH Source WARBURG SECURITIES

GFSA FM 17/8/90 (214

FM 17/8/90 (214

Competing for what?

The Competition Board's investigation of the Anglo group's 25% minority holding in GFSA is laced with irony It is, I believe, acting on a complaint by GFSA, whose directors want to prevent Anglo from blocking an eventual merger of GFSA with Genmin Maybe a merger is not under consideration yet — but by sparking a board probe, GFSA's directors probably hope to embarrass Anglo into relinquishing some of the powers it derives from a 25% shareholding

That, at least, is a way of explaining what is motivating the probe

So what if De Beers bought about 5% of GFSA's equity in the first few months of this year, lifting the Anglo group's combined holding to 25%? It allows Anglo to block any venture which can be agreed only by a special resolution — such as a merger or capital issue Can that be bad in terms of the board's criteria?

When that 25% is stacked up against the 43% of GFSA held by GFSA Holdings, it cannot conceivably give the Anglo group any hope of determining the direction of GFSA GFSA Holdings is 40%-owned by Rembrandt, 20% by Liberty and 40% by Asteroid which, in turn, is controlled by GFSA itself and the group's directors

Until the start of this year, Anglo and Amgold together owned a touch less than 20% of GFSA, and had more or less maintained that percentage by following their entitlement in last year's rights issue Cash-flush De Beers, locked into SA by exchange controls, ploughed part of its cash into GFSA shares this year

Why? Anglo will not say, but one theory is that it was driven by pride With 25% it could, for example, block a special resolution needed to merge GFSA and Genmin In other words, it could help to prevent the sort of "monopoly situation" mentioned in the board's official announcement of its probe And blocking a merger could, for example, be a good thing for the NUM which would prefer to negotiate with small rather than large mining groups. Anglo is jealous of its pre-eminent position and might not take kindly to a merger which creates a house matching its size

GFSA directors refuse to discuss the matter, bleating that the probe is "sub judice" What nonsense Either they are trying to hide behind a weak excuse or they have not sounded out Pierre Brooks, the board's director of investigations He tells me the "sub judice" rule is not applicable and that he has no problem with GFSA talking to the press (or anyone else for that matter) while the investigation is under way

Who else but GFSA's board or its controlling shareholders would have triggered this investigation? The Competition Board had already investigated Anglo's relationship to GFSA when Minorco was bidding for Cons Gold, had kept an eye on the situation and has now acted on an official complaint Brooks will not say who has complained, but it does not take much imagination to guess who it was Running to the Competition Board has been one of GFSA's principal defences since the Minorco bid

Is a GFSA/Genmin merger likely? GFSA's directors will not talk, but analysts on Diagonal Street argue it is likely once GFSA's present board retires three or four years hence When Rembrandt and Liberty stepped in as white knights to take control of GFSA, and help protect Cons Gold from Minorco, they were dealing with tough-minded negotiators like Robin Plumbridge Plumbridge, the key player in Cons Gold's Minorco defence, could strike whatever deal he wanted with the white knights and, importantly, make it stick

But seen from the outside, GFSA lacks second-tier management depth And it's highly possible that when the second-tier move to GFSA's board, they are more likely to follow meekly any suggestions from controlling shareholders Rembrandt and Liberty that GFSA be merged with Sanlam-controlled Genmin

Brooks says one of the aspects of the board's probe will be into the possibility the Anglo group could block capital-raising issues That's unlikely — Anglo and Amgold followed last year's issue by GFSA and there is no reason to suppose Anglo will act perversely now But it is reasonable enough that it will want to be privy to any directors' discussions on a merger with Genmin

Jim Jones

W/Mail 17/8 - 19/8/90

SA gold output drops

214

■ South African gold output for July dropped by 40 562 ounces to 1 615 104 ounces compared with June's output of 1 655 666 ounces.

According to monthly production figures released by the Chanmber of Mines on Thursday, the July output also fell short of of July 1989's production of 1 618 037 ounces, a decrease of 2 933 ounces.

The January to July production of 11 175 790 ounces reflects a decrease of 68 447 ounces compared with the same period last year when an output of 11 244 237 ounces was reported.

Star
22/8/90 (214)

GFSA profits up 9 percent

Goldfields of South Africa has managed to show an improvement in attributable profits for the year to June of just over nine percent in spite of the low gold price and the economic slowdown.

The group earns 80 percent of its income from gold and mining resources.

Attributable earnings for the year were R360,6 million (R329,8 million last year) while after-tax profit was R373,5 million (R342,9 million). Tax paid jumped from 1989's R18,8 million to R73,3 million.

Earnings per share declined from 1989's 403c to 393c. This was as a result of the new shares issued as a result of the R1 billion rights offer which took place in October last year.

An unchanged final dividend of 130c was declared bringing the total to an unchanged 200c.

Income from investments declined from R351,4 million to R303,2 million while profit on the realisation of investments was R32 million (R14,5 million). Income from fees, interest and other sources was R246,8 million (R132,6 million), bringing total income for the year to R582 million (R498,5 million).— Sapa.

Amic earns less, but pays same

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Star 24/8/90

[illegible]

Finance Staff

Anglo American Industrial Corporation (Amic) has maintained its interim dividend at 110c for the six months to June, despite a 19,5 percent decline in earnings per share to 451c (561c)

Attributable earnings fell 19,5 percent to R243 million (R302 million).

Turnover rose marginally to R2,961 billion (R2,790 billion), with earnings from operations falling to R344 million (R586 million) and income from associated companies to R109 million (R118 million).

Interest earned was R46 million (R26 million), while interest paid and finance lease charges rose R14 million to R70 million.

Tax was lower at R103 million (R241 million), of which normal tax was R50 million (R130 million) and deferred tax R53 million (R111 million)

FM 24/8/90

the period as a good year and points out the figures include 53 weeks rather than the usual 52. Adjusted to a 52-week period, sales are up by 27% on 4% more trading space, so productivity has evidently improved.

All divisions performed well in sales terms and contributed to earnings in roughly the same proportions as in the 1989 year However, Hall says Makro, which was operating from a smaller base, can be singled out as showing a faster profit pace than the rest of the group

During the first part of the year Woolworths adopted a policy of "widening and deepening" its product lines This paid off but stocks were brought under tighter control as the trading environment became tougher Stocks in both Makro and Specialty Retail Group were kept to more prudent levels throughout the year.

Figures for the first half of the current year appear promising so far Hall says sales are 27% ahead of the same period last year, though he does not expect this growth rate to be maintained Real growth in sales and profits is forecast for this year, but not at the same rate as last year

After firming ahead of the results, the share, at R52, now offers a yield of 2,9% and a p.e ratio of 13,9. It looks fully priced.

Gerry Hirshon

GFSA FM 24/8/90

Levelling out

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Considering the dominance of gold mining in Gold Fields of SA's income, a maintained dividend was about the best investors could hope for Thanks partly to the rights issue that raised about R1bn late last year, the house has pegged its payout at 200c without any reduction in the cover

Investment income, of which dividend receipts from the gold mining interests comprises the lion's share, fell from the 1989 level of R351m to R303m.

Even the group's high-grade producers, Drie Cons and Kloof, posted lower dividends this year. Drie Cons paid a total of 145c for the year to end-June compared with the year-ago 200c, and Kloof paid 105c against 120c Deelkraal paid 60c (80c), while Doorns, Libanon and Venters all passed their finals

In the base metals sector, Gold Fields Namibia maintained its 1989 payout at 120c, and in June slashed its 1990 interim from 60c to 10c. GFSA has some other, more bullish holdings in its portfolio, such as those

FM 24/8/90

in Sasol, Liberty Life and SBIC, but total investment income still dropped by R48m.

The house recovered from that situation by doubling the profit on realisation of investments, which jumped to R32m, and by lifting the income from fees, interest and other sources from R133m to R247m Funds from the rights issue must have contributed a big slice of this

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The share yields only 2,3% on the R88,50 price, and it is difficult to see any pickup in the dividend this year without a substantially higher gold price.

Andrew McNulty

GFSA HOLDS UP

Year to June 30	1989	1990
Investment income (Rm)	351,4	303,2
Profit on investments realised (Rm)	14,5	32,0
Other income (Rm)	132,6	246,8
Attributable (Rm)	329,8	360,6
Earnings (c)	403	393
Dividends (c)	200	200

OLD MUTUAL FM 24/8/90

Funds pour in

Funds continued to pour into the Old Mutual in the year to end-June when total income was 27% higher at R10,7bn This is an inflow of almost R42m a working day.

The individual recurring premium business — often seen as the real pointer to the health of a life assurer — showed a similar trend with a rise of 25,8% Total premium and annuity income rose 26,5% to R7,13bn, representing an average cash inflow of about R28m a working day to be invested.

With many of the companies in the investment portfolio still lifting their dividends, and healthy real returns being earned on Old Mutual's large liquid investments, total investment income rose during the year by 27,7% to R3,6bn.

The value of investments in equities at year-end totalled R29,9bn, sharply higher than the year-ago value of R21,2bn, which presumably is partly a reflection of the abolition of prescribed asset requirements as well as the large cash inflows.

The value of investments in government and public authority stocks and loans was also significantly higher at R10,3bn (R7,6bn) Commenting on the 37% increase in this figure, Old Mutual chief operating officer Gerhard van Niekerk cites the attraction of current interest rates as well as the prospect for capital gain when rates fall

While he is firm that "structural investment in growth assets is still fundamental policy," he is also anticipating a cyclical decline in long-term rates.

Van Niekerk is not in favour of a reduction in interest rates yet He believes the authorities need to protect the country's reserves on the BoP "The economy must operate on a substainable basis taking a long-term view," he says.

The accounts also show rapid increases in benefits paid, which in 1990 reached R3,8bn, up by more than half the 1989 level Van Niekerk says benefits paid out in the past three years exceed the total payments made in the past 142 years.

Van Niekerk notes that total assets under administration, including managed assets, rose by some 28% to R59,7bn — yet it was only in 1973 the figure first topped R1bn.

Gerald Hirshon

FINANCIAL MAIL AUGUST 24 1990

W/Mail 24/8-26/8/90.

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NUM demands mines bankroll retraining plan

By DREW FORREST

THE National Union of Mineworkers has demanded that employers bankroll an industry retraining fund as a shield against job cuts on the gold mines

In a response to the Marais Committee's report on marginal mines, the NUM says the fund should be financed through contributions equivalent to 10 percent of dividends paid to shareholders and a five percent levy on the administration fees paid to mining houses in respect of their work for the mines

"The burden should not be on a levy on the wage bill, which will simply make labour more expensive and impact heavily on the marginal-profit mines," it says

The proposal implies the wealthy mines would contribute most These stand to benefit most from the fund, as they would be able to absorb retrained workers

In its report, which it says has been sent to the Government Mining Engineer for study, the NUM says the retraining fund should be jointly controlled by the union and the Chamber of Mines — although other unions could be included "on a strictly proportional basis"

The aims of the scheme would be

- To retrain and upgrade enough black mineworkers to alleviate the "chronic shortage of skilled labour in the gold mining sector"
- To give a guaranteed six months' paid retraining to unskilled workers, to improve their chances of finding jobs outside mining or to equip them for more skilled jobs on the mines
- To draw up a register of retrenched mineworkers who have been retrained, so these can be offered mining jobs as they become available

Other NUM proposals are that retrenched workers should receive a guaranteed minimum severance package, including a month's pay for each year of service

Advance warning of at least a year should be given in cases of threatened rationalisation or closure, coupled with full disclosure of the facts to the unions and their advisers "This will give the unions and their members a proper opportunity to discuss ways in which jobs might be saved"

The NUM also argues that the state can repay considerably more tax than Chamber estimates to tide loss-making mines over until the gold price rises

Calculating that the actual tax gain an employee on a loss-making mine is R5 144 an employee, it recommends subsidies of up to this level — R26-million for a mine with 5 000 employees — can be paid to keep a gold mine operating

"This calculation does not take account of the cost savings enjoyed by every other industry because of the large volumes of inputs demanded by the mines," it adds

A formidable adversary

S/Times 26/8/90

Anglo's on Pierre's longish list

(214)

WHETHER Anglo American's 25% blocking stake in Gold Fields of SA is in the public interest is only one question on the mind of Pierre Brooks, head of the Competition Board

By DAVID CARTE

The slight, grey-suited former professor of mercantile law at Unisa, has a staff of six to enforce and improve competition law and to investigate the many facets of deregulation

Dr Brooks and his staff are an unlikely match for the financial and intellectual power of 45 Main Street, Johannesburg

But since their findings will be influential with Wim de Villiers, Minister of Administration and Economic Co-ordination, a former chief executive of rival Gencor and well known "blunt instrument", Mr Brooks and staff could prove a formidable adversary to Anglo

Control

The Competition Board wrote about Anglo at the time Minorco was bidding for Cons Gold "The Minorco bid for Consgold, if successful, would result in Anglo and De Beers gaining control over GFSA This acquisition would be against the public interest"

The board prevailed on Anglo and De Beers to undertake, if their bid were successful, to "exercise their voting control of Consgold to ensure that Consgold will dispose of the whole of its interest in GFSA Holdings and GFSA as soon as it is commercially advantageous to do so"

Since the failure of Minorco's bid and the dismemberment of Consgold by Lord Hanson, GFSA is now held 43% by GFSA Holdings, which in turn is controlled by Asteroid (arguably GFSA itself) and Rembrandt, with a little help from Liberty

It is not clear whether Anglo's power to block special resolutions would also be against the public interest, but we'll hear in two months

Dr Brooks acknowledges that the present investigation is the result of a complaint, but declines to say whence it came

"We will judge this on a policy basis We are not aiming at Anglo or De Beers specifically We have to decide whether that 25% holding is restrictive and they will get a chance to state their case"

An agglomeration process has put four or five groups in control of much of the private sector I asked Dr Brooks whether the board was closing the stable door after the horse had bolted by referring to the Anglo-GFSA question

His reply "Acquisitions don't necessarily restrict competition and from the point of view of national interest, it can be desirable to build up big companies that can compete internationally

"It can also be advisable for companies to diversify We are concerned that after acquisition competition should remain as intense as before I think there is evidence of strong competition between the big groups"

An important breakthrough in competition law switched the onus of proof in regard to public interest from the board to companies

Synfuel

"Most companies are reluctant to be subjected to investigation They don't want the publicity and they don't want their share prices affected If competition does stand to be diminished, the parties generally drop their proposals"

In the public sector, there are monopolies or near-monopolies in electricity, railways, harbours, telecommunications, airways, broadcasting and many other areas The board has a continuing investigation into unfair competition from the State It is looking at deregulation in general and in air transport and broadcasting in particular

PIERRE BROOKS .. big is not always bad for competition on world scale

In the private sector, there are near-monopolies in clear beer, windscreens and gypsum board Recently privatised Iscor is a colossus in steel Sasol stands alone in synfuel, but competes against multinationals

There is a cartel in cement AECI's near-monopoly in explosives has been undermined by Sasol's entry and by scrapping a rule forbidding conveyance of explosives by road for more than 80km The cartel in coal supply to the Reef was ended by scrapping of the Transvaal Coal Owners' Association

Attorneys

The professions are also the subject of Dr Brooks's unwelcome gaze Most professions are protected by statute from price competition

But Dr Brooks says "Competition is fundamental to free enterprise It is in the public interest, yet most professions determine prices by statute Attorneys, for instance, charge fixed fees to administer estates and to effect property transfers They cannot offer or advertise discounts

We are looking at changing legislation to enforce price competition in all the professions But we would prefer the professions to mend their ways on their own"

By permitting advertising and negotiated fees with clients, auditors have taken positive steps — but Dr Brooks warns that recent mergers have brought into existence huge dominant firms, which will have to observe the Maintenance and Promotion of Competition Act

Genmin puts costly new HQ on ice

S/ Times 26/8/90 (214)

By DON ROBERTSON

GENMIN, mining arm of Gencor group, has shelved a head-office block because of uncertainty about the gold price

A feasibility study considered a multimillion-rand, high-rise block bounded by Marshall, Main, Hollard and Simmonds streets or refurbishing the premises and retaining the facades of five buildings

The block consists of the old General Mining building, Kelvin, Essex, Jubilee and Harcourt houses

It was decided to postpone building because it would be too extravagant

The decision was taken when the gold price was about $360 an ounce Turmoil in the Persian Gulf has since caused a sharp rise in the gold price

Genmin's other mining enterprises have also come under pressure, particularly manganese and chrome producer Samancor But potential for coal export sales by Trans-Natal has improved

Genmin chairman Brian Gilbertson says that although a single building for all headquarters employees would be convenient, the cost cannot be justified because of the poor economic climate and the vagaries of the gold price

"Our mines have worked extremely hard over the past year and have worked wonders with cutting costs The Genmin board's decision could be regarded as head office's modest contribution to curtailing costs"

It is expected that building of a head office will be reconsidered after about a year

Anglo gold theft racket

Sowetan Correspondent

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ANGLO American Corporation has confirmed that police investigations had been launched to uncover a fraud network alleged to be running a multi-million rand racket to exchange stolen gold for illegal arms.

Corporation spokesman Mr Michael Spicer said the probe was based on a dossier handed to Anglo by an informant named Chris Halse, who claimed he had stumbled on the racket while employed by one of a number of companies involved in the network.

The informant claimed knowledge of shipments of AK-47 assault rifles, Makarov pistols and plastic explosives to members of the syndicate in exchange for gold and drugs.

Sowetan 27/8/90

According to the information, the racketeers were based in and around the East Rand - buying gold stolen by mine workers and smuggling packages of it to foreign buyers in exchange for il-

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Anglo gold theft racket

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● From Page 1

legal arms shipments

Halse had named an Indian businessmen as the leader of the syndicate, whose network of operators were running shops in the East Rand - a clothing wholesaler, a cafe owner and a pharmacy

The gold thieves were paid out in cash, second-hand cars or imported clothing.

The Deputy Attorney General of the Transvaal, Mr Chris Human, had confirmed that the investigations were now being handled by the SAP Diamonds and Gold Division

Sowetan 27/8/90

The dossier also suggested that a former Member of Parliament and a magistrate were connected with the syndicate Allegations had also been made that several Customs officials and senior police officers were involved

Halse had also claimed that a number of politicians from the Far East had been engaged in the smuggling operations, posing as visitors going to and from religious functions

The informant had said the syndicate, also linked with a jeweller in Durban, smuggled the stolen gold out of South Africa to Botswana

On one occasion, while employed by an East Rand clothing firm, he came across an arsenal of AK-47 assault rifles, Makarov pistols and plastic explosives

At Anglo American, Spicer added "It's all very complicated and we are taking the issue very ously"

Star 28/8/90

Garditex gets control of Osprey

By Derek Tommey

Garditex International Finance (Pty) has acquired control of Osprey Gold Mine from controlling shareholder Golden Osprey.

Garditex says in the past Osprey was unable to develop its full potential because of limited financial resources

Garditex is planning to recapitalise the company by way of a rights issue.

This will enable Osprey to repay all interest-bearing debt, sink a shaft to the lower levels to provide greater flexibility, and to proceed with the exploration of projects for which mineral rights, options rights and prospecting permission have been acquired

The new board of Osprey is WC Janse van Rensburg, HJ Wessels, S Kearns, I Bowran, RW Hodgen and GH Nieman.

As Garditex has paid 10c a share for the 16,5 million shares that give it control, it is making a stand-by offer of 10c to minorities. Dealers say that as Osprey shares standing at three times this figure, minorities should ignore the offer.

Plunge in shares likely after big sell-off of gold

219 Star 28/8/90

Finance Staff

Gold shares on the Johannesburg Stock Exchange are expected to plunge heavily when the market opens today after the drastic sell-off of the metal in New York last night

However, some analysts say that the weakening financial rand could soften the blow somewhat and that the drop in the gold price has already been discounted by yesterday's drops in selected gold shares

Gold yesterday slumped by more than $30 an ounce at one stage, down from Friday's close in New York of $415 to an interday low of $386 an ounce as investors shied away from the metal and clamoured for equities and bonds

This morning gold was trading in Hong Kong at $392,80 after closing at $410 on Friday

There was no trade on Saturday and Monday in the East while London was also closed for a bank holiday yesterday.

The gold price came under heavy pressure in 15 minutes of frenzied trading as signs of peace in the Middle East calmed world markets

Sapa-Reuter reports that prices fell sharply after US officials confirmed a report that Iraq has ordered its tankers and cargo ships not to defy a Western blockade.

Boost output

The market was also affected by news that Iraqi troops, who surrounded the embassies of the United States and other Western countries in Kuwait last week, did not try to evict diplomats

"It was a fear-of-peace selloff," said Michael Rothman, vice-president at Merrill Lynch Capital Markets

Last week there was near-panic buying in oil markets

Oil prices were also bid down on the assumption that many members of the Organisation of Petroleum Exporting Countries would boost output to compensate for the gap left by supplies from Iraq and Kuwait

The benchmark grade of US crude oil, fell $4 to close at $26,91 on the New York Mercantile Exchange.

On Wall Street, investors cheered the drop in oil

Stocks soared to their biggest gain in more than 10 months, shaking off, at least temporarily, the oil-induced freefall that had sent the market down more than 400 points in three weeks

It was the best performance for the widely watched Dow Jones index since it rose 88,12 points on October 16 1989 the trading session after the 190-point mini-crash.

Meanwhile, the US dollar dropped to a post-war low against the German mark, closing in New York at 1,5505 marks.

Dealers said worries about the flagging US economy, temporarily put aside during a dollar buying binge afterthat followed the Iraqi invasion, were given a higher priority in trading decisions.

Gulf peace hopes and the surge in Wall Street trading pushed Tokyo stocks up two percent in morning trading today

The closely watched Nikkei ended the morning session up 518,52 points at 25 660,28

On the Tokyo foreign exchange market, the dollar fell below 143 yen in early trading for the first time since January, but later rallied slightly to 143,20

● See Page 18.

Randex deals improve its prospects

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RIAAN SMIT

BDay 28/8/90

RANDEX, SA's largest mineral rights participation company, had concluded a number of deals in the year to end June which had given shape to its portfolio, MD Mike Saner said yesterday

This had improved the company's prospects for future earnings

The most important was an agreement for participation in the Winkelhaak gold mine extension

Some 30% of pre-tax income from the Randex portion of the extension would flow through to Randex

Randex was at no risk as far as capital was concerned and would make significant gains in the next decade when the project went into production

Winkelhaak plans to mine about 21-million tons of ore averaging 5,7 g/t in the eastern portion of the mine The estimated reserves in the Randex portion of the area are 7,2-million tons at an average yield of 6,9 g/t

A company spokesman said it also succeeded in increasing its short-term funds position by selling its Lydenburg Exploration (Lydex) holdings Randex's accounts for the year showed a net income of R3,3m compared to last year's R7,2m deficit

Net income comprised R1m from investments and R20,5m arising largely from the Lydex share sale, against exploration and other expenditure of R18,3m

Saner said Randex had devoted considerable energy to consolidating and rationalising its mineral rights portfolio in the past year

"We acquired further quality participation in mineral rights, for example our 5,4% stake in the recently announced Weltevreden Mines, and formed Randex Namibia to house our Tsongoari base metals venture and the Karbib gold venture"

Randex aimed to provide its shareholders with early stage access to investments in new major mining projects, he said.

When cash rules roost

The sharp setback in gold prices on Monday illustrates that only speculative and professional buying spurred the metal in the past fortnight.

And it illustrates once again that in times of extreme volatility in world financial markets, it pays to hold cash rather than bullion.

Diagonal Street
(214) Star 29/8/90.
NEIL BEHRMANN

A Zurich precious metals manager says: "Gold initially surged because professional dealers and speculators turned around their books and bought.

"Equally, it slumped when frantic traders who held positions over the weekend, offloaded the metal when it began to fall."

With London and Hong Kong now back from Monday's public holiday, however, gold recovered to $391 from $388 in New York. Nevertheless, the $24 drop was the biggest one-day fall since the $43 decline seen in February.

Gold prices started to move lower on Monday because the majority of Opec ministers at a meeting in Vienna were willing to endorse an increase in output.

The aim is to replace a large part of the 4 million barrels a day of Iraqi and Kuwaiti oil that has been lost to the market.

As a result of the soundings from the meeting, oil prices plunged $4 and Brent crude was trading at around $26 in London early yesterday.

The fall in oil prices spurred a gigantic rally on Wall Street, Tokyo, London and other stock markets.

Professional traders and speculators were active. But in these markets, they were bears who frantically covered short positions.

They had been selling short near the bottom of the market in the hope that shares would slide further.

Analysts caution, however, that investors should refrain from being sucked into the stock market.

After the initial wave of buying in New York, activity slowed down and the large houses in New York, which still believe that stock markets are in a bear trend, are advising institutions to sell

So it is possible that shares will test their recent lows again.

Those who do not agree with that view are bargain-hunting for special situations, but cautious investors are standing aside and waiting.

The depressing aspect of the gold market, however, is that it has failed to perform in the face of a weakening dollar.

The metal keeps hitting a massive resistance barrier at $410 to $420 and the latest downwave shatters confidence once again.

The dollar, which is now considerably undervalued, appears to be in the final phases of a bear market that began a year ago.

When the dollar eventually turns, what price gold?

Programme for retraining miners mooted

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Sowetan 30/8/90

By DON SEOKANE

THE lower levels of gold production from marginal mines will have serious repercussions for mineworkers, Press officer for the National Union of Mineworkers, Mr Jerry Majatladi said yesterday.

Majatladi said closures and rationalisation of mines would lead to job losses because majority of mineworkers had no chance of getting alternative employment.

He said, instead, the mining industry should contribute to a central fund which could be used for retraining.

The fund would provide a full re-training and upgrading programme so that black mineworkers could alleviate the "chronic shortage of skilled labour in the gold mining sector".

The fund would also provide six months' re-training with guaranteed pay for unskilled workers.

It could also establish a register of retrenched mineworkers who completed re-training courses so they could be offered any suitable jobs in industry.

Majatladi said all mines could contribute a sum equivalent to 10 percent of the dividends paid to shareholders to the fund.

The burden of financing the fund would be shouldered by shareholders.

Mineworkers, retrenched as a result of mine closures and rationalisation, should have a guaranteed minimum severance package which included, one month's pay for each year of service including the option of re-training for six months.

Majatladi said the proposal, which had also been sent to the Government for consideration, meant that wealthy mines would contribute substantially to the fund because they were able to absorb most of the re-trained workers into their operations

Star 31/8/90 (214)

Oil, bullion chaos 'an unkind cut'

By Peter Fabricius, Political Correspondent

DURBAN — The oil price rise and gold price fall had come as an "unkind cut" just as the Government was getting its economic policy right, Finance Minister Barend du Plessis said here.

Speaking at the Natal National Party congress, he said the Government had a comprehensive economic strategy in place for the first time in years.

But, as so often happened, some outside event had intervened in the form of the increase in oil prices and the drop in the gold price.

'Stop-go'

These had caused a "momentary hesitation" in the economy, which was now "a bit tight" and in a downswing

Ever since 1985, when SA suddenly lost its international banking facility, extraneous factors had intervened to produce a "stop-go" economy rather than smooth transitions

He said SA had one of the most "skew" economies in the world with its great gap between haves and have-nots.

But this could not be overcome with "quick fix" solutions such as nationalisation.

The economy had certain structural features which would have to be addressed, no matter what economic system was implemented.

One of these was the need to stimulate growth without also stimulating imports.

Neither a purist capitalist nor a purist socialist approach would succeed in SA.

But a market-orientated economy was the only way to create jobs and growth.

Blacks would have to be persuaded that apartheid and capitalism were not synonymous, as many thought.

Mr du Plessis said nationalisation and redistribution of land could not promote growth and create wealth or jobs

There were different ways of implementing this policy, but none would work

If the land and businesses were simply confiscated, foreign investors would be scared off. If compensation was paid through higher taxation, savings and therefore growth would suffer.

If money was borrowed to pay compensation, interest rates would rocket and stifle the economy and no new jobs would be created.

He added the Government would soon be implementing a new policy to promote industrial growth to the year 2000

More reports — Page 7.

MINING — GOLD

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Rand Mines turns losses into profits

JOHANNESBURG – In spite of the static gold price and increases in wages, Rand Mines Gold Division managed to turn from a hefty loss into a comfortable profit situation during the third quarter

The group reported yesterday that after recording a loss of R16,6m in the June quarter, after-tax profits in the September quarter were just under R2m, in a period when the full effects of salary and wage increases were felt

One of the reasons for the change in the group's fortunes was the sale of some ERPM sand dumps and slimes dams

The five operating gold mines — Harmony, Blyvoor, Durban Roodepoort Deep, ERPM and Barbrook — maintained their gold production for the quarter at 12 155 kg

The group's total underground tonnage milled was 5,6% down at 3,2m tons while surface material treated was 8,5% down at 590.000 tons

The five mines showed a combined pre-tax profit of R6,1m for the quarter against a loss of R12,7m in the June quarter

The results for the quarter were marred by work stoppages and industrial action at Harmony and Barbrook, which had a combined loss of R16,8m

However, this was more than offset by the performance of Bylvoor, Durban Deep and ERPM which chipped in with after-tax profits of R18,7m

One of the stars was ERPM which came from a loss of R37m to a profit of R12,6m

Durban Deep had a steady quarter, posting a profit of close to R3m compared with R2,7m in the previous quarter

Harmony did not have a happy quarter and showed an after-tax loss of R11,6m after having broken even in the previous quarter

Blyvoor showed an after-tax profit of R3,2m, down R2,3m from the previous quarter

Barbrook had a troubled quarter and had to face major problems of industrial unrest as well as the fact that the grade was below expected levels — Sapa

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Picbel	526 3	−3	−14 0	N/A	−185 8	N/A	15 0	−70
Pichold	526 3	−3	−15	N/A	−221 6	N/A	—	—
Prochem	383,7	+3	7 2	−55	8 9	−61	3 0	−61
Broadacre	—	—	1 8	+14	17 1	+5	10 0	0
Tedelex	429,8	+6	17 9	−42	31 0	−38	10 0	−4 1
Elangeni▲	N/A	—	0,5	N/A	3 2	N/A	—	—
Stan Eng	690,5	+69	61 5	+71	95 2	+3	32 0	+10
Engen	5084 0	N/A	294,0	N/A	194 0	N/A	97,0	N/A

▲ 14 months

INTERIMS								
Uniserv	—	—	6 7	+17	11 5	+22	—	—
Equikor	14 0	N/A	2 1	N/A	0 8	N/A	—	—
Prestige	—	—	−1 0	N/A	−3 6	N/A	—	—
Spur	7 6	+30	2 7	+43	8 6	+41	6 5	+30
Spurhold	2 1	−4	0 3	+4	7 15	+37	5 0	+25
Amshoe	105 1	0	13,5	−4	16 1	−9	−	−

Loraine eyeing 'Wild West' reefs

S/Times 14/10/90

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By JULIE WALKER

"BIG Pebble" and "Eldorado" drum up images of the Wild West, but these are the gold-bearing reefs that could prolong the prospects of the northern Free State's Loraine gold mine.

Milling began at Loraine in 1955, but the mine has rarely enjoyed stability because of complex geology, multiple reefs and high rock temperatures

At the end of last month Loraine announced the results of borehole drilling in its mineral rights areas to the north of its northern boundary

Shaft

The results are encouraging enough to warrant more drilling If the program yields positive results Loraine will require a new shaft and have an extended life

Managed by Anglovaal, the mine announced that R36,5-million will be spent during the next two years on 17 boreholes and three deflections from existing holes

The announcement concludes a long wait by shareholders on whether there was any potential to expand the mine Results of the first two boreholes to intersect reef were published in 1984 Since then, another four boreholes have been sunk, the results of which have just been announced

They show that portions of the area are underlain by a number of well-developed conglomerate reef horizons at mineable depths of between 2 000-3 000m below surface

Kaplan & Stewart gold analysts estimate that mine grades of between 8g/t and 10g/t should be attainable and the total tonnage could be between 50-million and 70-million tons They give the project a 70% probability of success

The funding will be designed to ensure that the programme will not be curtailed if Loraine's cash runs out because of operating losses With Anglovaal backing and its heavy presence in the area, the project looks to be in safe hands

Funding

K&S says Loraine has built up net current assets of R50-million and that a rights issue should not be necessary ahead of a decision to sink a new shaft Loraine says the proposed method of funding will be announced later

Anglovaal might choose Loraine as the vehicle for exploiting the Sun prospect area which lies to the north of Loraine's lease area and at greater depth

Loraine eyeing 'Wild West' reefs

S/Times 14/10/90

(214)

By JULIE WALKER

"BIG Pebble" and "Eldorado" drum up images of the Wild West, but these are the gold-bearing reefs that could prolong the prospects of the northern Free State's Loraine gold mine

Milling began at Loraine in 1955, but the mine has rarely enjoyed stability because of complex geology, multiple reefs and high rock temperatures

At the end of last month Loraine announced the results of borehole drilling in its mineral rights areas to the north of its northern boundary.

Shaft

The results are encouraging enough to warrant more drilling If the program yields positive results Loraine will require a new shaft and have an extended life

Managed by Anglovaal, the mine announced that R36,5-million will be spent during the next two years on 17 boreholes and three deflections from existing holes

The announcement concludes a long wait by shareholders on whether there was any potential to expand the mine Results of the first two boreholes to intersect reef were published in 1984 Since then, another four boreholes have been sunk, the results of which have just been announced

They show that portions of the area are underlain by a number of well-developed conglomerate reef horizons at mineable depths of between 2 000-3 000m below surface

Kaplan & Stewart gold analysts estimate that mine grades of between 8g/t and 10g/t should be attainable and the total tonnage could be between 50-million and 70-million tons They give the project a 70% probability of success

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GFSA's metal mines turn in mixed results

(214)

BDay 12/10/90

PETER GALLI

GOLD Fields of SA's (GFSA's) base metal operations posted mixed results for the quarter to end-September as most metal prices slipped from the previous quarter.

Rooiberg Tin stayed under pressure, with a real possibility of closing should prices continue to remain depressed, GFSA director John Hopwood said. The average price of tin dropped 14% to R15 500 a ton and wiped out the rationalisation programme's cost savings

Although Rooiberg reduced its losses to R519 000 (R893 000 in the previous quarter), with a decrease in the amount of ore treated and an increase in the tin grade to 0,59% (0,50%), Hopwood said the company could not continue to sustain such losses.

He said it was unlikely Rooiberg's "A" mine would re-open unless tin prices rose dramatically

Higher copper prices helped Black Mountain to a small extent. However, operating revenues were dominated by lower zinc, lead and silver prices and higher cost of sales. The quarter's pre-tax profit dropped to R21,2m (R24,1m) Sales of lead in concentrate increased dramatically to 25 416 tons (8 923 tons)

Ore grades in the past six months had been lower than expected and the increased volume of metal sold and the higher cost of sales were purely a function of delivery schedules, Hopwood said

Similar conditions affected O'okiep Copper where an increase in ore milled failed to offset the effects of a lower copper grade. Copper production fell to 5 908 tons (6 302 tons) but as the sales tonnage rose, the mining profit increased to R16m from R14,9m. Lower sundry revenue left the quarter's pre-tax profit down.

Gold Fields Coal sales fell 13% to 1,89-million tons Hopwood said this was a result of shipping programmes and delays, and that the next quarter should be better with catch-up sales. Taxation rose to R5,7m (R3,4m), which resulted in a much lower after-tax profit of R4,36m (R9,03m).

Gold Fields of Namibia's taxed income rose to R5,06m (R3,8m), as there was a further improvement in production from Tsumeb and Kombat, where mining was back to normal after the 1988 flood disruptions.

Production at Otjihase declined as a result of labour unrest in August and difficulties in re-establishing mining operations in the Oblique fault zone

Hopwood warned metals mines would be hard pressed to match profits in the December quarter if prices remain soft.

Prospecting could lead ET Cons away from gold

(214)

BDay 11/10/90

RIAAN SMIT

EASTERN Transvaal Consolidated (ET Cons) has initiated a prospecting programme for nickel, copper and platinum group metals which, if successful, will diversify the small Anglovaal mining company out of gold.

The R5,1m prospecting programme is centred on a farm next to Anglo American Corporation's Uitkomst nickel prospect

Announcing the move at ET Cons's AGM on Tuesday, chairman Rob Wilson said it was expected the prospecting programme on the farm Slaaihoek near Badplaas in the Eastern Transvaal would be completed towards the end of 1991

If the project developed into a new mine, it would give ET Cons a new lease on life because its three small gold mines, New Consort, Agnes, and Sheba in the Baberton area, dated from early this century and "ore reserves are becoming limited", the 1990 annual report said

Rising costs and lower gold prices have clipped the reserves immediately available for mining and reduced operating flexibilities.

At the end of June, declared available ore reserves calculated on a gold price pay limit of R32 500/kg were 704 400 tons with an average grade of 17,1 g/t. In 1989 available reserves were calculated at a gold price of R33 200/kg and totalled 900 250 tons at an average grade of 16,7 g/t.

The Slaaihoek mineral rights and mining title belonged to ET Cons, Wilson said The farm appeared to be on top of an ore body called the Uitkomst Suite which an outside geologist said was similar in mineral content as to that explored by Anglo for its Uitkomst prospect

Anglo American new business divisional manager Graham Craig told Business Day in March its proposed mine would have an output of 17 000 tons of nickel In 1989 SA produced about 40 000 tons

Preliminary capital cost had been measured against the $10 to $12 an annual pound yardstick used by the world's largest nickel producer, Canada-based Inco This showed the project appeared to be competitive

However, an Anglo spokesman said on Tuesday the decision on whether to go ahead with Uitkomst had been deferred to early next year

Uitkompst envisaged output translated into capital cost of more than R1bn at $11 a pound, he said Although Uitkomst would be SA's first primary nickel mine, 30% of the mine's revenue would be from platinum, copper and other metals mined as by-products, Craig said

☐ ET Consannounced today that the 20-for-1 subdivision of its ordinary shares — approved by shareholders at the AGM on Tuesday — will take effect as from Monday October 15 As the price will be adjusted accordingly, shareholders have been advised to exercise caution in their dealings.

Troubled Cons Murch slashes costs

RIAAN SMIT

CONSOLIDATED Murchison (Cons Murch) — the world's largest antimony producer, which is threatened with closure — has begun a cost-cutting strategy to enable it to survive in the face of an oversupply of antimony on world markets and heavy price discounting by Chinese producers

The eastern Transvaal mine has cut its milling rate by 25%, frozen salaries and wages for the current financial year, limited its capex, and deferred payment of all fees due to JCI

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Disclosing this survival strategy in his annual review for the year to June 30, chairman Mike Hawarden said it was necessary to stem the Letaba mine's negative cash flow

BDay 9/10/90

Hawarden said prices were unlikely to improve materially in the short to medium term, providing there were no serious supply disruptions.

"Against this background, the only hope of survival for the company is to increase gold recovery significantly and to produce a value-enhanced antimony product"

To this end opportunities existed for enhancing gold recovery and producing crude antimony oxide through the use of new technology which, if adopted, could permit the phasing out of the pipe reactors with their attendant high operating costs.

But Hawarden warned that the company's position was so precarious it might not be able to afford the capital expenditure these changes would require and the mine might have to be placed on care and maintenance At the financial year-end, the company had a net cash deficit of R1,5m (1989 R7,3m credit)

Cons Murch has reported an operating

☐ To Page 2

Cons Murch

BDay 9/10/90

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☐ From Page 1

loss of R7,7m on a turnover of R34,3m for the year, compared with an operating profit of R8,3m last year on a turnover of R54,6m. Loss after tax was R6,4m (R10,2m profit).

Antimony is a brittle, silvery white metallic element used mainly in alloys. It sold at more than $2 100 a ton in January 1988, but has been languishing around $1 700 since August that year

The mine also produces gold as a by-product — 531kg during the 1990 financial year and 902kg in 1989 — its best figure for the past five years

The 25% reduction in the milling rate began on July 1 to reduce concentrate production to a level more in keeping with current sales, Hawarden said This means the milling rate will be around 300 000 tons for the current financial year (1990 390 765 tons, 1989 457 063 tons)

Capex, R4,2m for the year and R5,6m last year, would be limited to essential items to maintain production at the current level for up to two years.

Trading in Soudex rights starts today

RIAAN SMIT (214)

TRADING in rights to take up shares in Johannesburg Consolidated Investment Company's (JCI's) proposed South Deep gold mine starts on the JSE today

JCI had already spent R86,7m on exploring this "most extraordinary and exciting ore body" and planned to spend another R170m over the next 15 months, gold and uranium division chairman Kennedy Maxwell said on Friday

A decision would only then be taken whether to go ahead with the mine, south of and overlapping part of the group's Western Areas (WAGM) gold mine near Randfontein B/Day 8/10/90

If the go-ahead was given, capex of R2,2bn in July 1990 terms would be needed over a 10-year period to reach full production of 180 000 tons a month, he said

This capex excluded the R86,7m already spent, but would be R400m less because of revenue from mining the shaft pillar before full production started, he said

The prospectus published today said South Deep Exploration Company (Soudex) proposed to raise R231,6m by way of a rights offer of 19 708 000 shares in order to support its continued exploration and preliminary mining development programme and to reimburse the twin haulage and surface rights loan accounts of WAGM, JCI and the "principal participants"

The rights in which trading begins today will entitle holders to take up shares in Soudex at R14,30 a share

JSE trade for proposed gold mine starts today

CAPE TIMES 8/10/90

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Own Correspondent

JOHANNESBURG — Trading in rights to take up shares in Johannesburg Consolidated Investment Company's (JCI's) proposed South Deep gold mine starts on the JSE today

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Gold Fields takes wage hikes in its stride

RIAAN SMIT

GOLD Fields of SA's gold mines beat off the September quarter's wage-induced cost increases by increasing recovery grades But the quarter's overall working profit was still almost R100m less than in the final three months of 1989

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B/Day 5/10/90

GFSA's mines lifted their average gold recovery grade to 7,6 g/t from the June quarter's 7,2 g/t

That, with some help from a slightly higher rand/gold price, counteracted the quarter's 3,8% increase in unit working costs.

Most analysts had been expecting unit costs to rise more sharply under the full impact of mid-year wage hikes and warned that the GFSA group's apparently low average increase might not be matched by other houses which report during the next few weeks

The largest quarter on quarter gains in yield were achieved by Driefontein Consolidated's West Drie section with 10,3 g/t

☐ To Page 2

Gold Fields

BDay 5/10/90

(9,4 g/t), Kloof 12,4 g/t (11,6 g/t), and Libanon 4,7 g/t (4,1 g/t)

Deelkraal's yield has dropped to 5,7 g/t from a 5,9 g/t average in fiscal 1990 compared with 6,3 g/t in fiscal 1989

Total working profit rose to R272,6m from R261,2m, but this was almost R100m less than the R370,2m for the December 1989 quarter

During that quarter, the milling rate was about the same as the quarter under review, while the yield was lower at 7,4 g/t, gold production was 600kg more, and the gold price received was about

(214)

☐ From Page 1

R1 000/kg more than the R31 752 for the September 1990 quarter

A slightly lower milling rate of 3 589 500 tons for the September 1990 quarter (3 669 000 tons) was more than offset by the increased yield and gold production was up to 27 341kg from 26 560kg

In spite of the sizeable increase in gold production, revenue increased to R869m from R836m because the average gold price received improved just 1% to R31 752/kg (R31 437/kg)

Total working costs at R597m were 3,8% higher than the previous quarter's R575m

● See Page 6

Gold Fields takes action to beat costs

RIAAN SMIT

(214)

BDay 5/10/90

THE increase in average yield a ton of ore milled by Gold Fields of SA's gold mines for the September quarter was a "deliberate attempt to beat the cost inflation spiral", gold operations executive director Alan Munro said yesterday.

The largest quarter-on-quarter gains in yield were achieved by West Driefontein at 10,3 g/t (9,4 g/t), Kloof 12,4 g/t (11,6 g/t), and Libanon 4,7 g/t (4,1 g/t).

Deelkraal's yield dropped from a 6,3 g/t average for the 1989 financial year to 5,9 g/t for 1990 and now to 5,7 g/t for the first quarter of its current financial year

Munro said working costs were of prime concern "With a static gold price, cost must be contained "

Its labour force had been reduced at all operations — "by hundreds" — to contain costs, but nobody had been retrenched, he said

"We are still in the mode of using all methods of reducing employment other than retrenchment, but drastic action is becoming increasingly likely," he said

East Driefontein milled 25 000 fewer tons of ore than in the previous quarter because of a rock winder problem at No 2 Shaft-E.

"Yield dropped from 8,4 g/t to 8,1 g/t and pushed up the cost of a ton milled by 10,9% to R159,79. Profit declined from R86,2m to R67,2m.

In contrast, West Drie's profit increased from R87,1m to R108,5m because of the increase in yield and containment of cost to less than 1%

The mine's total profit before tax was up at R202,8m (R195,3m), but increased state's share and tax at R94,4m (R61,9m) reduced the after tax figure at R108,3m to below that of the previous quarter's R133,5m — the lowest level for at least 10 quarters

Kloof recorded an after tax profit of R97,3m for the quarter, which is lower than the previous quarter's R115,7m, but better than its recent worst performances of R95,3m in the March 1990 quarter and R83,6m in the March 1989 quarter

Munro said production from Leeudoorn would start in the first quarter next year "one quarter later than we said in the prospectus in 1985"

Deelkraal's after tax profit fell for the fourth consecutive quarter to R15,8m The mine recorded R28,5m in the previous quarter, R29,4m in the March quarter, and R32,2m in the three months to December 1989

GOLD FIELDS OF SA September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
East Drie	695	8,1	5 605,2	159,79	19 812	31 754	—	—	—
	720	8,4	6 026	144,05	17 211	31 482	—	—	—
West Drie	705	10,3	7 234	172,29	16 791	31 745	108 340*	63 216*	31
	705	**9,4**	**6 622,4**	**171,00**	**18 204**	**31 315**	**133 473**	**81 959**	**40,2**
Kloof	540	12,4	6 691,3	215,30	17 375	31 765	97 345	(33 416)	(27,6)
	540	**11,6**	**6 276,5**	**214,20**	**18 429**	**31 411**	**115 674**	**(20 075)**	**(16,6)**
Venterspost	390	3,5	1 369,3	135,91	38 710	31 732	(4 382)	(15 510)	(76,8)
	390	**3,5**	**1 376,6**	**134,96**	**38 234**	**31 573**	**(753)**	**(14 149)**	**(70)**
Libanon	435	4,7	2 047,2	142,04	30 182	31 841	4 301	1 913	4,8
	425	**4,1**	**1 757,7**	**143,25**	**34 637**	**31 444**	**(2 623)**	**(7 409)**	**(18,5)**
Doornfontein	390	5,2	2 012,2	183,08	35 484	31 725	(6 791)	(12 704)	(31,8)
	390	**5,1**	**1 998,0**	**168,87**	**32 963**	**31 396**	**(2 452)**	**(12 980)**	**(32,5)**
Deelkraal	405	5,7	2 308,5	145,65	25 554	31 691	15 838	(4 702)	(4,7)
	405	**5,9**	**2 390,3**	**129,10**	**21 875**	**31 614**	**28 541**	**5 752**	**5,8**

* Combined results of both sections.

FM 5/10/90

(214)

LORAINE FM 5/10/90

DRILLING PLANS

(214)

Anglovaal has been conspicuously reticent about releasing details such as borehole results from its exploration undertakings In a surprising move, Loraine has published borehole sampling and assay data from the area immediately to the north of the mine's northern boundary

The results are regarded as being "sufficiently encouraging to warrant a further and more detailed drilling programme " A programme to drill a further 17 boreholes and three deflections from the existing six holes over the next two years, at a cost of R36,5m, has been recommended This should enable the group to determine the nature, location and extent of payable ore reserves

Though the intersections have been at considerable depths, between 2 000 m and 3 000 m, the grades have been good — which possibly represents good news for the marginal gold producer Funding will, however, be a problem for this cash-strapped mine as rising costs and a weak rand gold price have already pushed it into the red. Nonetheless, the drilling will go ahead

The drilling has confirmed the continuation of the Eldorado reefs with good gold grades running northwards, the presence of the Big Pebble reef, the "B" reef yielding good gold grades and the presence of the Basal reef

Values could be described as interesting and worthy of further examination As a broking analyst points out "It seems Loraine wants to be sure of what is in the area It would be a pity to miss something good which may be there, just because of cash flow difficulties This is rather like an elaborate cautionary announcement, and rightly so, because the mine will be borrowing R36,5m — roughly R2,25 a share — when it is probably seeing a negative cash flow "

Any venture that follows the prospecting programme should mean a new lease of life for Loraine and in that sense is to be welcomed Less favourable is the funding exercise and the effect on cash flow Prospects of dividend payments in the near-term have almost certainly faded even further

Gillian Findlay

COMPANIES

Buffels mine spells out prospects for future

B/Day.
3/10/90

RIAAN SMIT

214

THE long term future of Gengold's Buffelsfontein gold mine remained dependent on the rate at which payable ore reserves could be found and on the mine's ability to contain costs, its annual report released yesterday said.

A reassessment of the Klerksdorp mine's total available ore reserves, because of an average static gold price and cost inflation, showed a decline of more than one-million tons for the year to end-June

At a gold price of R32 000/kg, ore reserves have been estimated at 4,8-million tons at 9,7 g/t. This compares with last year's estimated reserves of 5,9-million tons at 10 g/t based on a gold price of R30 000

Buffels contained the increase in costs a kilogram of gold produced to 1,8% for the year compared with the inflation rate of about 15%.

This is reflected in income after tax only being slightly down from R69,2m to R67,7m on gold production down from 15 058 to 14 643kg.

The report said prospecting to the east of Strathmore Shaft was continuing The search for additional mining areas to the east of the Tertiary block was being continued although current indications were that mining these deep areas would only be viable at a gold price of R46 000/kg

Exploration and development in the south-western part of the mine to exploit the C Reef was also continuing, but the general outlook for this section was "not very promising" unless the rand gold price increased, the report said

Buffels decided during the year to phase out mining from the Pioneer Shaft because of the low gold price.

The low gold price also led to a 1 700 reduction in the mine's labour force. Of these, 690 were retrenched and the remainder were accounted for by transfers, retirements and resignations, the report said.

Cutbacks feature in Rand Leases strategy

B/Day 3/10/90

(214)

RIAAN SMIT

SEVERIN's Rand Leases has undertaken drastic cuts to its operations and will be utilising the proceeds of its R32m rights issue to return the mine to profitability

According to the annual report, costs a kilogram of gold produced for the year to end-June soared to R47 239 (R29 340 previously), translating into a R12,8m loss for the year compared with a R1,8m taxed profit in the 1989 financial year.

Management decided the optimum mining plan was to restrict production to about 14 500 tons of ore a month — an average of 20 000 tons a month of ore was hoisted during the year to end-June — yielding gold at about 3 g/t, all sourced from the 11 Shaft area.

A total of 686 employees (60% of its labour force) had been retrenched, KR2-Shaft was placed on care and maintenance, and Six Shaft was closed.

The report said the plan was implemented in the fourth quarter of the company's financial year. Production results were in line with forecasts

Although this should result in a reasonable operating profit, it would not be adequate to meet the high interest burden resulting from the company's R29,6m debt, it said

The R32m renounceable rights issue of 106 654 500 new ordinary shares at 30c a share in the ratio of 900 shares for every 100 held was in effect a conversion of the debt into equity

The offer closes on October 12

Another source of revenue for Rand Leases was 470 ha of freehold property in the Roodepoort area on which the mine was situated

COMPANIES

Western Areas share deal to net R132m

CHARLOTTE MATHEWS

THE sale of its entitlement to South Deep Exploration Company (Sodexco) shares would net Western Areas Gold Mining Company R132m after costs, an announcement published yesterday said

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The money raised by cash-strapped Western Areas will be used mainly to reduce its short-term debt obligations.

Western Areas reported a loss of R17,3m for the June quarter on a lower gold price and steeply rising working costs.

Sodexco, formed to explore and develop the South Deep Project Area, said last week it would raise R232m in a rights offer.

BDay 2/10/90

Western Areas is entitled to 16-million shares in Sodexco — 8-million as payment for ceding its interests in the South Deep Project Area to Sodexco and 8-million arising from the rights offer

Western Areas will sell its entitlement to 16-million Sodexco shares to its members on the basis of 40 Sodexco shares for every 100 shares held at R14,30 a share.

Western Areas will also offer sell 7-million Sodexco shares to Elsburg members on the basis of 26 Sodexco shares for every 100 shares held in Elsburg for R14,30 a share Elsburg has 48,7% of Western Areas

GFSA FM 28|9|90 (214)

PRECIOUS METALS STILL THE CORE

Activities: *Mining house with principal interests in gold, platinum, other minerals, finance and industry*

Control: *43% held by GFSA Holdings, of which Rembrandt Group and Asteroid each own 40%, Asteroid is jointly controlled by Drie Cons and GFSA Liberty Life owns 20% of GFSA Holdings Anglo American Corp controls 25% of GFSA*

Executive chairman: *R A Plumbridge, Deputy chairman and MD C T Fenton*

Capital structure: *96m ords, 4,4m conv red cum prefs Market capitalisation R6,24bn*

Share market: *Price 6 500c Yields 3,1% on dividend, 6,1% on earnings, p e ratio, 16,5, cover, 2,0 12-month high, 11 050c, low, 6 500c Trading volume last quarter, 994 066 shares*

Year to June 30	**'87**	**'88**	**'89**	**'90**
Investments				
Listed (Rbn)	7,13	5,13	6,55	7,56
Unlisted (Rbn)	0,44	0,72	1,0	1,16
Performance				
Invest income (Rm)	304	328	351	303
Other income (Rm)	62	41	40	155
Attrib profit (Rm)	301	308	330	361
Earnings (c)	368	377	403	393
Dividends (c)	185	190	200	200
Net worth (c) ...	7 644	5 974	7 665	9 362

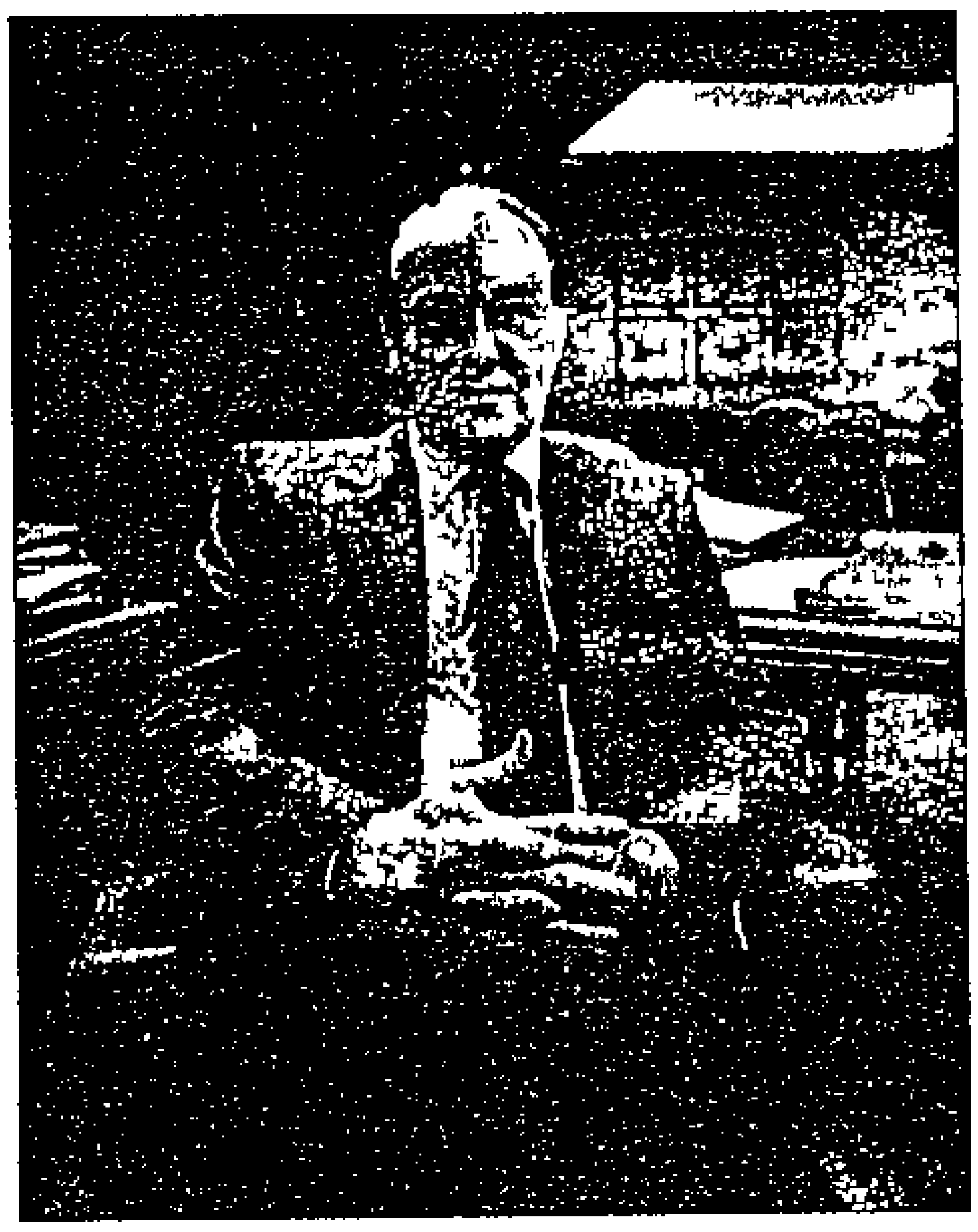
SA's gold industry is facing structural problems and Gold Fields of SA (GFSA) has more flexibility after the changes in its shareholding structure, with the majority stake brought onshore Even so, investors should not expect any big changes in GFSA's strategic thinking

Chairman Robin Plumbridge says the board has held a major review of the group's policies so that it can face what is seen as a decade of change in a proactive manner The conclusion was that GFSA should continue to focus on mining and beneficiation and that precious metals mining in SA should remain the core business

The group will continue to seek to discover and develop new mineral resources rather than expand by acquisition Where an acquisition is indicated, Plumbridge says, due regard will be given to any adverse monopolistic consequences, as well as strategic, technical and financial considerations Where investments are made in non-group companies, they will be limited in extent and of a portfolio nature These, he says, will generally be liquid investments in marketable securities and will not exceed 10% of the equity of any company

DIVISIONAL BREAKDOWN

	Net assets		**Profit after tax**	
	Rm			
	1989	**1990**	**1989**	**1990**
Gold	5 394	6 202	245	210
Platinum	427	875	(0,4)	0,9
Energy	303	347	17	29
Base minerals	295	290	39	35
Mining finance	941	735	22	17
Financial	393	676	13	25
Industrial ...	17	15	1,3	1,6
Property	18	22	2,7	2,0
Cash	66	394	7	59
Total	7 853	9 554	348	379



GFSA's Plumbridge *fieldwork continues on new projects*

On the whole, it sounds like more of the same GFSA has established expertise as well as some quality investments in precious metals, particularly gold In Drie Cons and Kloof it operates two of the industry's largest and lowest-cost gold producers The problem is, precious metal markets can be highly cyclical GFSA's mines are not immune to the cost squeeze and diminishing recovery grades which are depressing the industry's profitability

For years, gold contributed about 75%-80% of group income In the 1990 year — when EPS dipped by 10c — only 55% of income was from gold and platinum Total investment income, which depends primarily on dividends from gold producers, dropped from R351m to R303m

It was only the interest income from cash received in last October's R1bn rights issue that prevented a slide in earnings Cash, including dividends receivable and payable, was the source of 16% of income Since the mid-Eighties, the group has seen a marked improvement in income from other minerals and last year 17% of income was from these interests, compared with 7% in the 1989 year

Even so, the heavy dependence on the gold industry has left its mark on GFSA's recent EPS and dividend performance The dividend was pegged last year and is only 25% higher than the 1986 level of 160c

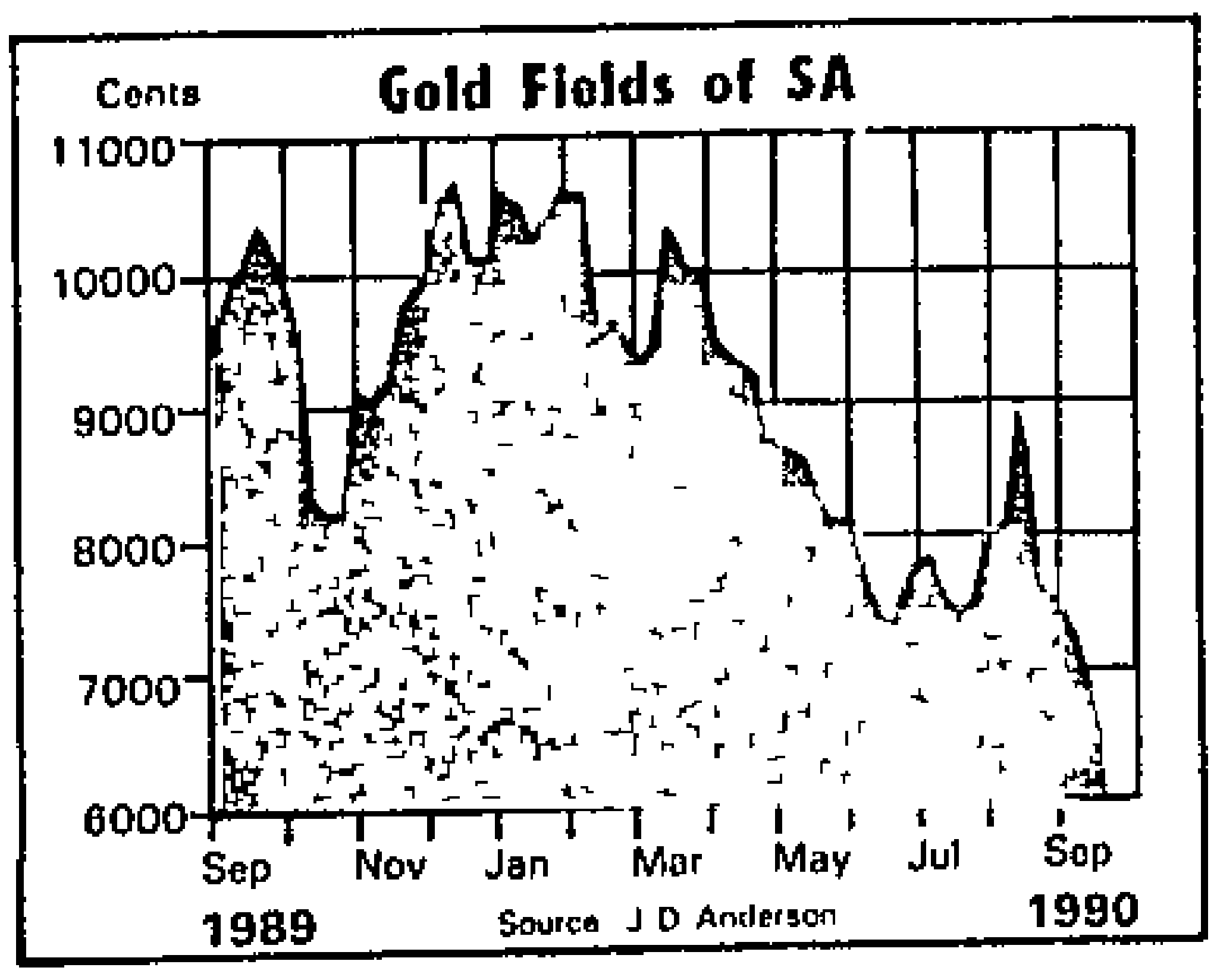
Plumbridge says the group's financial fortunes are heavily dependent on the two Driefonteins and Kloof and Deelkraal mines All four performed below expectations in fiscal 1990, as technical difficulties were worsened by a shortage of quality, skilled people for much of the year Production by the gold mines which GFSA manages fell from 117 352 kg in 1989 to 108 742 kg in 1990 The industry-wide retrenchment programmes have eased the skills shortage, Plumbridge says, and it is to be hoped the performance of all these mines will improve this year

Kloof's new Leeudoorn section, which in some respects has been worst affected by the skills shortage, will start producing this year and Northam Platinum mine early next year Plumbridge says both these should make major contributions to the group's profit in due course

This year will see a pickup in capital spending at 61%-held Northam, which plans to spend R414m after last year's R233m The unexpended balance of authorised capex by mining subsidiaries at year-end was R656m, compared with the year-ago R402m At June 30, the cash balance stood at R490m, with R682m held by mining subsidiaries, which are not consolidated Cash will almost certainly be drawn down further this year, implying less interest income

Dividends paid by the base metal interests have generally declined and there seems no reason yet to expect an early resumption of growth Black Mountain's dividend for the 12 months to June fell from R48m to R43m, Gold Fields Namibia's dropped from R21m to R11m and O'okiep Copper's from R32m to R31m

Overall, an increase in GFSA's dividend this year looks unlikely Earnings should benefit when Northam is fully on stream, though it will be a relatively high-cost producer and there is risk of over-supply in the platinum market



Source J D Anderson

FM 28/9/90 (214)

Plumbridge, meanwhile, offers little indication of new developments He says that as technical resources are released from the Leeudoorn and Northam projects, the group will start to contemplate new developments if they are financially justified Fieldwork continues on new projects, some of which are showing "interesting possibilities "

At R65, the share has fallen some 40% below the 12-month high The stock needs a higher gold price to justify purchases It should be bought only by those seeking a long-term investment in precious metals

Andrew McNulty

FINANCE

Hope for uranium output

(214) BDay 27/9/90

PETER GALLI

THE 1990 annual Uranium Institute symposium held in London earlier this month reflected a glimmer of hope for Africa's uranium producers, a recent report in Africa Analysis said

Projections by the institute's supply and demand committee showed a reduction of 4% in the forecast growth of generating capacity in the period to 2005, along with a commensurate fall in uranium production estimates However, the committee maintains that the overall reactor requirements will increase modestly

With many production facilities mothballed and the low spot market price inhibiting exploration for new uranium deposits, requirements were initially likely to be met by increased output from existing low-cost producers, Africa Analysis said

The African mines are regarded as low-cost operations, with four countries producing uranium Gabon, Namibia, Niger and SA However, SA production has been sharply cut in the past, and uranium is mined as a by-product of gold None of the other three countries produces at capacity

Production could, however, be fairly rapidly increased to near capacity levels in all four countries, Africa Analysis said The Rossing mine in Namibia, which has reserves for 30 years, is well placed to respond to increased demand because of its modular technology, and recently signed a new long-term contract for the supply of 5 000 short tons to Electricité de France, the report said.

However, SA industry sources remain convinced that the future of the uranium industry is bleak There appears to be little or no prospecting for uranium in SA, with a number of previous uranium producers either changing their plants and moving away from uranium production or suspending operations It was felt world demand would increase, but only very slowly

The continuation of the oil crisis in the Mid East, combined with diminishing oil and coal reserves, would perhaps draw attention to nuclear power

However, for African deposits to be brought on stream, the uranium price would have to rise to a level that would make exploration and development worthwhile While the spot price has increased quite substantially it is still too low to encourage further exploration in the immediate future The spot uranium price of $11,70 is markedly up on the recent low of between $8 and $9 a pound

Expenditure on African prospecting had also fallen from $51m in 1980 to an estimated $2,5m this year, Africa Analysis said

Knobbs tells of threats to mining

B Day 26/9/90

ROBERT GENTLE

POLITICAL conflict and unrest, coupled with disquiet fanned by the stubborn adherence by influential leaders to the tenets of socialism and Marxism, were major threats to the mining industry and SA

That was the message delivered by Chamber of Mines president Clive Knobbs to the American Mining Congress in New Orleans yesterday

Knobbs said euphoria in the wake of President F W de Klerk's February 2 parliamentary speech had been transformed into uncertainty and apprehension

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"The threat of the imposition of a command economy in SA is without doubt the most serious single impediment to the prospect of economic growth and increased prosperity of all its people," he said

● KNOBBS

Knobbs thought there was sufficient goodwill and good sense to ensure that the "socialist option" would not be pursued

Another problem facing the mining industry was "unrealistically high wage demands and other exorbitant requests for improved employee benefits" from trade union leaders

In just five years — from 1984 to 1989 — SA had moved from being the lowest-cost producer of gold in the world to the highest

Compounding these financial problems was the sanctions-induced capital flight

"Even if the industry is successful in cutting its working costs to more acceptable levels, there can be no sizeable expansion without substantial renewed investment from both local and foreign sources," he said

The Witwatersrand basin was still the world's biggest known potential source of new gold, and SA gold mining could continue well into the 21st century if these technical, political and financial problems were solved

GFSA firms probe gold mine option

B Day 26/9/90

(214)

ROBERT GENTLE

THE three companies in the Gold Fields of SA (GFSA) stable — New Wits, Selected Mining and Wit Deep — which this week agreed in principle to merge, were exploring the possibility of a new gold mine in the Free State

GFSA GM Michael Fuller-Good said yesterday that certain interests held by New Wits in the vicinity of Unisel (Gencor), Beatrix (Gencor) and Harmony (Rand Mines) gold mines showed "promise" and were being investigated

He was speaking at a news conference called to explain the rationale and implications of the merger announced on Monday

Fuller-Good said that if a mining venture did result, it would have to be as a tie-up with a major partner and a joint announcement would be made to this effect

Fuller-Good emphasised, however, that there was nothing definite at this stage He was not able to quantify just how promising the areas under investigation were

Either way, he said, the enlarged New Wits — the vehicle for the merger — would have combined investments worth about R480m and would be far better placed financially to participate in such a venture

Although the combined cash resources of the companies were very small — barely R2m according to the annual reports released yesterday — cash would be raised when necessary by selling non-performing shares in the investment portfolio

This would be facilitated by the tax holiday on long-held shares announced at the large Budget

Fuller-Good dispelled suggestions that the enlarged New Wits (already listed in London) would necessarily be a vehicle for overseas investments in the light of GFSA's recently announced intention to break with its traditional policy of limiting its activities to southern Africa

Even with the benefits of the merger, New Wits was just not large enough for this, he said In any event, this was really more of a GFSA issue

Fuller-Good said dividends for the next financial year would be at least equal to the 50c a share declared in the year to June 1990

Cash to take South Deep beyond exploration stage

BDay 24|9|90 (214)

RIAAN SMIT

SOUTH Deep Exploration Company (Sodexco) is killing two birds with one stone for JCI and Western Areas Gold Mining Company (WAGM)

The exploration company, which announced details of a R231,6m rights offer on Friday, was formed to explore and develop JCI's South Deep Project Area immediately south of and including a portion of WAGM's lease area and mineral rights

A swap of interests in South Deep between Sodexco, WAGM and JCI and the Sodexco rights offer means an injection of badly needed cash into troubled WAGM and cash, through the rights offer, to take South Deep beyond the exploration stage

It will work this way WAGM and JCI will exchange their mineral rights in the Project for the right to subscribe for shares in Sodexco

This means WAGM will be entitled to 40,9% of the issued share capital of Sodexco amounting to 8,1-million shares

Simultaneously, Sodexco will make a rights issue to its shareholders, including WAGM, to raise funds to reimburse WAGM and the other participants in Sodexco for their expenditure incurred to date on surface rights and the development of the 95 level twin haulages from the WAGM South Shaft towards the South Deep shaft site

At the same time as the rights issue, WAGM will offer for sale to its shareholders its entire entitlement of its Sodexco shares, including those arising from the rights offer

In terms of figures it means JCI and WAGM gets 19 708 000 fully paid ordinary shares in exchange for the cesssion of their interest in the South Deep Project Area WAGM's share of the ordinaries is 8 061 695

The Sodexco rights offer will be on the basis of one rights issue share for every existing share and exchange share in Sodexco held on October 5 this year

WAGM will therefore receive the rights to a further 8 061 695 shares in Sodexco, but will sell its entire entitlement of 16 123 390 ordinary shares in Sodexco to its members

The proceeds of this offer will be used to subscribe for its entitlement from the Sodexco offer and the balance will be used to reduce the mine's short-term debt, the announcement on Friday said

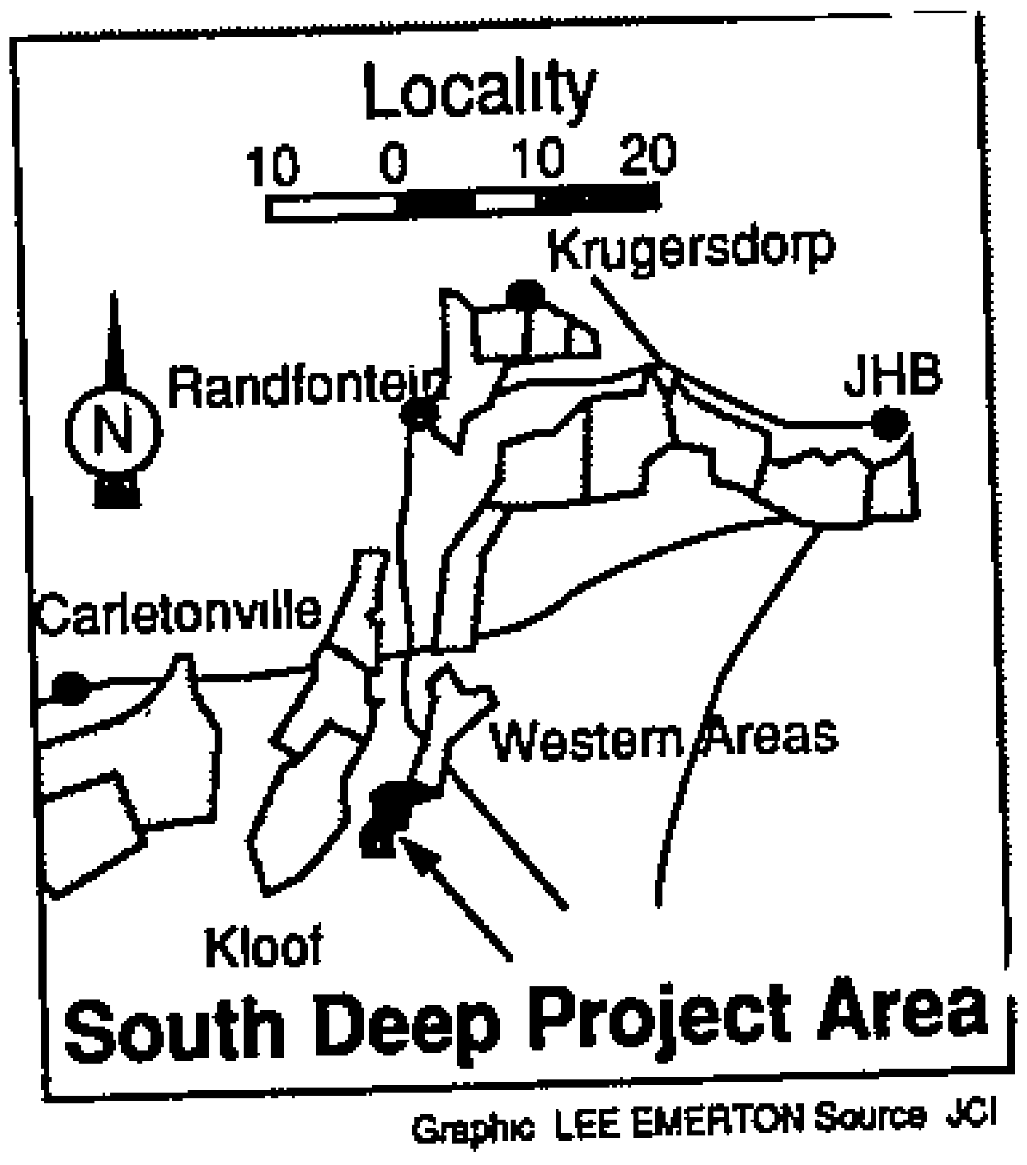
It does not end here Elsburg Gold mining Company, through its 48,7% interest in WAGM, will be entitled to buy 7 852 780 of the shares in Sodexco offered by WAGM Elsburg renounced this entitlement to its members and WAGM will make the offer directly to members of Elsburg

The South Deep Project Area covers 1 236ha and includes 266ha of the WAGM lease and 239ha of WAGM's mineral rights

The Area contains a total resource in excess of 780-million tons After applying a mining cut-off grade, there is still a substantial tonnage of mineable ore, according to an August WAGM circular

It is estimated the area contains 116-million tons of ore at an in-situ grade of 9g/t An economically viable mining operation could be established which would have a life in excess of 30 years, the circular said

☐ Sodexco has been used as an acronym for South Deep Exploration Company in the WAGM circular In Friday's published announcement, South Deep Exploration Company was shortened to South Deep South Deep or Sodexco as a company should not be confused with the name of the lease area South Deep Project Area



Graphic LEE EMERTON Source JCI

Three GFSA companies agree to merge

ROBERT GENTLE

THREE investment holding companies in the Gold Fields of SA (GFSA) stable have agreed in principle to merge, according to a joint statement issued today

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The companies — New Wits, Selected Mining Holdings and Witwatersrand Deep — derive their income essentially from shares in portfolios of precious and base metals

B/Day 24/9/90

In the year ending June 1990 they accounted for about 6% of GFSA's taxed profits of R379m, and maintained or improved their respective dividends

New Wits, which is the strongest of the three companies and is listed on the stock exchanges of Johannesburg and London, will be used as the corporate vehicle for the merger, the statement says

Shareholders of Selected Mining will be offered 120 New Wits shares for every 100 Selected Mining shares held Shareholders of Wit Deep will be offered 90 New Wits shares for every 100 Wit Deep shares held

If successfully implemented, the statement says, the merger will see shareholders in the enlarged New Wits benefiting from a strengthened asset base

Sodexco opts for R232m rights issue

LINDA ENSOR 214

SOUTH Deep Exploration (Sodexco) — a newly formed company which is to buy interests held by Johannesburg Consolidated Investments (JCI) and Western Areas in the South Deep Project Area — is to raise R232m by way of a rights issue. BDay 21/9/90

Sodexco will also seek listings in Johannesburg and London, says today's release detailing beleaguered Western Areas' refinancing scheme.

JCI and Western Areas will get 19,7-million shares in Sodexco for the interests, with Western Areas entitled to 8,1-million of these shares. Sodexco will have a share base of 39,4-million shares after the transactions.

The South Deep rights issue will be made on the basis of one share for every share held on October 5, so that Western Areas will receive about 8,1-million more shares.

Its entire stake of 16-million shares will be sold to its shareholders, and the money raised will enable Western Areas to subscribe to the South Deep offer and reduce its short-term debt.

Funds raised by South Deep will finance the exploration and development programme for the South Deep Project Area and will be used to reimburse Western Areas, JCI and other participants for twin haulage and surface rights expenditure.

ENCE

Blue chips 'more geared to gold price'

B Day 21/9/90

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THE decline in the gold mining industry's profitability meant even blue chip mines were far more geared to rise on the gold price than had been the case in the past, Simpson McKie director Rodney Yaldwyn told the conference

Despite the fact that the initial benefits from a higher gold price would be offset by an attempt to reduce debt, strengthen balance sheets and increase capex, earnings could be expected to rise on any gain in the gold price above $400/oz

The recent but growing realisation, especially in SA, that the local gold mining industry was far from healthy, had adversely affected investment sentiment, Yaldwyn said

"The slashing of dividends of supposedly low-cost producers has certainly aggravated that fear In fact, if one looks at the most recent quarterly reports, that is for the June 1990 quarter, some 20 mines, accounting for nearly 40% of total gold production, operated at a loss"

Sentiment played an important role and the political climate would have a strong bearing on the level of investment in gold shares

If the level of violence did not abate, little foreign investment would take place irrespective of whether sanctions were abolished

"One just has to look at the level of foreign investment in new long-life mines to appreciate the time scale that overseas investors place on SA gold shares — it is weeks or months and certainly not years" — Sapa

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MINING CONFERE

Challenge for declining SA gold mining industry

BDM 21/7/90

(214)

RIAAN SMIT

THE immediate challenge for the declining SA gold mining industry is to replace the annual 110-ton gold production from short-life and marginal mines with new mine output within 10 years

This is the view of Southern Prospecting MD Chris von Christierson, who spoke yesterday at the 7th annual mining conference of the Techno-Economic Society of Southern Africa

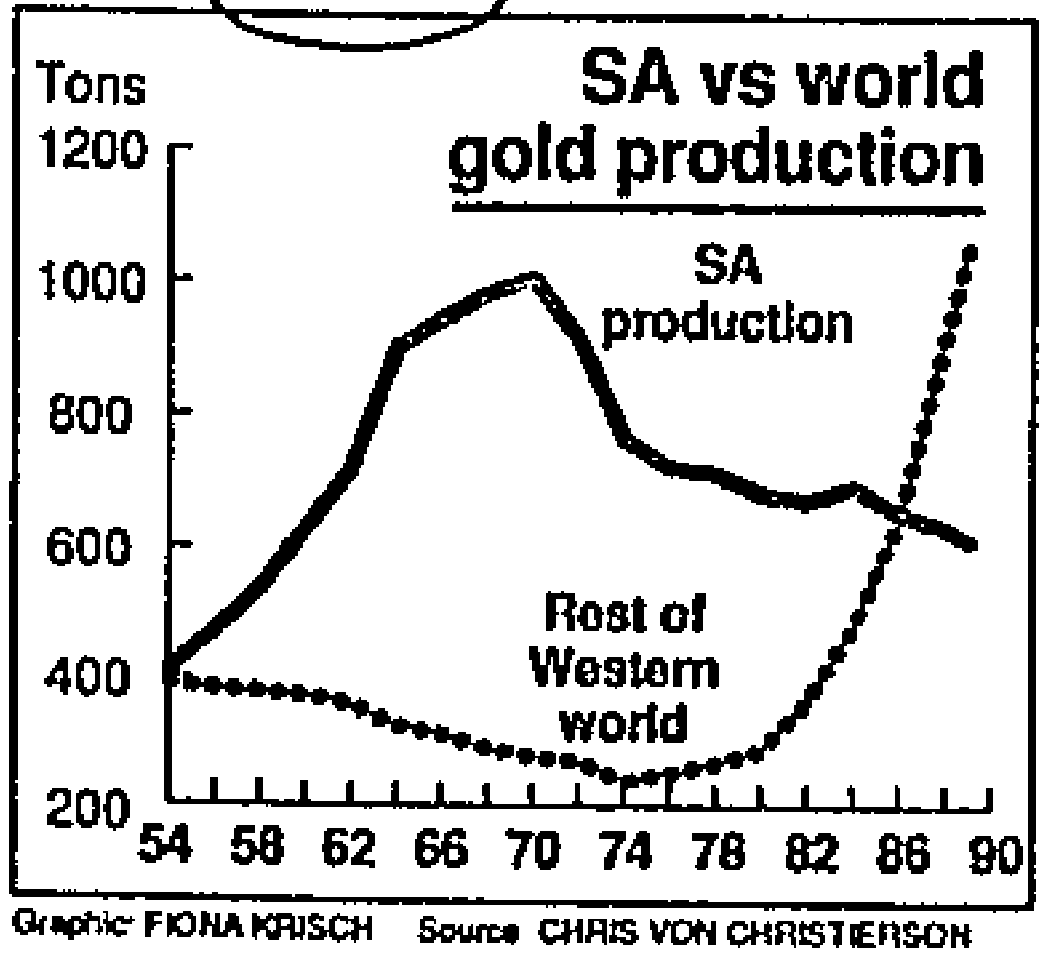
Addressing 70 delegates at the Carlton Hotel, he said there existed 13 potential new mines of varying sizes in SA with more than sufficient proven reserves (700-million tons) to replace the 110 tons of gold a year produced by these existing short-life and marginal mines

Von Christierson said SA gold output had fallen 40% in the past two decades and its share of Western world production had more than halved over the period

Average grade

"To put this decline of some 400 tons of annual production in perspective, it is equivalent to closing down the West Wits Line and the Free State Goldfield, or two medium-sized gold mines each year over the 20-year period."

The main reason for this fall in gold production had been the consistent decline in the average grade of ore milled, which had fallen more than 60% from over 13 g/t in 1970 to below 5 g/t last year, in spite of a 53% increase in tonnage milled over this period



Graphic FIONA KRISCH Source CHRIS VON CHRISTIERSON

He said there was little doubt that if SA had been able to maintain its share of world production over this 20-year period the economy and its people today would be substantially better off than they were

The long-term challenge was to replace some 430 tons of gold a year because 76% of SA's current production of about 600 tons a year was derived from mature mines, mainly from the West Wits Line and the Free State Goldfield

"This is an enormous challenge which can only partially be met from extensions and areas such as the Potchefstroom and Bothaville gaps, and will require the discovery of major new gold fields"

But bringing potential gold mines to production was dependent on specific factors such as taxation, innovative financial practices, mine rationalisations, technical advances, productivity increases, and on three macro factors, the rand price of gold, inflation and investor confidence.

Von Christierson identified mining taxation, and particular ring fencing, as the most important controllable factors influencing the viability of new gold mines Ring fencing was introduced in 1984 in terms of which the capex allowance of a mine can only be offset against the income of that mine and not from other mines in the same group

This measure, introduced to protect the tax base from eroding, was relaxed by 25% in the March Budget this year, but widely criticised as not nearly enough to make new gold mining ventures viable

Since the introduction of ring fencing, gold mining taxation as a percentage of total state revenue had declined from 10,8% in 1984 to an all-time low of 4,6% in 1989 because of the profit squeeze in the industry, Von Christierson said

Benefit

If ring fencing was abolished, eight new gold mines out of 11 potential new mines would become viable at a gold price of R1 100/oz, he said, quoting a recent study by John Koel — Ring Fencing and the Tax Base in Gold Mining

The State would benefit the most from additional indirect taxation from new mines, he said

But even if ring fencing was abolished, it alone would not be sufficient to develop the mines to replace the 110 tons during the next decade, because his calculations showed R2,5bn a year in capex was necessary, while gold mines only paid R1,5bn in taxes and state share of profit in 1989

Interest boosts Minorco earnings

Bday 21/9/90

214

JOHN CAVILL

LONDON — Operating earnings of Minorco, the Anglo/De Beers-controlled foreign mining and investment group, jumped 40% to a record $220m during the year ended June 30.

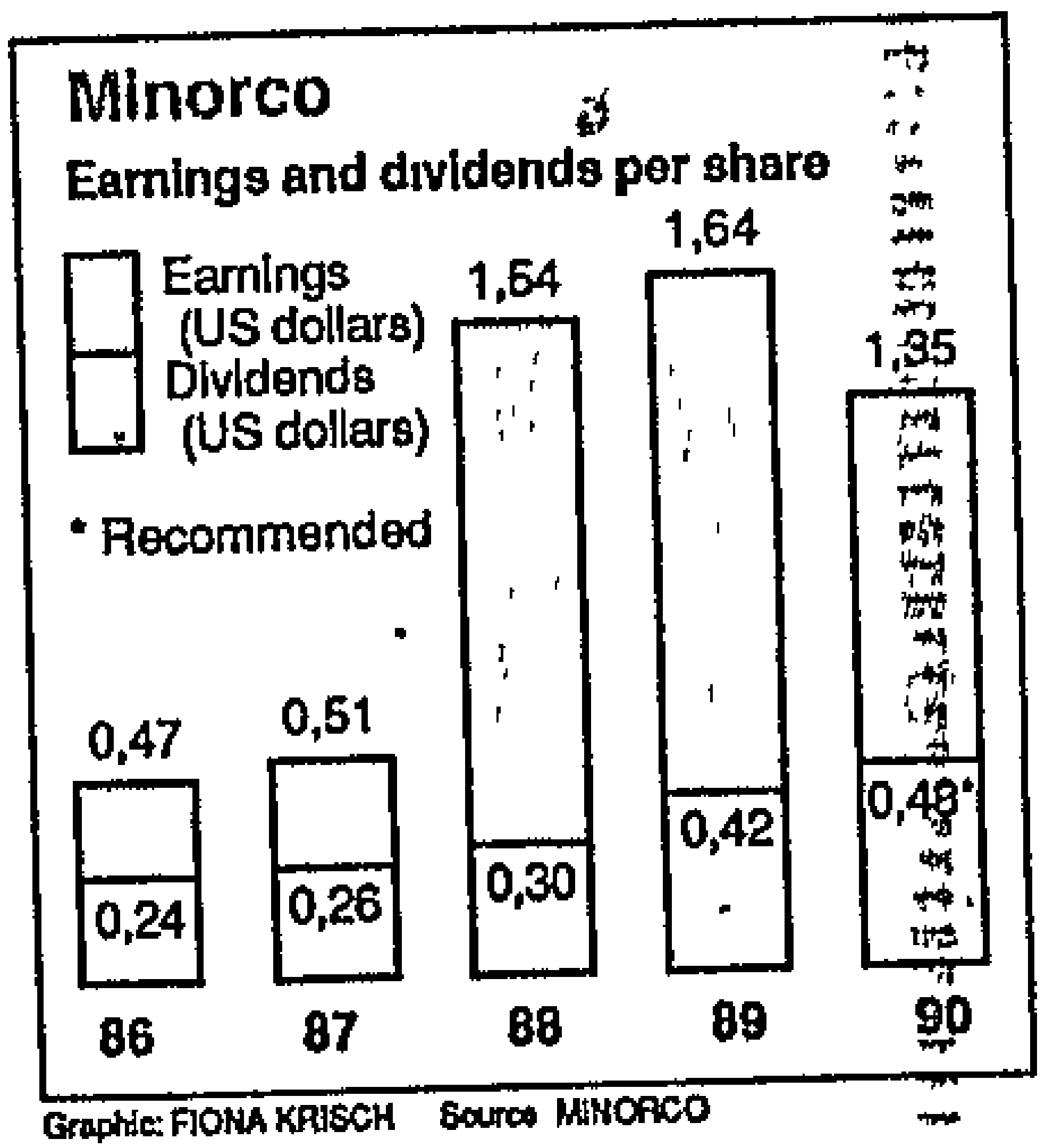
Its dividend has been raised 14% to 48c a share from net cash profits of $1,30 a share (92c previously).

The first full profit statement since Minorco sold its stake in Consolidated Gold Fields and acquired Freeport McMoRan for $707m this year showed the start of the group's strategy switch towards an operating rather than a holding company

This mainly affected equity-accounted earnings, which, including the underlying profits of the ConsGold stake, last year totalled $280m Without ConsGold ($71m) and with falling profits at North American agriculture and mining firm Inspiration (56%), and exploration write-offs at US oil and gas operation Adobe Resources (49%), these fell $111m to $12,9m This was despite increases at UK industrial group Charter Consolidated (36%), US platinum and chemicals group Engelhard (30%), and Anglo American South America (21%)

However, the sharp increase in interest earned on Minorco's cash holding (now $1,8bn) which lifted "financial" income 42% to $235,8m, plus inclusion of three months' gold mining profits from Indepen-

☐ To Page 2



Graphic: FIONA KRISCH Source MINORCO

LONDON — Chester Crocker, 49, former US Assistant Secretary of State for African Affairs, has joined the Minorco board.

Announcing Crocker's appointment as a non-executive director, Minorco joint MD Roger Phillimore said: "We believe he will be a strong addition. . . . He is wise, politically extremely astute, widely connected and very knowledgeable about us."

Since leaving the State Department Crocker he has been research professor of international relations at Georgetown University, Washington, and a consultant on strategy and negotiation.

Minorco

Bday 21/9/90

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☐ From Page 1

dence (formerly Freeport McMoRan), limited the fall to $50,8m to $229,2m

Independence's contribution to revenues was $28,9m Its profits were not disclosed But joint MD Roger Phillimore said gold production of 73 183oz was up 28% on the comparable 1989 period and that costs were lower Cash costs of production were $182/oz, or $13,3m, to which was added depreciation of $8,5m and exploration expenditure of $2,7m Group expenses totalled $41,4m ($7,7m)

Net profit from the sale of ConsGold to Hanson Trust was $555m after deducting the group's share of restructuring costs at Engelhard and writing off interest in Western Gold, which closed its Alaskan dredging operation

At balance sheet Minorco has written off $508m — $486m against goodwill in Independence and the balance on other investments This leaves shareholders' equity at $2,9bn ($2,5bn) before adding the surplus between cost and market value of its quoted investments

The current surplus of $290m ($1,05bn) leaves Minorco with net assets of $3,2bn ($3,5bn) of which $1,8bn ($794m) is cash

Goldfields has eye on opportunities offshore

B/Day 21/9/90

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ROBERT GENTLE

GOLD Fields of SA (GFSA), the country's second largest gold producer (after Anglo American), is to break with its traditional policy of limiting its activities to southern Africa and could start moving offshore

This emerges in GFSA chairman Robin Plumbridge's annual review, released today

"In recent years, the group has observed a geographic restraint on its activities which have been confined to southern Africa," he says

"In view of the opportunities which exist from time to time to apply the group's technical knowhow outside southern Africa, it has been decided to remove the constraint"

However, this did not imply that the group was "about to divert scarce financial and technical resources" from SA

"On the contrary, the group will only consider special situations where its technical knowhow can give it an entrée to high-class mining projects which promise an above average rate of return"

This new policy, if implemented, will catapult GFSA into the same fold as other SA mining houses like Anglo, Gencor or Anglovaal, which have mining interests all over the world, from the US and South America to Australia and South East Asia

Plumbridge also attaches great importance to the issue of monopolies in GFSA's investment policy for the 1990s, and outlines a number of strategies aimed at ensuring the group does not fall foul of any legislation in this regard

Anti-trust

"It is clear that the major SA groups will face rapidly escalating restraints on their growth by acquisition and pressure for the divestment of major components of their businesses on monopolistic grounds"

Citing the array of US anti-trust legislation — "the most comprehensive set of criteria in this regard" — Plumbridge says account has been taken of the size of investments in major new mining projects which can only be tackled by large groups which have the technical and financial resources

Although GFSA will continue to seek and develop new mineral resources in preference to expansion through acquisition, due regard will be given, where an acquisition is indicated, to "any adverse monopolistic consequences"

Where investments are made in non-group companies, these will be limited and of a portfolio nature

"Such investments will generally be liquid investments in marketable securities and will not exceed 10% of the equity of any company"

On GFSA's current operations, Plumbridge speaks of continued pressure because of an uncertain gold price, a relatively strong rand/dollar exchange rate and escalating costs

Mines are "fighting for their survival" while retrenchments have become "the order of the day"

It is hoped mines like Driefontein, Kloof and Deelkraal will improve performances this year Meanwhile, Leeudoorn and Northam Platinum will come to production soon

URANIUM FIM 21/9/90

NO RELIEF

(214)

The beleaguered uranium mining industry can expect no relief from low demand and poor prices for at least the rest of this century That is the stark message from the Uranium Institute, a London organisation with members in all parts of the nuclear and uranium industries

The institute's updated demand and supply forecasts conclude that the Western nuclear power industry will continue to buy much less uranium than it needs and live off excess stocks until at least the year 2000 A supply shortfall is "unlikely during the Nineties," delegates to the institute's annual symposium this month were told.

"At the start of the next century, uranium deposits beyond those planned will have to be developed At this stage it is impossible to say whether high-cost resources, especially in developing countries and the US, would become attractive again."

Forecasting is difficult because it's not known whether Australia will change the policy restricting uranium mining to three locations or whether eastern European countries will increase supply to the extent needed to compensate for decreasing Western production Now, however, exploration expenditures appear too low to ensure that exploited reserves are replaced by new discoveries — "and this in spite of the good discovery potential remaining in a number of well-established uranium provinces "

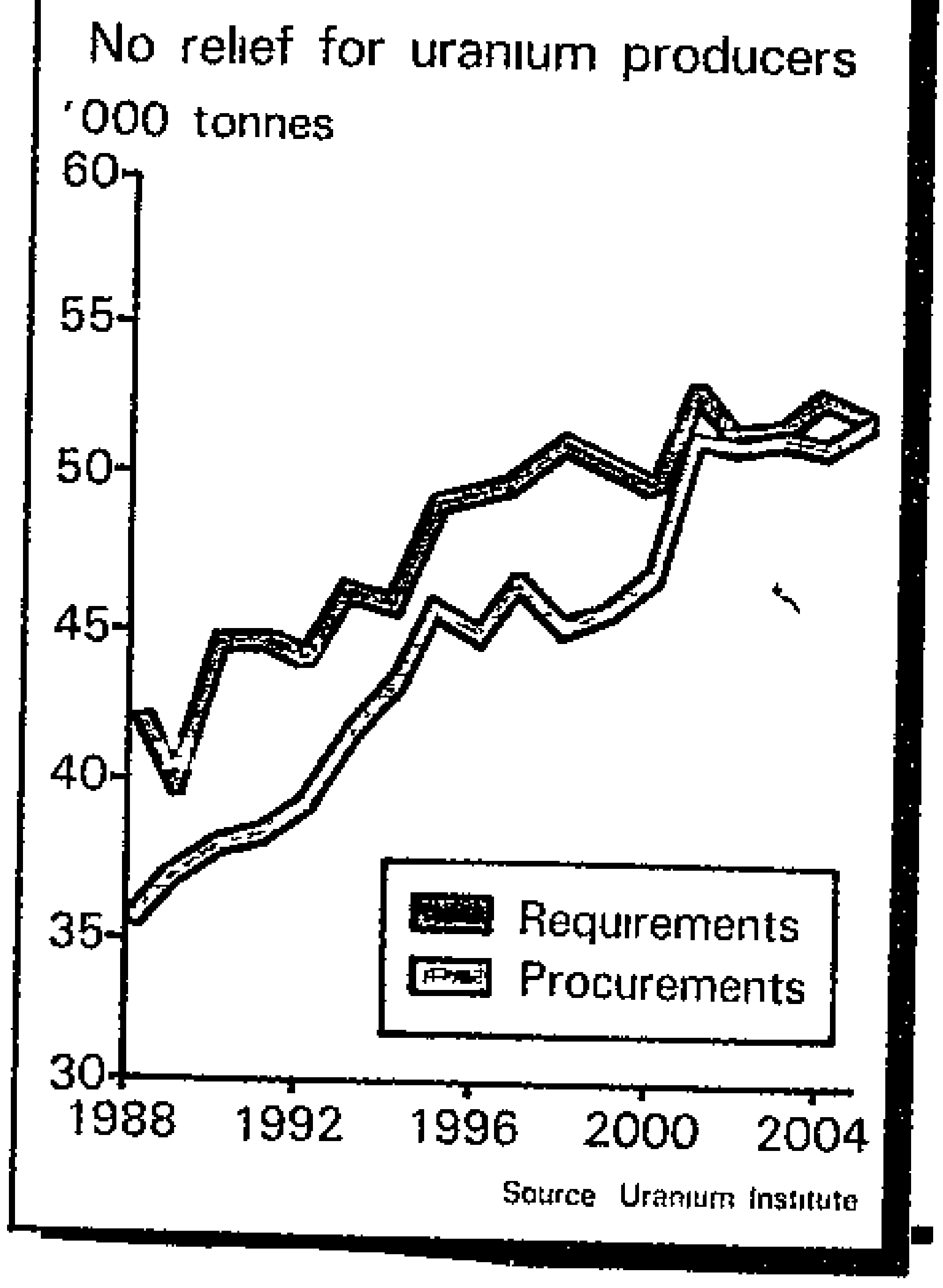
The institute's latest forecasts suggest that overall annual nuclear power reactor requirements will increase "moderately but continuously" between 1990 and 2000 from 45 700 t to 52 000 t a year

Mine supply, held back by recent and planned closures, is forecast to be 43 400 t in 2000 However, when potential supply from other sources — such as reprocessed fuel and a possible 1 300 t in 1990 and 4 000 t in 2000 from China and the Soviet Union — is taken into account, forecast supplies rise from 46 800 t this year to 62 200 t in 2000

Estimates of Western uranium stocks vary between 160 000 t and 209 000 t But draw-down is proceeding fairly rapidly

By the mid-Nineties US utility procurements are expected to be in line with requirements "European and Far Eastern utilities' " efforts to reduce excess stocks appear to be spread over a longer time span and to have the greatest effect from 1995 to 2000 — "due, in part, to (their) greater degree of commitment of long-term supply contracts " But Western nuclear power procurements and requirements should "approach balance" by end-century ■

Closing the gap



Source Uranium Institute

Grim view of SA's mines

B Day 18/9/90

RIAAN SMIT

HEAVYWEIGHT gold mines in SA, traditionally low-cost and long-life, could become high-cost, short-life mines within a year or so unless the gold price or rand does something startling, Warburg Securities analyst Michael Spriggs warns

The London-based analyst says in the September issue of the International Gold Mining Newsletter that shaft closures and labour retrenchments are only short-term solutions to the mine's cost-squeeze problems, and the potential for raising grades is limited

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Although Spriggs's analysis was done before the start of the Gulf crisis, the gold price has only rallied to $416/oz and languished in the $380 to $390/oz range for most of the six-week stand-off The rand has also strengthened against the dollar

He says unless the SA inflation rate and black mineworker demands abate, working cost inflation will stay around 14%

"Under these conditions the gold price would have to rise to $1 850/oz by the year 2000 to restore percentage margins to their 1988 level Alternatively, the exchange rate would have to fall to $0,07 to the rand to have the same effect Neither prospect seems likely"

If these two variables took the strain equally, gold would have to go to $960/oz and the rand to $0,14 to maintain 1988 margins through the year 2000

"In other words, some very optimistic gold price assumptions or a disastrous (for SA) slump in the rand are required if the industry is to retain some semblance of health"

Spriggs points out that during each of the last three decades, the industry has been saved from being swamped by inflation by a different factor

In the 60s it was rising gold grades, in the 70s it was a steep rise in the dollar gold price, and in the 80s it was a fall in the rand-dollar exchange rate, he says

FINANCE

ETC hedges forward on its gold production

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B/Day 18/9/90

PETER GALLI

EASTERN Transvaal Consolidated Mines (ETC), an Anglovaal Group company, has hedged forward about 25% of its future gold production, with the dollar proceeds from these sales being covered by forward exchange contracts, the directors said in the 1990 annual report.

A total of 233kg of gold have been sold forward for each of the four quarters commencing in the December quarter and continuing through to the September 1991 quarter, at prices ranging from R33 499/kg to R37 037/kg

ETC showed a slightly higher gold production, an improved non-mining income and lower prospecting income for the year, but these were more than offset by higher working costs and a lower average gold price, chairman Rob Wilson said in his review for the year to end-June

Capital expenditure for the current year is expected to be about R7,9m, of which R1,6m will be spent on a new mine tip and the upgrading of the crusher plant at the Agnes mine

Prospecting expenditure for the current year was estimated at R6,3m, Wilson said

"It is anticipated that the combined mill throughput and overall recovery grade will decrease marginally during the current year."

"A sustainable increase in the rand price of gold will be required if earnings — and hence dividend levels — are to be maintained," Wilson concluded. ETC announced of 398c a share with a dividend of 400c in 1990, compared with earnings of 396c and a dividend of 415c a share in 1989

It was also recently announced that, with a view to increasing the marketability of the shares, the directors have proposed that each ordinary share of 50c in the company's share capital be subdivided into 20 ordinary shares of 2,5c each This is expected to become effective on October 15

ET Cons needs higher gold price

Star 17/9/90 214

ET Cons, which operates three gold mines in the Barberton district, requires a sustainable increase in the rand price of gold if earnings and dividend levels are to be maintained, says chairman, RAD Wilson

He says that combined mill throughput and overall recovery grade will decrease marginally in the current year

Productivity improvements and the containment of costs are a management priority, but working costs will, nevertheless, continue to rise

In the year to June, pre-tax profit fell almost 15 percent to R55,9 million

But a slightly higher tax charge and a significant drop in capital expenditure resulted in attributable earnings of R17,2 million, against R17,1 million last year

Earnings equalled 397,5c (395,7c) a share and the company paid dividends totalling 400c (415c)

Mr Wilson says the mine had higher gold production, improved non-mining income and lower working costs and a lower average gold price

ET Cons has hedged about 25 percent of its expected future gold production 233kg of gold have been sold forward for each of four quarters, starting in the December quarter and going through to the September 1991 quarter at prices ranging from R33 449/kg to R37 037/kg

The dollar proceeds from these sales have been covered by forward exchange contracts

Mr Wilson says that development started from New Consort's No 3 Shaft to investigate borehole intersections on the Consort Contact Reef

Amgold saves nine

St Times 16/9/90

By JULKIE WALKER

AMGOLD — Anglo American Gold Investment Company — is to raise R500-million in a stitch-in-time move to take advantage of attractive investment opportunities

Part of the money raised will be used to repay borrowings, and Amgold will be able to follow its rights to the new Moab project at Vaal Reefs gold mine

Amgold is a portfolio of blue-chip gold shares, Vaal Reefs being the single largest investment

Vaal Reefs, Amgold and Anglo American have also announced the extension to the Vaal Reefs lease of the Moab area

This lies to the south of the existing South Lease area, and covers 2 149 hectares A feasibility study concluded the project to be viable as an extension of the mine because of the existing infrastructure

The shaft to access Moab will be in the South Lease area The joint announcement says the mining plan and capital scheduling of the project are being reviewed, whereafter the terms will be made final

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Target

Terms of the venture will be announced on October 22 and the last day to register is October 26

Few details of the feasibility study have been made known to shareholders, suggesting that the grades are not spectacular The average will probably be about 5g/t The mine's average recovered grade in the past year was 6g/t

The capital cost could approach R2-billion for what is essentially replacement tonnage for Vaal Reefs as older shafts are closed The target Vaal Reef will be deep in a geologically faulted area

COMPANIES

Mixed results for Cor Synd, Tweefontein

B10cm 14/9/90

LIZ ROUSE

Two Lonrho group companies, Tweefontein United Collieries and Coronation Syndicate (Cor Synd), have reported mixed results for the year ending September.

The bigger Tweefontein's earnings are down only 5% but Cor Synd's earnings have slipped by 26%.

Mining holding Tweefontein's earnings were 87,4c a share (92c).

Its final dividend is down 5c to 30c, but total distribution is down only 1c to 87c

Cor Synd's earnings were 17,3c (23,3c) a share.

A lower final dividend of 2c (5c) was declared, bringing the total to 17c (22c)

Both companies are still reaping redemption income on their Zimbabwean bonds In fact redemption proceeds make up the bulk of Cor Synd's income.

Waverley deal is worth R40m

(214) RIAAN SMIT

WAVERLEY Gold Mines has announced it has concluded a tribute agreement with Knights Gold Mining to treat a minimum of 50 000 tons of slimes a month. B10cm 14/9/90

Waverley's attributable earnings in terms of the agreement should amount to approximately R40m over six years, based on a gold price of R30 000/kg.

Had the agreement been effective for the year ending March 1990, earnings a share would have increased from 1,04c to 41,1c

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Hope for Harties' recovery grades

B10cm 14/9/9 RIAAN SMIT (214)

HARTEBEESTFONTEIN gold mine should halt further declines in recovery grades for the next three to four years, Anglovaal chairman Basil Hersov said in his annual review released yesterday.

The mine's yield has declined from 10 g/t in 1987 to 9 g/t for the year to June 30.

Hersov said over the past two years the mine had achieved a high development rate from 39 609m in 1988 to 44 796m in the past financial year and this, combined with the mine's current ability to carry out such development in payable areas, should halt further declines in recovery grades

Because of a shortage of payable stope face stemming from a substantial increase in the pay limit, mill throughput of underground ore in the current financial year was expected to be 219 000 tons lower at 3-million tons.

Earnings

Operating costs would continue to be adversely affected by the additional overhead structure associated with operating No 8 shaft and general cost escalations

"Therefore, the company's ability to maintain earnings and dividends at 1990 levels will be determined principally by the rand gold price."

He said during the year to June 30 pre-tax profit decreased to R417m (1989: R588m), mainly because of lower gold production, lower average rand gold prices received, rising costs and losses from sales of uranium oxide Taxation and state's share of profits was R244m (R333m) because of the reduced taxed profit, leaving the after-tax figure at R173m (R255m).

After deducting capex, earnings totalled R149m (R194m), equivalent to 132,9c a share (172,9c) and dividend a share paid amounted to 130c (180c)

Mill throughput of underground ore during the year rose by 2%, but because of a decline in recovery grade, gold production from this source was slightly lower at 28 831kg (29 215 kg).

Increased development, additional expenses connected to the start of operations at No 8 shaft and general cost escalations all contributed to the 21,3% rise in unit costs

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CIBG achieves its projection of R3,9m

B10cm 14/9/90

LESLEY LAMBERT

CAPE TOWN — Newly restructured and significantly enlarged Cape Invest- … profit from the disposal of

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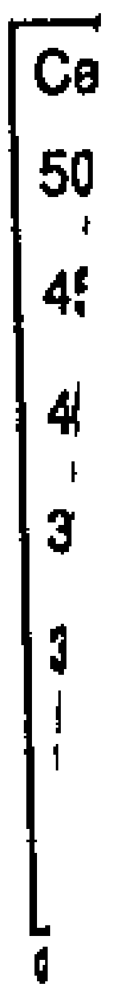


GENBEL FM 14/9/90 (214)

MORE EMPHASIS ON INCOME

Activities: *Investment holding company with a portfolio predominantly in the SA mining and resource industries*
Control: *Gencor 49,98%*
Chairman: *T L de Beer, MD A D Botha*
Capital structure: *432,23m ords Market capitalisation R2,7bn*
Share market: *Price 630c Yields 2,8% on dividend, 4,6% on earnings, p e ratio, 12,9, cover, 1 12-month high, 800c, low, 450c Trading volume last quarter, 2,22m shares*

Year to June 30	**'87**	**'88**	**'89**	**'90**
Portfolio market value (Rm)	2 118	1 645	2 527	3 642
Investment & other income	100,7	92,3	97,6	127,5
Distributable income	137,4	128,5	96 8	119,9
Earnings (c)	28,2	25,1	25,9	28,8
Dividends (c)	28 0	25,0	26,0	27,5
Net worth (c)	618	458	664	785

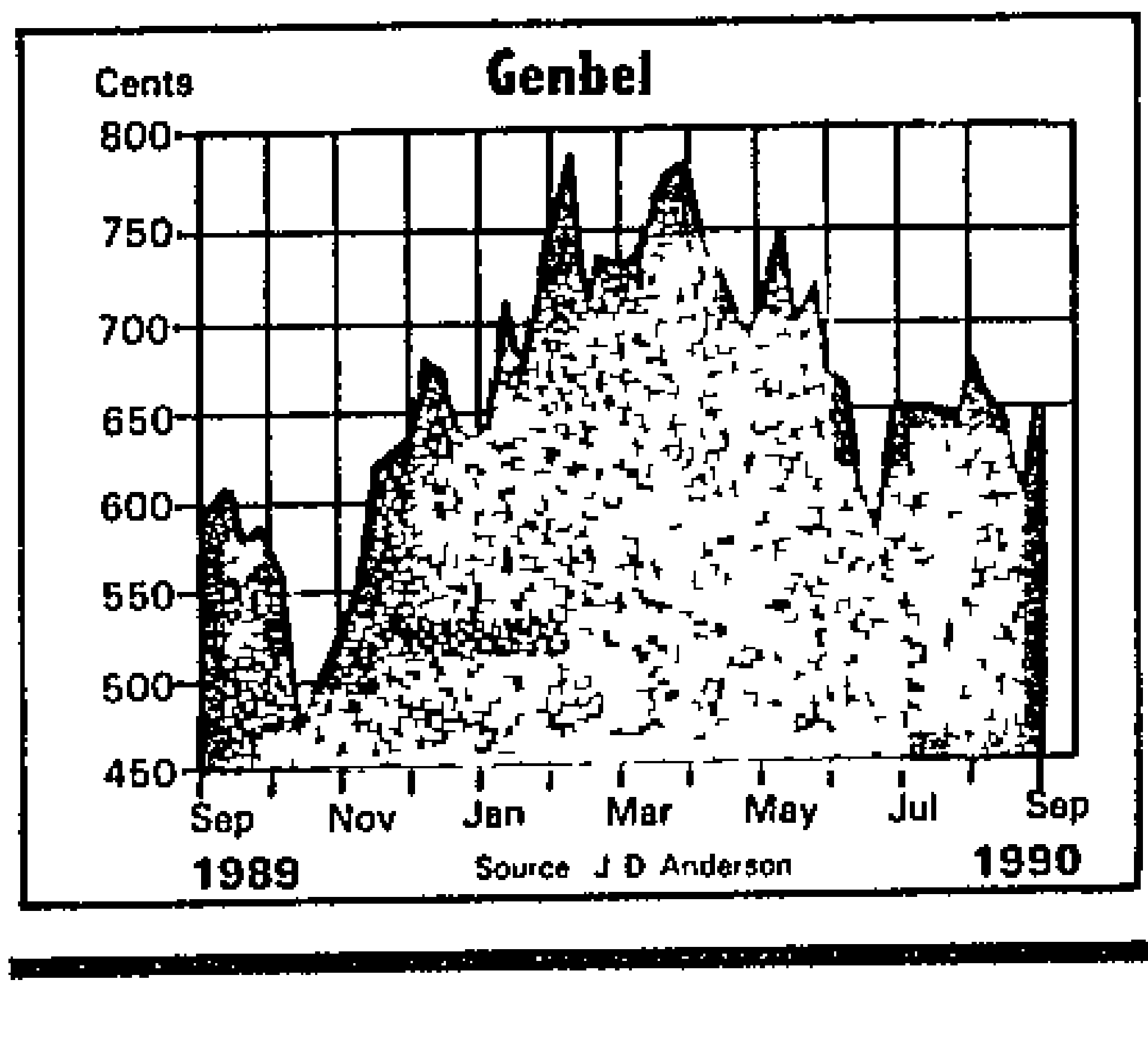
Changes in Genbel's portfolio during financial 1990 reduced its holdings in the underperforming gold mining sector and increased its exposure to sectors offering good income and capital growth prospects

In the year to end-June, Genbel's NAV rose 36% to R3,4bn, partly as a result of a R296m rights issue in October and the changes in the portfolio Distributable income rose 24% to R124m

Chairman Tom de Beer says management in the past concentrated on adding capital value to the portfolio and earnings and dividends have lagged — last year earnings growth was only 11% — but the portfolio has now been repositioned for both income and NAV growth

During the year a number of beneficial investment opportunities arose because of Genbel's association with Gencor The entire holding of Gencor was sold and the cash was used to buy a large stake in Engen and take up Genbeheer rights Gencor also facilitated the purchase of a holding in the offshore property and insurance group, TransAtlantic Other significant investments were made in Iscor, De Beers, Samancor, Rustenburg Platinum and Mid Wits

As a result of these changes, exposure to gold mining was reduced to 22,7% (29,5%) of the portfolio's market value, mining finance fell to 15,4% (22,9%), investments in the energy sector rose to 11,1% (5,7%) and offshore investments to 9,5% (1,5%) Impala and Genbeheer remain the major investments



Source J D Anderson

Genbel's De Beer *real earnings growth this year*

MD Anton Botha says investors' perceptions that Genbel holds strategic investments to protect Gencor interests is incorrect Holdings in Gencor companies, including Genbeheer, can be sold but Gencor will be given first right of refusal Randex, the 63%-held mineral rights participation company, is considered a strategic holding because it ensures preferential access to new mining ventures — an outright sale will not be considered but a reduced holding, at the right price, is possible

Unisen, the short-term investment arm, traded successfully and was the fastest growing part of the company — thanks partly to very profitable futures trading in an unsophisticated market The profit performance is not expected to be sustained this year but management is considering expanding the size and time horizon of the operation

De Beer expects real growth in earnings this year, with the portfolio better placed to generate income Dividend flow from acquisitions, TransAtlantic, Engen and Iscor, should be R25m-R30m, more than compensating for the loss of income from shares sold to finance their purchase But holdings in Oryx, Randex, Mid Wits, Northam and Barnex still make no contribution and interest receipts will fall because the fund is now fully invested

In a number of major moves, Genbel has succeeded in repositioning its portfolio to take advantage of growth opportunities throughout the domestic economy and overseas Its ability to compete with other listed investment holding companies has been enhanced and a gradual narrowing of the share price's discount to NAV should occur

Pam Baskind

VALARD FM 14/9/90

TAX BENEFITS

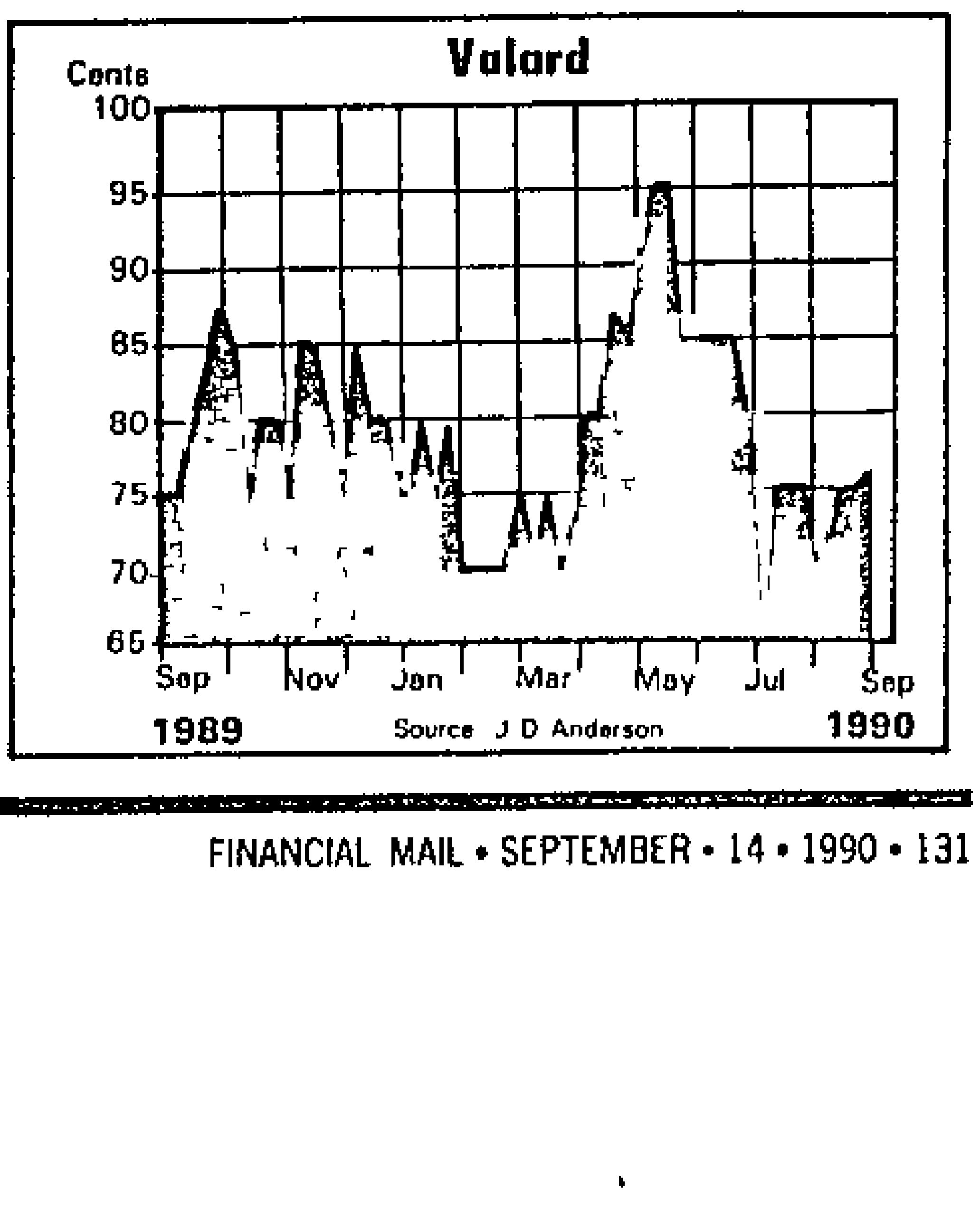
Activities: *Manufactures and sells industrial products*
Control: *Directors 60,6%*
Chairman: *D R Makins, MD S J Connelly*
Capital structure: *53,6m ords Market capitalisation R41,3m*
Share market: *Price 77c Yields 7,2% on dividend, 18,2% on earnings, p e ratio, 5,5, cover, 2,5 12-month high, 95c, low, 65c Trading volume last quarter, 55 000 shares*

Year to March 31	**'87**	**'88**	**'89**	**'90**
ST debt (Rm)	1,76	5 62	7 39	9 33
LT debt (Rm)	1 30	1 89	3 77	3,50
Debt equity ratio	0 32	0 60	0 56	0,52
Shareholders interest	0,50	0 41	0 45	0 50
Int & leasing cover	1 68	7 4	7 0	5 1
Return on cap (%)	17,1	21,9	23,4	24,3
Turnover (Rm)	41 3	51,2	78 8	106 5
Pre-int profit (Rm)	3 3	6,6	10 3	12,5
Pre-int margin (%)	5 3	13 0	13 0	11 7
Earnings (c)	3,0	8 6	11,3	14,0
Dividends (c)	2,0	3 5	4,48	5,60
Net worth (c)	15,0	20 0	40,6	42,6

Valard's record of consistent improvement in operating profit and earnings remained intact in financial 1990, as did management's reputation for restoring non-performing companies to enduring profitability The acquisition of loss-maker Landlock's assets this year is expected to boost profit at the operating and attributable levels

During the 1990 year, Valard made only one small acquisition — Global Mining Equipment — but increased its operating profit 21% on turnover growth of 35% The acquisition was made for cash and did not affect the debt equity ratio

The group's engineering division account-



Source J D Anderson

GENBEL FM 14/9/90 (214)

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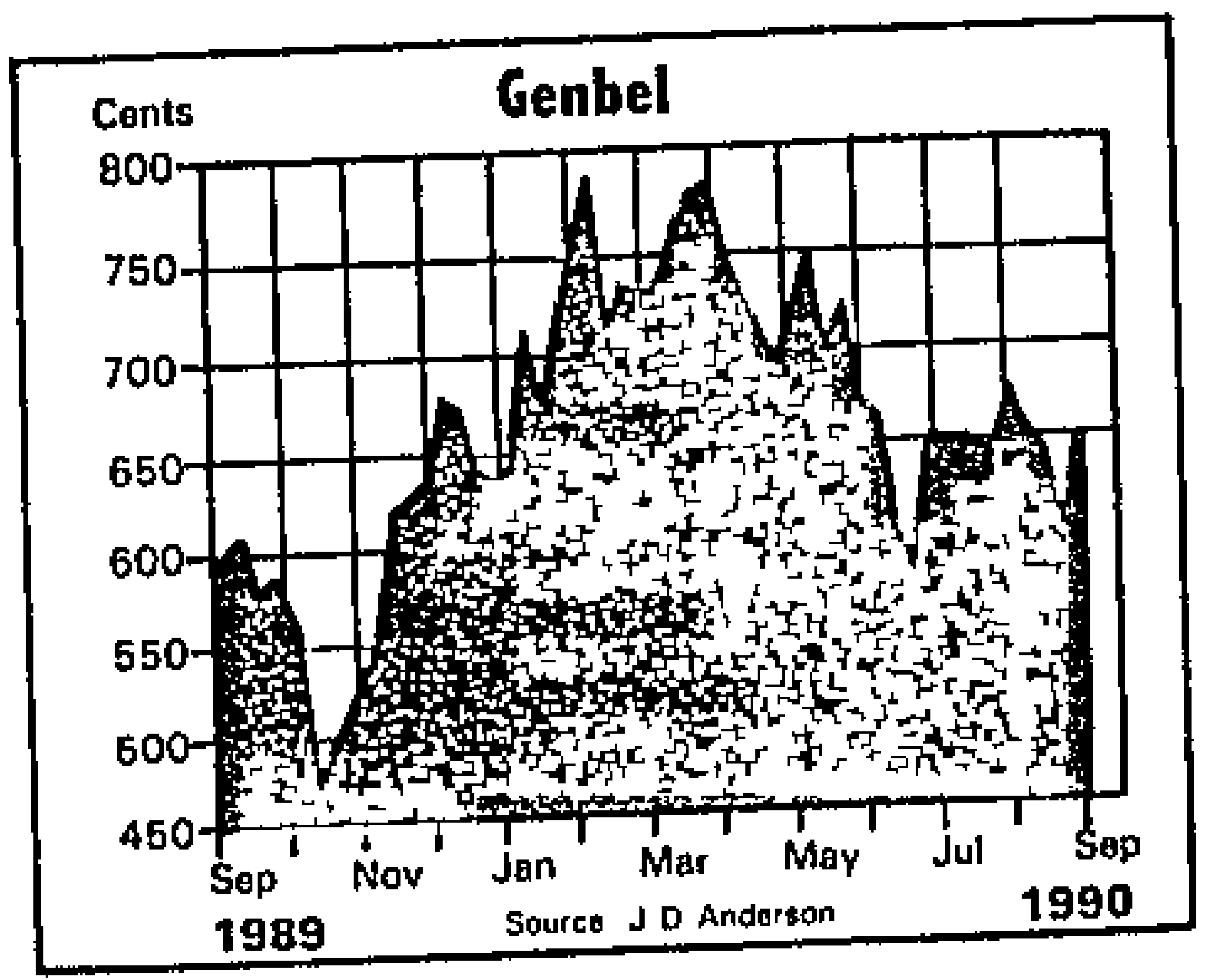
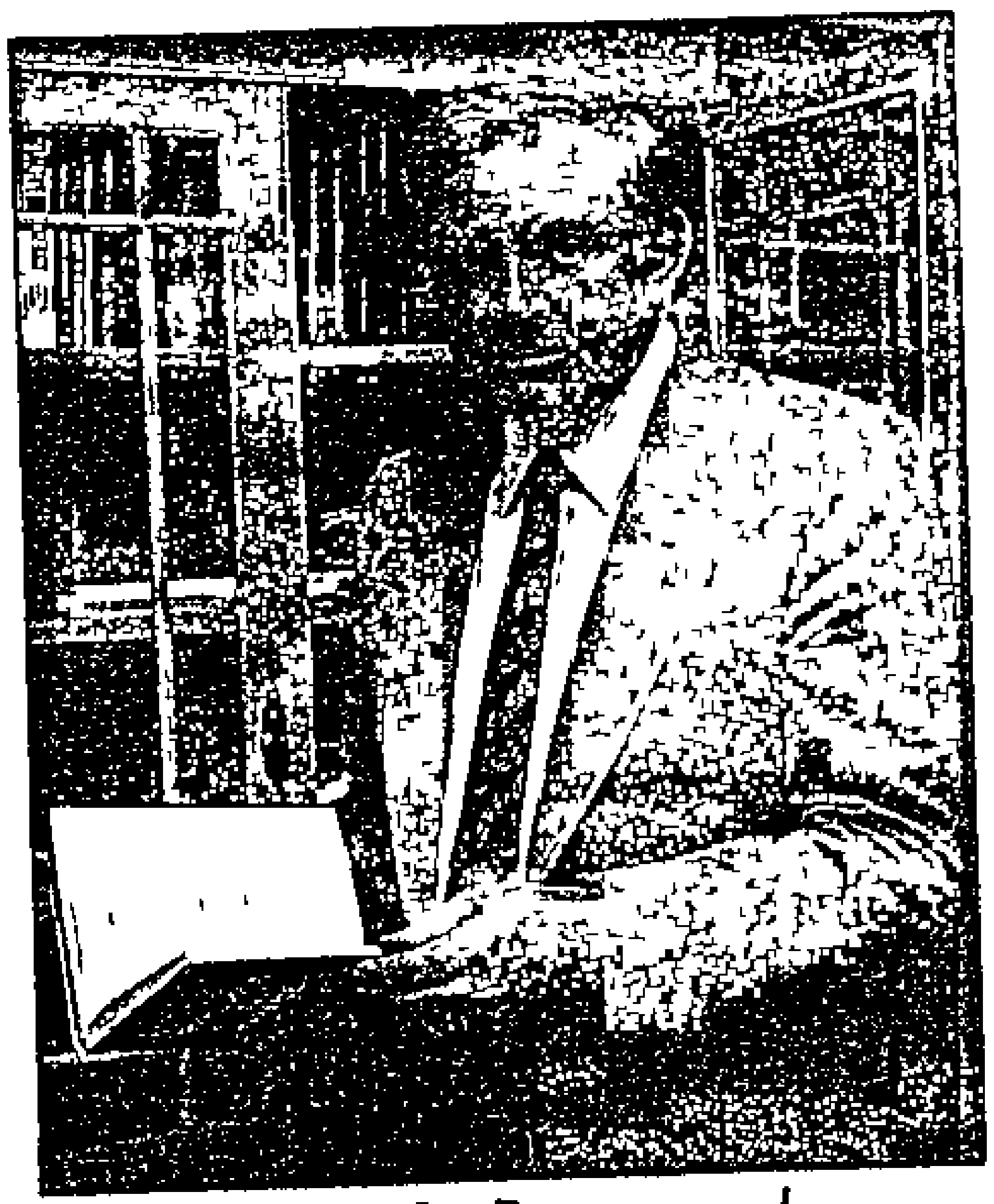


Source J D Anderson



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Pam Baskind

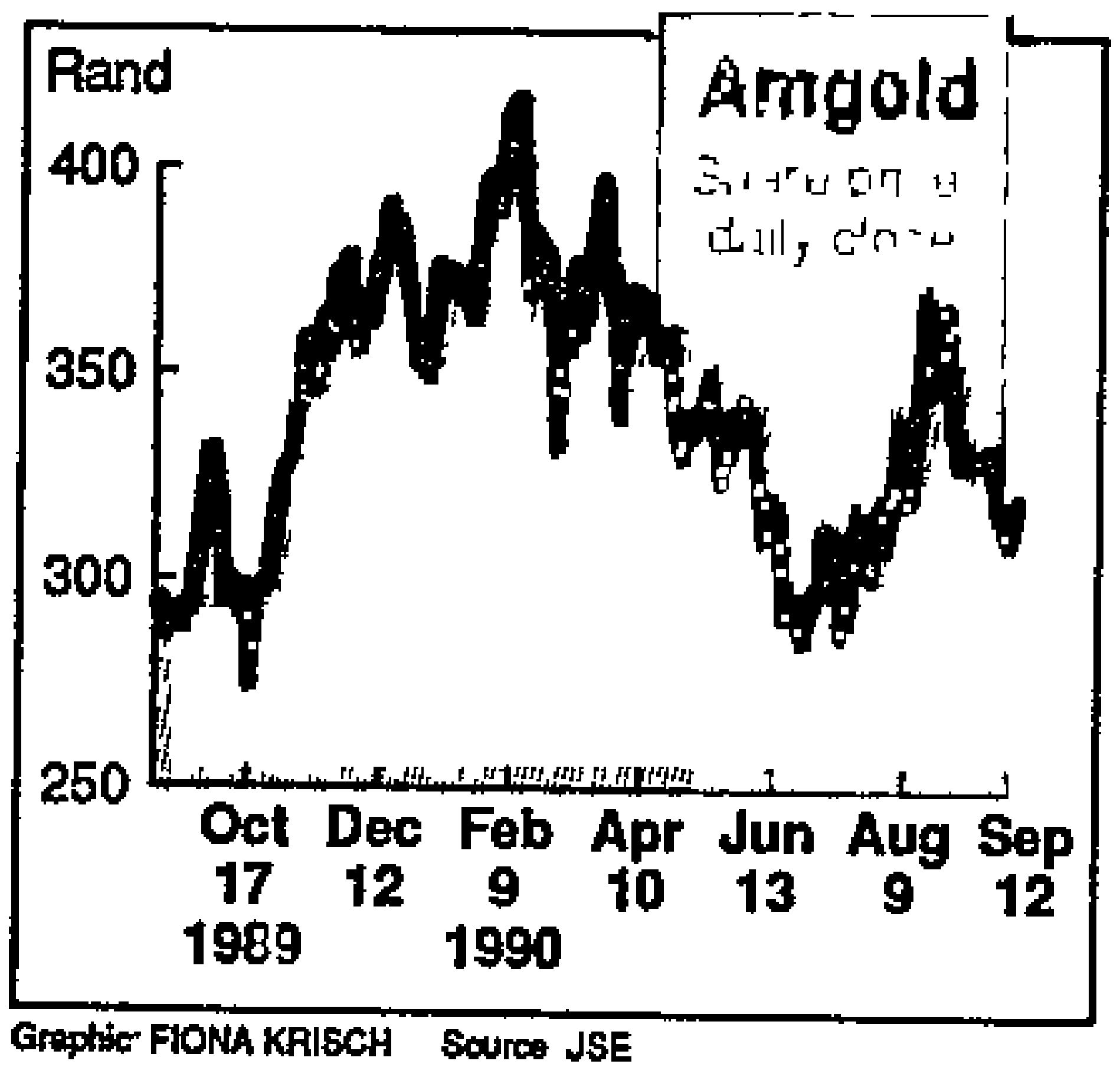
Green light to mine Moab area

(214)

Amgold to raise R500m in rights issue

B/Day 13/9/90

ROBERT GENTLE



Graphic FIONA KRISCH Source JSE

AMGOLD, the investment company in the Anglo American stable, announced a R500m rights issue today — while Anglo disclosed that government permission had been granted to mine the Moab area as an extension to the Vaal Reefs gold mine.

The developments come barely a week after Amgold, which has gold mining interests in SA, South America, Australia and the Far East, posted a 38% fall in earnings a share for the six months to August 1990.

An Amgold statement said the company would use the R500m injection to take advantage of "attractive opportunities under consideration" and to initially repay short-term borrowings

An Anglo spokesman said last night that these opportunities referred to the giant R2bn Moab project, the South Deep project (JCI/Western Areas) and others that remained confidential at present.

Amgold's short-term borrowings were R127m, R23m of which was incurred after February 1990 to pay the most recent interim dividend.

The rights offer confirmed the directors' confidence in the gold mining industry, the Amgold statement said.

The Ministry of Mineral and Energy Affairs' decision to approve the applications for mining leases at Moab means the full development costs of Moab can be written off against Vaal Reefs' tax base

Moab, which covers 2 149ha adjoining Vaal Reefs, is held principally by Anglo and its associates.

Anglo chairman Julian Ogilvie Thomp-

☐ To Page 2

Amgold

B/Day 13/9/90

(214)

☐ From Page 1

son said in a statement that Anglo and its associates would proceed with the development of a new shaft which, for technical reasons, would be located in the Vaal Reefs South lease area and would exploit a portion of the South Area reserves

In view of current economic uncertainties, he said, prudence required that projects of this magnitude be "continually evaluated in the light of changing circumstances" — like the rand gold price and the ability to control costs

Approval had been granted on the basis that the mining leases would be ceded firstly to a company to be formed, and thereafter to Vaal Reefs, in order to structure the financing of the project in a manner which would allow for broader financial participation

Several exercises were being conducted and announcements would be made about the terms of the arrangement between the holders of the mining leases and Vaal Reefs, the method of funding and details of the company to be formed

Cost cutting mines 'may lift dividends'

B/Day 13/9/90

(214)

LIZ ROUSE

ONLY Kinross and Winkelhaak among the gold producers which declare September / October dividends are capable of paying higher dividends, according to analysts

A gold analyst says these two mines have contained or reduced costs over the past three months and improved their available profit per ounce.

Estimates

Two gold analysts expect a final dividend of 180c/185c from Kinross. Both producers paid 150c final dividends last year

Mines with large labour contingents have been less able to cope with higher costs Analysts expect sharp cuts in dividends from producers such as Freegold and Ofsil, which so far have only cut capex

Estimates for interim dividends from these two mines are Freegold's in a wide range between 25c and 55c from the previous interim of 150c (its previous final dividend was already lower at 145c), and Ofsil's in a range between 65c and 143c from the 390c interim paid last year

Freegold has warned that 7 800 employees could lose their jobs if the gold price does not rise.

Davis Borkum Hare gold analyst David Giese says the higher gold price has alleviated the position for most gold mines and contained the downward trend in profits witnessed in the June quarter.

But working costs have continued to rise and the full impact of higher wages will be felt in the September quarter Profits are unlikely to be much changed and the marginal mines will be hard pressed to maintain dividends

Max Pollak & Freemantle's Gerhard Potgieter is pessimistic about Anglo American gold producers' prospects because of labour problems and the worse than expected dividends from heavy weights such as Vaal Reefs and Southvaal He says Anglo producers will cut dividends

Welkom's interim could be cut to anything between 37c and 17c from its last 100c interim, depending on the degree of analysts' pessimism

Rand Mines' Harmony will pass its interim again, while Unisel should scale down its final dividend to 45c/35c from the previous final of 60c, analysts say

Calculated

As for the rest of the September / October dividend declarers, prospects for shareholders are not too bad

Bracken should reduce its final by only 5c/10c to 20c/25c, while Leslie should pay a 27,5c/30c final dividend, down from last year's 40c final These two producers fall into what Giese calls the category of improved available profits

Giese has calculated his dividend estimates on a gold price of R1 000 an ounce and Potgieter on a slightly higher price of R1 015

Reclamation plant on line soon

BDay 12/9/90

(214)

RIAAN SMIT

CONSOLIDATED Mining (Consmining) is about to commission its new R42m gold reclamation plant at Benoni, with the first gold pour expected on September 26, a company spokesman said yesterday

The plant, erected by Benoni Gold Mining Company, would recover gold and other minerals from sand and slime dumps left by the defunct New Kleinfontein, Van Ryn and New Modder gold mines, he said

Benoni is a subsidiary of the Southgo Group, Consmining's gold mining arm

Once the plant moved into full production in early 1991, and subject to market conditions, an application would be made to list Benoni on the JSE, he said

The spokesman said the plant, which mirrored Southgo's Knights plant at Germiston, was state of the art and among the most cost effective extraction operations of its type internationally

The "fast track" project had been completed by construction company LTA and commissioned in a record seven-and-a-half months, six weeks ahead of schedule, he said

Knights took a month longer to complete

Restructuring boosts Afmin

B/Day 12/9/90, **RIAAN SMIT** 214

AFMIN Holdings' attributable earnings for the 12 months to end-June rose sharply from R247 000 to R1,5m following the restructuring since mid-1989 of the independent mining investment and holding company

The year-end was changed to end-December but the results cover a 12-month period

No dividend was declared, the next being for the period to December 1990.

The company has interests in dimension stone (granite) mainly through its 45% stake in Minaco acquired in February this year, base metals, gold, management and exploration, and mining industrial supplies

Afmin acquired mining supply company ASL Ventak, Zinc & Lead (Namibia) and Namib Lead Mines in July last year Afmin's Roodepoort Gold Mine was mothballed at a cost of R1,1m but this loss was offset by the disposal of surplus assets

Minaco yesterday also reported interim results for the four months to June 30 which were better in most respects than its prospectus forecasts

Gengold's Gary sees gold rising to $500

(214)

GARY MAUDE

THE STAGE has been set for the price of gold to rise to about $500 an ounce, says Gengold managing director Gary Maude S/Times 9/9/90

By DON ROBERTSON

He writes in house magazine Living in Gengold that productivity in the US has been declining for the past eight years and trade figures have become progressively worse

As a result, America is in huge debt to the Japanese who could "pull the plug" on it if they wished to This has led to a fall in confidence in the dollar

After the Iraqi invasion of Kuwait, there was an initial movement into the dollar, but since then investors have been buying marks and gold

"What we have seen is people buying gold to fulfil orders where they have undertaken to supply gold

"I believe we are through that phase now and there seems to be a genuine flight into gold," says Mr Maude

This could mean increased demand from Japan, Korea and Taiwan

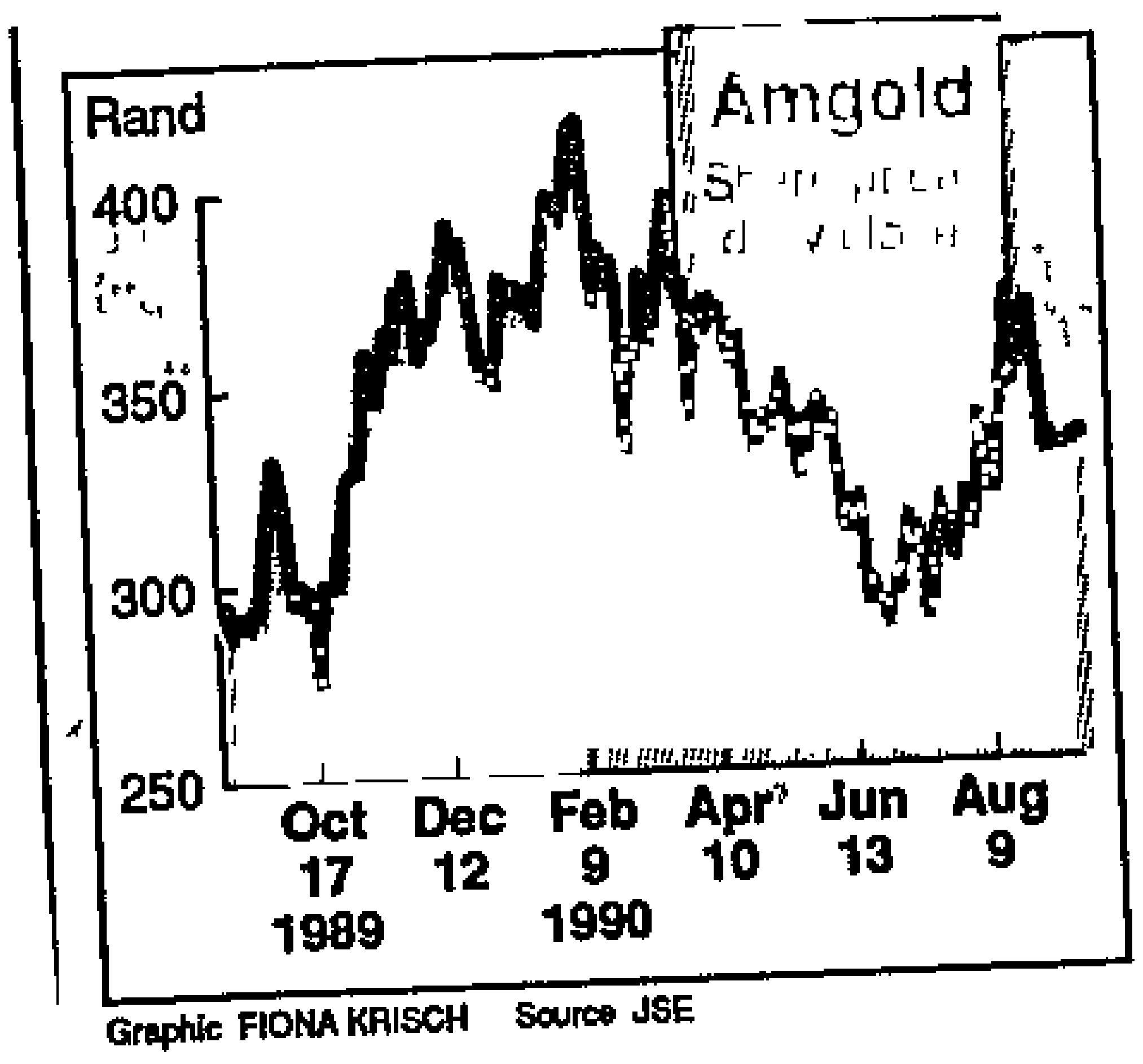
However, if the price remains at levels ruling in the second quarter of this year another 10 000 people at Gengold could lose their jobs in addition to the 12 000 retrenched in the past year

Referring to the changing South Africa, Mr Maude says the colour of the government is immaterial to Gengold, provided it is an administration under which companies can be world-class employers

As the SA representative on various international mining associations, Mr Maude says that senior managers in European companies are well-informed about SA and see it as a potentially good place for investment

"The American view is possibly more distant It is not as sophisticated and is probably strongly prejudiced by the sort of problems the US has had and is still having with its own race relations," says Mr Maude

Mr Maude is attending a mining conference in Moscow



Graphic FIONA KRISCH Source JSE

Amgold earnings plummet by 38%

8 10 cm
7/9/90

(214)

ROBERT GENTLE

AMGOLD, the investment company in the Anglo American stable with gold interests in SA, South America, Australia and the Far East, has seen its earnings a share for the half year ending August plummet 38% to 460c (745c previously)

The poor interim showing, put down to to sharply reduced dividend distribution from gold mining companies, resulted in a 38% fall in the interim dividend per share to 400c (650c).

The directors attribute the reduced dividends from gold mining companies — down 26% to R130m — to the continued fall in mine profit margins, mainly the result of inflation-driven increases in working costs and a continued low gold price.

They point out that during the first six months of 1990, the gold price averaged $386, only 0,5% higher than the average price of $384 in the previous half year.

Steps being taken to respond to "these adverse circumstances" include curtailment of capital expenditure, retrenchment programmes, elimination of nonessential costs, increased hedging operations and reduction in mining of lower grade areas.

The sharply reduced investment income was aggravated by a plunge in interest and other income earned from R9,4m to R2m, and a hefty interest bill of R8,9m (R0,3m) — the result of borrowings

"The results for the second half of the financial year will depend largely on the prevailing rand gold price and the extent to which costs can be maintained," the directors said.

A gold mining analyst from Simpson McKie called the results "exceptionally disappointing".

Genbel forecasts earnings growth

(214)

BDay 5/9/90

RIAAN SMIT

INVESTMENT holding company Genbel should report growth in earnings and dividends a share for 1991, chairman Tom de Beer said yesterday when releasing the company's annual report.

Total dividend income from investments should increase although interest receipts should fall with Genbel being fully invested, he said

And MD Anton Botha revealed at the briefing that sentiment was not favourable for an Oryx Gold Holdings rights issue now, and Genbel and Gencor would keep on funding the developing mine in the Free State

Oryx raised R200m in 1987 and cumulative capex to August 31 1989 was R295,2m The latest International Quarterly Mining Journal says a further capex of R403,7m is forecast to the end of calender year 1990 and another R547,6m up to 1993 to complete Phase 1 of the project

Botha said an R800m-900m rights issue was "probably necessary" to complete Phase 1 to full production

But he pointed out the project would be profitable enough to make it attractive for equity holders to fund it without risking a rights issue in current unfavourable market conditions

De Beer said in recent years the bulk of the real growth in Genbel's wealth could be attributed to increases in the capital value of the portfolio to R3,6bn and hence the Genbel share price "Earnings and dividend growth have lagged as a result of the repositioning of Genbel's asset base into a growth oriented portfolio"

No dividends were received from its 9,5% stake in TransAtlantic during the past year and only modest dividends accrued from Engen (7,2%) and Iscor. The lower dividend declarations from a troubled gold mining industry also resulted in a disproportionate fall in gold income.

Genbel has reported a marginally higher dividend a share of 27,5c (1989. 26c) for the year to end June 1990.

De Beer said management believed that as a result of the significant changes that have been made to the sectoral spread of the portfolio, Genbel was better placed to achieve its mission of real growth in both income and asset value

Encouraging

MD Anton Botha pointed out about 10% of the company's investments were not contributing to income yet, but were potentially lucrative.

The annual report shows Genbel Offshore Investments (GOI) continued to finance its 15% interest in a gold exploration project in Turkey.

"Results to date have been encouraging and further exploration is planned for 1990/1991 GOI also holds a number of small investments in other northern hemisphere exploration ventures," De Beer said

Full provision had been made in the accounts for Genbel's exposure to the Turkish and other ventures

Derision greets forecast of gold reaching $300

BDay 16/10/90

214

NEIL YORKE SMITH

SA GOLD experts have laughed off forecasts that bullion could bottom at $300 during the next 18 months

Gold was under downward pressure but so-called specialists who made specific medium term forecasts were treading on dangerous ground, JSE analysts and mining house and Reserve Bank executives said yesterday.

They were reacting to Reuter reports that speakers at a Luxembourg precious metals conference had said gold could tumble from current levels and bottom at about $300 before picking up again. Gold closed in London at $397,25

Reserve Bank GM (gold and foreign exchange) James Cross said "No one has all the relevant information and predictions that gold will bottom or peak at a specific level at a certain time in the future do not have much substance"

"It's hard enough to put a price on the metal five minutes into the future, never mind 18 months."

Worldwide, high real interest rates, reduced inflation and possible gold sales by cash-strapped countries such as the USSR were also putting downward pressure on the metal, a leading gold analyst said

Other bearish factors included slower world economic growth, reduced jewellery demand, official (central bank) selling and selling by mines which had witheld selling in the expectation of price gains, he said

Gold was no longer perceived to be the safe haven it was in the seventies, analysts said It had high holding costs and, unlike many less risky investments, did not yield income returns.

The metal had moved out of favour recently as there was a broader and deeper range of investment options available to investors, they said

But even the experts could be surprised Some factors which could work in gold's favour include enormous BoP deficits in many industrialised countries, the shaky US financial markets, and the Gulf crisis

Surprise announcements concerning any of the above factors could encourage investors to move back to gold

Rand Mines converts its losses to profits

RIAAN SMIT

(214)

B/Day 16/10/90

INDUSTRIAL action and suspected sabotage added to the woes of the Rand Mines gold mines during the September quarter but bottom-line losses were converted into profits by an extraordinary inflow of cash

While the group's five mines as a whole generated a greater pre-tax operating loss of R20m against R12,7m in the June quarter, the R26,1m sale of ERPM's slimes and sands dumps allowed the group to report a R6,1m pre-tax profit against the June quarter's R12,7m deficit

Harmony and Barbrook, the group's largest and smallest gold producers respectively, were particularly affected by industrial unrest, which contributed to a combined loss of R16,8m

Harmony fell into a loss with lower ore production rates and sharply higher unit costs while ERPM narrowed its loss — being helped by a second year of no wage increases

ERPM remained in the red, but showed signs of emerging from its financial problems Along with other mines in the group, it improved operating revenues by cutting the milling rate and increased the gold recovery grade by concentrating mining on comparatively rich ore zones

● See Page 7

Star 16/10/90

(214)

The Star
Finance

Sharp drop in gold dashes hopes of higher growth

By Magnus Heystek

The sharp drop in the price of gold and platinum, two of South Africa's major export earners, will lead to upward pressure on domestic interest rates, dashing any hopes for an early return to higher growth

Investors' fears, coupled with forced liquidation of bullion in the Middle East, pushed the gold price down by more than $13 to $375 an ounce at the close in New York last night

It opened in Hong Kong today at $374,10

It was fixed in London yesterday afternoon at $380,70, down more than $7 an ounce compared with closing prices at the weekend

Platinum was also depressed by fears of a worldwide recession with the price dropping to a four-year low of $403,75 an ounce

Investors fear that a worldwide economic recession will depress sales for the motor industry, the major user of platinum

Economists said today the rise in the oil price, coupled with overnight drops in gold and platinum, would reduce the expected surplus on the current account of the balance of payments for this year

The surplus of between R4 billion and R5 billion, generally forecast for this year, now seems to be in doubt, considering the sharply increased cost of oil

At current levels oil is costing South Africa an estimated extra R3,7 billion compared withlast year Gold needs to trade at levels around $450 an ounce to fully compensate for the higher cost of oil

The behaviour of the gold price since the start of the Gulf crisis has been disappointing After an initial upward rise, the price has retraced much of its gains and is now trading around the same levels prior to Iraq's invasion of Kuwait on August 2.

On the JSE gold shares came under renewed pressure yesterday with the all gold index dropping by 49 points to 1396 while the JSE overall index shed 58 points to 2621

The JSE is expected to weaken further today as the major part of gold's decline came after the close of the market yesterday

But stockbrokers this morning pointed out that a further weakening of the financial rand could act as a cushion for share prices

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BDay 17/10/90

Four Anglovaal gold producers feel squeeze

RIAAN SMIT

LOWER mill tonnages and the full effect of mid-year wage increases put the squeeze on Anglovaal's four gold producers in the September quarter

Loraine was the only mine to improve its bottom-line performance, but this was not enough to pull it out of the red The other three — Hartebeestfontein, Eastern Transvaal Consolidated and dump processor Village Main — each reported lower profits

Worst affected in absolute terms was Harties, the group's largest producer

Its milling rate dropped for the third consecutive quarter and, as a result, unit costs rose by 7,2% on the previous three months The mine maintained its gold recovery grade by shifting the production focus away from the comparatively poor Zandpan section and back towards the richer eastern sections

Harties and the other Anglovaal mines remained the industry's most active forward sellers About one-third of the next four quarters' expected gold production had been sold forward by the end of September at prices ranging from R33 449/kg to R37 095/kg

Loraine was particularly active and sold about half its expected production forward for the next four quarters at slightly higher prices than the house's other producers

Prospecting

On the production front, Loraine increased its ore milling rate, lifted its gold recovery grade and cut its development rate to contain costs However, stockbrokers said the mine's persistently poor profitability made it unattractive as a tax-efficient vehicle for development of Anglovaal's new Sun mine

ET Cons, too, cut its development rate and returned to a more normal, lower milling rate after the abnormally high levels of the previous quarter Expenditure on prospecting for gold was reduced sharply, but the mine announced a R5,1m exploration programme for nickel and other metals last week

Village Main, which processes old dumps, also showed increased unit costs because of a drop in milling rate It was also affected by a lower gold price received than inthe June quarter

The total capex bill for the four mines dropped to R9,4m from R13,7m as part of a cost-cutting drive, the spokesman said ET Cons showed the biggest drop to R790 000 from R4,5m in the June quarter

The four mines' total taxed profit for the quarter dropped to R37,9m (June quarter R47,7m) with Hartebeestfontein contributing R34,5m (R38,5m), Eastern Transvaal Consolidated R4m (R9,2m), Village R503 000 (R1,2m), and Loraine a loss of R1,2m (R1,1m loss)

ANGLOVAAL September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Hartebeestfontein	**757**	**9,1**	**6 874**	**212,86**	**23 441**	**31 261**	**34 536**	**28 289**	**25,3**
	789	9,1	6 996	198,48	22 384	31 924	38 467	31 656	28,3
Loraine	**378**	**5,1**	**1 920**	**172,70**	**34 000**	**32 046**	**(1 163)**	**(3 576)**	**21,8**
	367	4,9	1 801	179,40	36 557	33 089	(1 149)	(3 052)	18,6
ET Cons	**81,1**	**9,7**	**785**	**218,56**	**22 580**	**31 906**	**3 987**	**3 197**	**3,7**
	96,8	9,7	938	175,19	18 079	31 426	9 166	4 620	5,4

No relief on high interest rates – Barend

Plunging gold batters economy

(214)

Star 17/10/90

By Michael Chester and Peter Fabricius

The dramatic retreat of the gold price on world markets threatened to prolong and deepen the country's economic downswing, Finance Minister Barend du Plessis warned today.

Bullion took a renewed battering on the Hong Kong market this morning when it tumbled to $365,18 an ounce in first deals — following the downward trend in London to New York yesterday

The price has now slumped more than $50 an ounce from the peaks it reached in recent weeks when the risk of a Gulf war sent the metal soaring.

The collapse has dashed hopes that South Africa could rely on higher gold prices to help offset the impact of doubled oil prices

And the Chamber of Mines has warned that "tens of thousands" of miners' jobs would be in jeopardy if bullion stayed below the $390 level for a long period

The problem has been compounded by an even worse drop in platinum, now at its lowest level in four years at $389,75 an ounce

Mr du Plessis indicated Government would be forced to delay any gradual reduction in high interest rates Plans to ease its strict monetary policy would have to be postponed, he said in an interview

"We don't like it We would prefer it to be otherwise But we have to deal with it responsibly

"We are irrevocably part of the larger world economy

"The rapid drop in the gold price directly affects our ability to pay for essential imports and meet international commitments

"This fact rules out any short-term stimulation of the economy"

He pointed out the root of the problem was that the traditional relationship between rising oil prices and rising gold prices — which cushioned SA from the worst effects of previous oil crises — no longer existed

This meant the outflow of dollars from SA to pay for oil was not compensated for by an comparable inflow of dollars to buy gold

In the past SA could always count on political conflict somewhere in the world or a financial crisis to push up the gold price

The fact that this relationship between oil and gold prices no longer existed had vindicated the Government's policy of not relying on gold to maintain a balance of payments surplus, he said

Mr du Plessis said when economic policy was formulated late last year and early this year, the Government had expected to be able to relax certain monetary measures such as interest rates during late 1990

Vindicated

But caution in waiting further developments in the Gulf crisis had been vindicated

For the moment the Government would "stay put" and await firmer indications of some direction in the world economy

- Syfrets economist Elmien de Kock has estimated that gold needs to hold at more than $415 to counterbalance the cost of oil price increases
- Nerves were also strained this morning before the start of trading on the Johannesburg Stock Exchange, where the gold share index had tumbled 7,5 percent since the retreat of bullion prices began on Monday

Shares of the marginal mines have been hardest hit These mines will have the greatest difficulty making a profit at the present gold price Any further fall will put them at risk of closure

Proud pilot . . . Fulvio Destafinis became one of
received his licence on his 17th birthday.

His bi

Anglovaal mines sell some gold forward

Star 17/10/90 (214)

By Derek Tommey

All four Anglovaal gold mines have sold forward part of their gold output. They will receive R33 449 for gold delivered in the December quarter, and R34 689, and R35 859 and R37 037 for gold delivered in the first, second and third quarters of next year

Hartebeestfontein is selling about 27 percent of its production, ET Cons about 30 percent, Village Main about 24 percent and Loraine about half

Hartebeestfontein milled 757 000 tons in the quarter, down from 789 000 tons in June and this led to a reduced gold output and increased working costs

Revenue dropped from R223,3 million to R214,9 million while costs rose from R156,7 million to R161,1 million, resulting in a working profit of R53,7 million (R66,7 million) Profit at the low grade plant dropped from R10,5 million to R9,6 million.

Profit before taxation and state's share of the profit was R71,0 million (R84,9 million) and taxed profit was R34,5 million (R38,5 million)

At **Eastern Transvaal Consolidated** a drop in ore milled from 96 800 tons to 81 100 tons resulted in revenue dropping from R29,5 million to R25,0 million and the working profit falling from R12,5 million to R7,3 million.

Taxed profit was R4,0 million (R9,2 million)

Village Main had a working profit of R742 000 (R1 193 000) reflecting a lower tonnage treated, the lower gold price and increased costs Its taxed profit was R503 000 (R1 203 000)

Loraine milled 378 000 tons during the quarter, up from 367 000 tons in the June quarter. It also increased its yield from 4,9 g/t to 5,1 g/t which helped lift gold production from 1 801kg t0 1 920 kg.

The working loss was cut from R6,2 million to R3,8 million. After taking into account other income Loraine had a loss after tax for the quarter of R1,16 million (R1,15 million).

Aid for struggling ERPM

Star 7/10/90

Staff Reporter 214

Emergency recommendations to provide financial assistance to save the ailing ERPM gold mine were accepted by the Cabinet yesterday, the Department of Information said in a statement.

It said the decision had been made in view of the substantial financial commitments the State had already made to ERPM, as well as the socio-economic implications that the closure of the mine might entail

Rand Mines, First National Bank and the State will jointly provide financial assistance.

Emergency measures, including a R33 million financial facility being made available to the mine, were implemented earlier to put an end to the mine's uncertainty

ERPM last month sold off R29 million worth of assets, including slimes dams, sand dumps and freehold property and options, to a consortium made up of East Daggafontein, Lydenburg Exploration and Potchefstroom Gold Areas

Cabinet accepts report on ERPM

B Day 17/10/90 (214)

RIAAN SMIT

THE Melamet Commission of Inquiry's report into State Assistance to the East Rand Proprietary Mines (ERPM), which has been accepted by the Cabinet, was released yesterday

The commission made certain recommendations before the release of its report at government's request because of the urgent need to put an end to the uncertainty regarding ERPM's future

These recommendations — already published — included an undertaking by government to make available a maximum amount of R33m to the mine after January 1 1993 — either as a loan, guarantee, or subsidy — if necessary to enable ERPM to meet deferred interest payments on loans

Mining activities would be concentrated in high-grade underground sections, mainly in the eastern part of the mine serviced by the Far East Vertical Shaft

Rand Mines agreed to an additional loan facility to ERPM of up to R35m at prime interest rate for equipping the shaft, which was 95% complete when the commission heard evidence in June

Mr Justice D A Melamet had also recommended that surplus assets be sold Rand Mines said in yesterday's quarterly report for ERPM that sand dumps had been sold for R26,1m Rand Mines indicated earlier that assets worth R40m would be sold

Other aspects of the rescue plan were

☐ Repayment of 30% of ERPM's liability for interest due on the R60m bank loan facility granted by First National Bank,

☐ The existing R20m loan facility granted by Rand Mines would be extended beyond the then agreed period of December 31 1992, until the company could afford to meet these obligations, or December 31 2002, whichever was the earlier; and

☐ Rand Mines (Mining & Services) would reduce its management fee by 50%, from January 1 1990 to December 31 1992

BDay 18/10/90 (214)

GENGOLD September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Beatrix	**528**	**6,1**	**3 225**	**132,08**	**21 624**	**31 632**	**14 977**	**9 958**	**11,7**
	528	6,2	3 271	124,05	20 024	31 456	17 016	10 676	12,6
Bracken	**112**	**4,5**	**503**	**140,58**	**31 302**	**31 705**	**2 907**	**2 742**	**19,6**
	133	3,8	503	119,53	31 604	31 391	1 781	1 674	12
Buffels	**569**	**5,6**	**3 206**	**179,88**	**31 925**	**31 663**	**15 412**	**14 003**	**95,5**
	596	6,0	3 596	161,67	26 796	31 253	18 867	16 415	11,2
Grootvlei	**117**	**4,3**	**507**	**190,88**	**44 049**	**30 968**	**(2 489)**	**(2 720)**	**(23,8)**
	157	4,2	667	142,20	33 471	31 613	1 444	1 302	11,4
Kinross	**489**	**6,3**	**3 083**	**138,24**	**21 927**	**31 189**	**19 038**	**12 089**	**67,2**
	501	6,1	3 072	124,74	20 343	32 296	17 511	15 970	88,7
Leslie	**119**	**4,9**	**578**	**152,07**	**31 308**	**31 603**	**3 009**	**2 294**	**14,3**
	131	4,4	578	138,64	31 422	31 461	2 064	1 630	10,2
St Helena	**407**	**6,3**	**2 583**	**191,63**	**30 195**	**31 677**	**10 056**	**5 290**	**41,2**
	439	6,0	2 631	173,03	28 870	31 119	8 745	5 714	44,5
Stilfontein	**530**	**1,9**	**1 031**	**68,90**	**35 418**	**31 557**	**10 293**	**97**	**0,7**
	455	2,4	1 100	84,25	34 849	31 292	(938)	(1 672)	12,8
Unisel	**230**	**6,1**	**1 400**	**149,40**	**24 544**	**31 272**	**11 361**	**3 943**	**14,1**
	218	6,0	1 300	138,28	23 189	31 609	8 938	4 131	14,8
West Rand	**213**	**2,7**	**570**	**82,24**	**31 105**	**31 863**	**640**	**1 324**	**23,4**
	219	2,4	526	77,82	32 401	31 258	102	521	9,2
Winkelhaak	**515**	**6,2**	**3 205**	**137,50**	**22 095**	**31 033**	**32 693**	**8 336**	**68,4**
	516	6,2	3 205	130,51	21 012	32 474	32 172	11 415	93,7

Retrenchment costs take glint off Gengold income

B/Day 18/10/90 ~~2012~~ 214

RIAAN SMIT

GENGOLD's 11 mines were hit hard by retrenchment costs and annual wage increases in the September quarter.

The effect on operating profits was exacerbated at the bottom line by higher capital spending As a whole, the group reported a 15,4% drop in distributable income

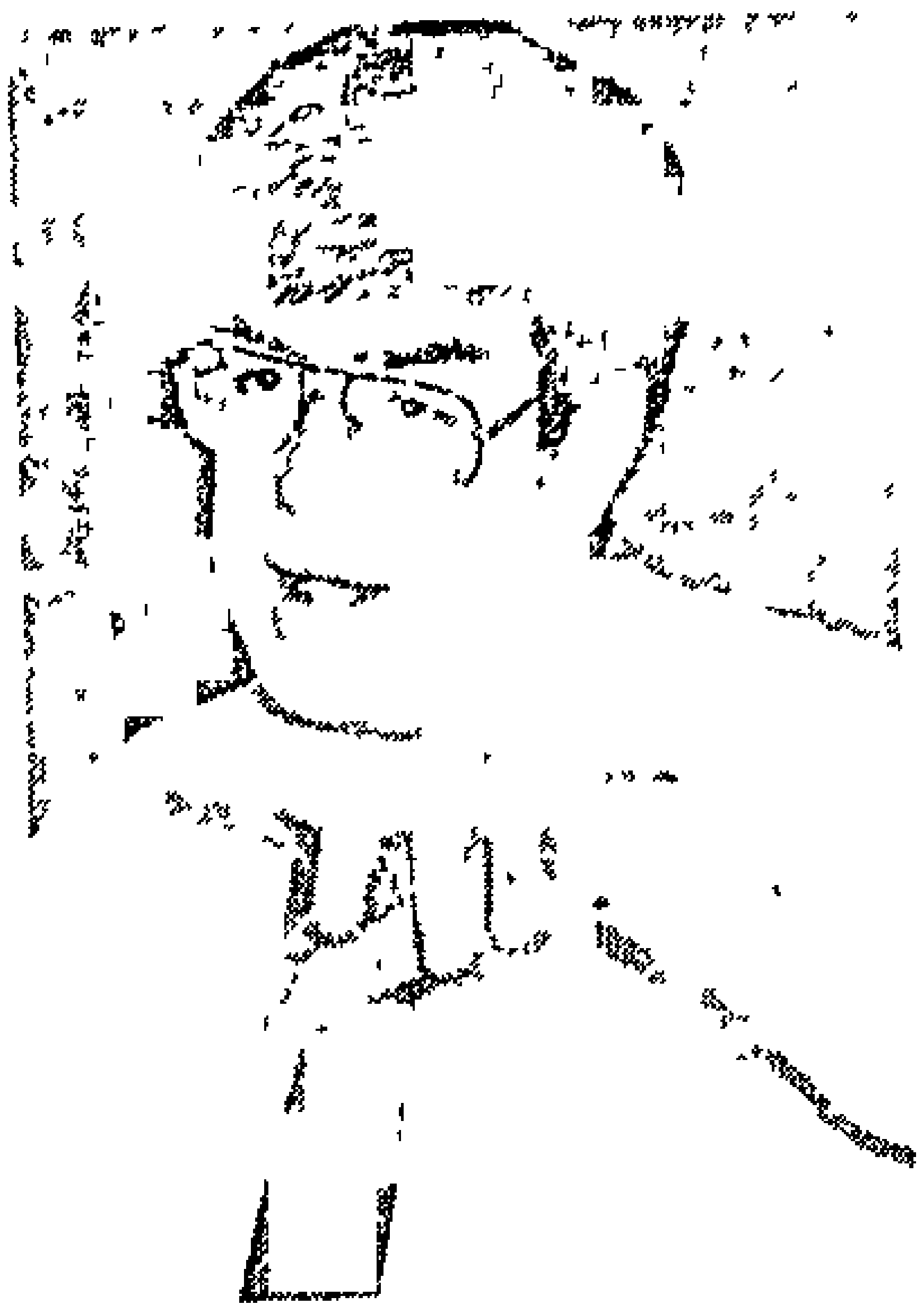
The group has been the most aggressive of the six major mining houses in cutting production and employee numbers to contain costs

CE Gary Maude said yesterday he regarded the R11,8m cost of retrenching 4 800 workers during the quarter as "a worthwhile expenditure to fight the continuing cost squeeze This is a survival phase."

Nevertheless, the continuing retrenchments have not been easy Grootvlei was hit by a series of production stoppages as employees protested against job losses

In round figures, the mine lost the equivalent of a month's production and Maude warned that Grootvlei was in danger of being closed if earlier production levels could not be attained

Elsewhere, marginal producer West Rand Consolidated had responded well to earlier retrenchments and the past year's underground development Grade and tonnage increased and pulled the mine out of the red



● MAUDE

Winkelhaak and Kinross increased their taxed profits, but heavy spending on Winkelhaak's No 6 sub-shaft and on Kinross's twin decline shafts clipped distributable earnings Neighbouring Leslie and Bracken remain on the edge

Bracken lifted its recovery grade with the extraction of comparatively rich ore in the shaft pillar and has no more than two years' life remaining Maude said Leslie appeared to have won its race against rising costs which could have affected plans to open the mine's comparatively rich Northern Block

Production from this area, with initial estimated reserves of about 8-million tons at an average grade 30% higher than the rest of the mine's, would start in 1991's first quarter.

Buffelsfontein was affected by the immediate cost of halting production at the Pioneer Shaft and the consequent cut in gold output

However, the closure is expected to lead to future monthly savings of about R1m

The mine made a working loss, but received R10m when it sold its 20% stake in the mothballed Chemwes uranium plant to Stilfontein

Stilfontein struggled with ore reserve problems — its Vaal reef reserves are exhausted and the available VCR ore is patchy and poor Maude said the longer term future of the mine was "still very much in the balance"

In the OFS, Unisel recovered from the labour difficulties of the previous quarter when the NUM targeted the mine in its "mine racism" campaign

St Helena's working profit fell one third

10 000 facing retrenchment

[redacted] 214 [redacted]

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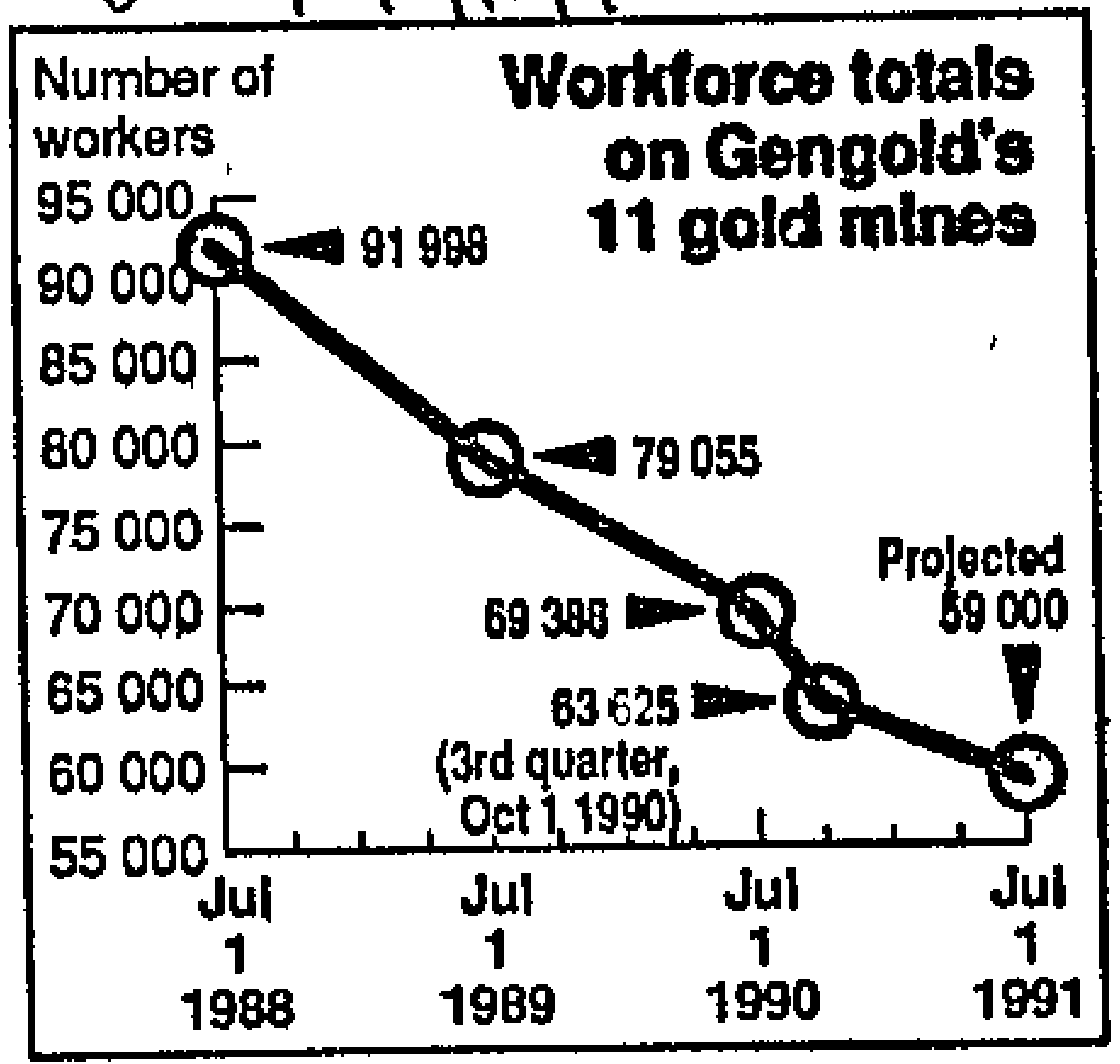

Graphic: FIONA KRISCH Source GENGOLD

MATTHEW CURTIN

THE spectre of large-scale retrenchments on SA's gold mines continues to haunt mining houses as the weak gold price and rising working costs jeopardise the industry's profitability.

Gengold CE Gary Maude yesterday said his company faced retrenching 10 000 more workers from its 11 mining operations if there was no sustained revival in the gold price.

The mining group, which yesterday reported a further slide in the consolidated profits of its 11 mines for the September quarter, cut jobs at an average rate of 2 875 a quarter in the 18 months before July 1990,

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Retrenchment

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and 5 790 mineworkers lost their jobs in the third quarter this year.

In the same 18 months, retrenchment rather than natural attrition accounted for 60% of the job losses In the most recent quarter, retrenchments accounted for 83% of job losses

Gengold has reduced its gold mining workforce by 31% since July 1988 — its number of miners falling from 91 998 to 63 625 by September 30 this year

Maude said labour costs contributed 45%-48% of all working costs and the 15%-17% industry pay award this year added an average 7% to total costs during the third quarter this year The mining group reported a 34% drop in working profit

He said retrenchment costs since July stood at R11,8m This was "worthwhile expenditure" in the rationalisation of operations which were in a "survival phase"

He said if gold steadied at a plateau of $420, Gengold would enlarge its workforce

Anglo American gold and uranium division spokesman Adrian du Plessis said should the National Union of Mineworkers (NUM) and Anglo agree over draft proposals on retrenchments at the Freegold South mine, more than 3 000 workers would lose their jobs Anglo originally proposed job cuts of 7 800 workers and the two sides met yesterday to consider latest proposals

An NUM spokesman said yesterday 32 000 jobs had been lost on gold mines so far this year

He said the union did not expect a rise in the price of gold would prompt significant re-employment on gold mines

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● Gengold results: Page 8

Anglovaal 'facing a challenge'

214

Star 19/10/90

By Derek Tommey

Anglovaal's chairman, Mr Basil Hersov, warns in his annual statement to shareholders that uncertainty and major instability could jeopardise the negotiating process and affect the economy

He says that in these political and economic circumstances, the maintenance during the coming year of earnings a share on the enlarged capital presents the group with a challenge

Earnings in the year ended June rose 30 percent from R183 million to R238 million in spite of a marked slow-down in the economy.

Earnings a share on the enlarged capital rose 24 percent to 530c from 427c a share and the total dividend payments of 92c (76c) were covered 5,8 (5,6) times

Increased earnings from Associated Manganese and recent acquisitions were the most significant factors contributing to the earnings increase.

Anglovaal continued its heavy exploration programme spending, together with its partners, R97 million (R80 million) Of this sum R32 million (R38 million) was for mineral rights acquisitions, with the Sun and Oribi exploration programmes in the Free State continuing to absorb the largest portion of the total.

Drilling is continuing in the southern portion of the Sun Area to define certain ore body boundaries as well as reef and grade continuity Shareholders will be informed once the the results evaluated, which should be by mid-1991

Drilling is also continuing in the northern portion of the Sun Area, where selected mineral rights have been purchased Total expenditure to date on Sun is R205 million (R140 million), while the current year's estimate is R51 million.

Distributable profits from the group's four gold mines were 30 percent lower at R161 million after providing R271 million for tax and state's share of the profits

The main reasons for these disappointing results were a decline in the rand gold price and increased working costs, says Mr Hersov A cut in capital expenditure partially offset the full impact of the cost/price squeeze.

Mr Hersov said the cost/price squeeze had lowered ore reserves and mines' lives. Of particular concern is the marginal mine Loraine, which is operating at a loss and this will not alter unless there is sustainable increase in the real-term gold price

Star 19/10/90 214

Inflation psychology has to be broken if gold mining is to survive

By Derek Tommey

The inflation psychology in this country has to be broken if the gold mining industry is to survive, warns Mr Clem Sunter, chairman of Anglo American' gold and uranium division.

He made these remarks following the announcement yesterday of the group's gold mining quarterly results, which contained a particularly pleasing profit increase from Free State Consolidated Gold Mines (Freegold)

Mr Sunter said that in the past three years the gold price has risen by R3000 a kilogram or about 11 percent In the same period there has been a 60 percent to 100 percent increase in the price of stores and almost a 100 percent increase in wages.

"There are few industries in the world that can absorb this type of punishment, but the gold mining industry has managed to survive"

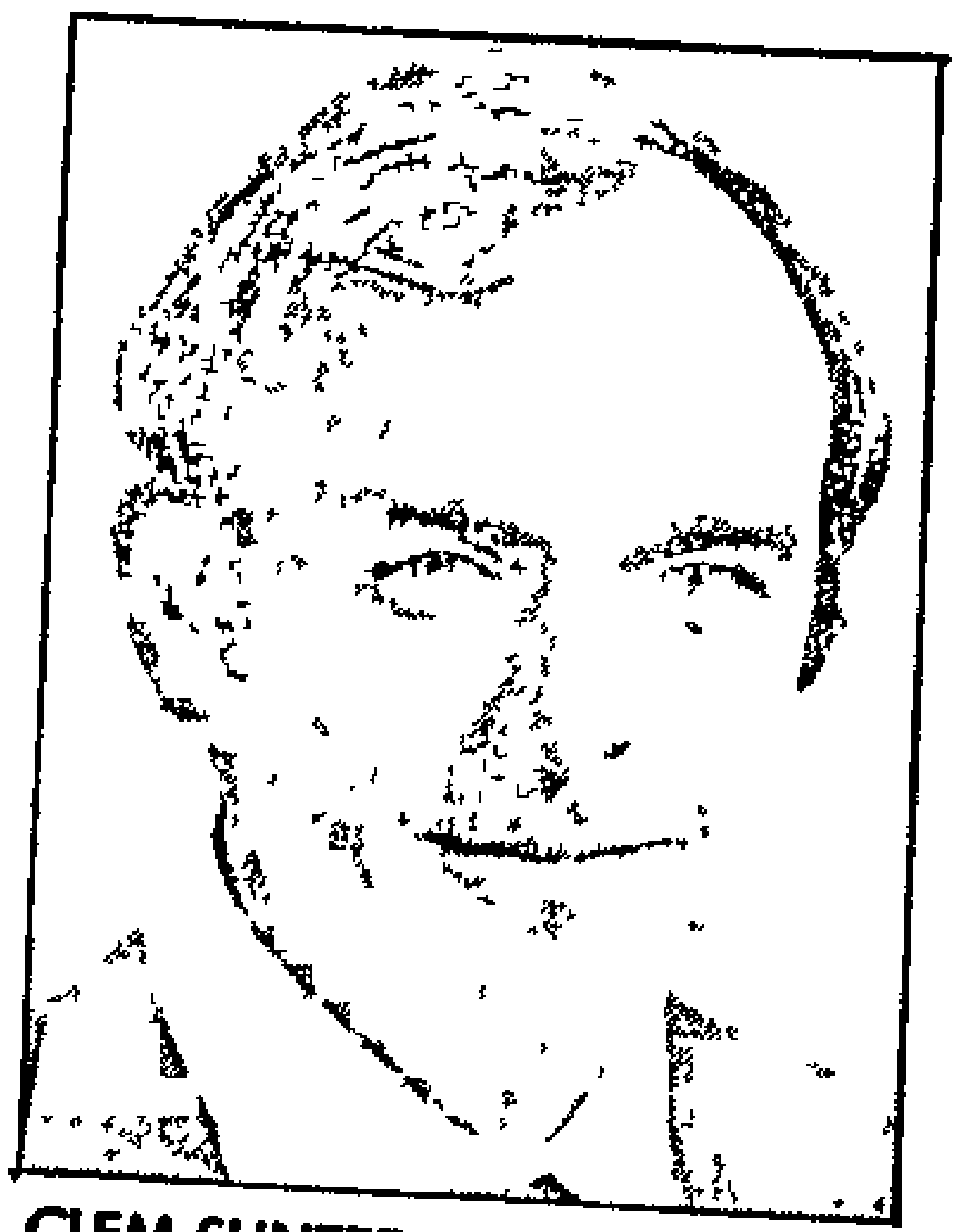
However, the industry is no longer being bailed out by the declining rand and in the past six months its profit margins have been seriously squeezed.

"We have to break the inflation pyschology that exists in this country There is still the assumption that we can go on as usual in terms of salary increases, wages increases and suppliers putting up their prices

But it has to stop, he says, pointing out that the livelihood of several millions of people is at risk.

"There are 200 000 people working in the gold division of Anglo American and 500 000 working in the gold mining industry as a whole"

If their 2,5 million dependants and other people indirectly associated with the gold mining industry are included many millions of people rely on the gold mining industry.



CLEM SUNTER — There are few industries in the world that can absorb this type of punishment".

Freegold reports a working profit for the September quarter of R139,2 million, almost three times the June quarter profit of R52,5 million

This increase was achieved in spite of the loss of 20 000 man shifts by white employees at President Steyn, and an extra R60 million on the wage bill as a result of the 16 percent wage increase which took effect from July 1

Taxed profit was R142,7 million (R52,7 million) and available profit after capital expenditure was R80,2 million (R14,2 million)

The improved profit reflects a reduction in labour unrest from the June quarter, strong control of costs, an increase in the tonnage milled and an improvement in the yield.

Mr L Hewitt, a director of the company, said that as a result of resignations and retirements, the number at the mine likely to be retrenched has fallen form 7800 to 6600 Discussion were still taking place with the unions, and if they agreed to certain proposals, such as longer unpaid leave, the number that might hve to be retrenched could drop to 3300

Vaal Reefs had a working profit of R151,7 million (R148,9 million) and a consolidated profit of R120,5 million (R138,0 million)

Tons milled increased but the yield declined.

Mr Hewitt said an inquiry had been held into the explosion which resulted in 21 deaths and the outcome of the inquiry would be made public

Discussions were still taking place on when to start work at Moab, the new mining area adjoining Vaal Reefs Mr Hewitt said a decision would depend on the gold price He did not want to embark on a major capital expenditure programme when he was uncomfortable about the gold price.

Vaal Reefs already had a heavy capital expenditure programmes including spending R156 million on the Number 10 Shaft.

Western Deep Levels had a working profit from gold of R83,4 million (R75,0 million) and an available profit after capital expenditure of R20,1 million (R21,4 million) The yield declined from 7,81 grams to 7,4 grams a ton, partly because the fire damage in the east area was delaying production longer than expected But increased production here should lead to a higher yield.

Elandsrand had a working profit from gold of R35,0 million (R37,8 million) and a taxed profit of R33,7 million (R37,1 million). Profit available after appropriation for capital expenditure was R604 000 (R197 000)

The high level of capital expenditure was a result of a recent policy decision, taken in the light of low gold price, to finance this from profits and no longer from borrowings.

Ergo has declared an interim dividend of 35c a share. The high unit cost of R31 112 for a kilogram at the Ergo division has led to a decision to switch to a carbon in leach production method which should reduce production costs

Golds fluctuate

Star 19/10/90

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By Duma Gqubule

Gold shares on the Johannesburg stock market yesterday fluctuated in line with the gold price Gold shares opened firmer in the morning session as world bullion prices briefly rallied to $370, but gave up most of their gains during the afternoon as gold eased back to just below $368

Dealers said foreign buying was held back as the financial rand strengthened on news of the lifting of the state of emergency in Natal

Elsewhere trading was very cautious and volumes remained light with one dealer saying the rest of the market was "absolutely featureless making it difficult to discern any trends"

The JSE all-gold index closed at 1363, up marginally from Wednesday's 1358 finish but well off an early high of 1378. The industrial index firmed slightly to 2653 from 2640 while the overall share index ended barely changed at 2569 versus 2570.

Heavyweight gold share VAAL REEFS finished 100c up at R254 after reaching R260 and HARMONY was 100c up at R30. SOUTHVAAL closed unchanged at R95 after rising to R97 but LORAINE gained 35c at R8,60

In mining financials ANGLOS firmed a modest 25 cents at R89,75 and AMGOLD was up 500c at R285 MINORCO rose 50c gained 50c at R59,50. In diamonds DE BEERS was 190c down at R60 with one dealer saying "if it falls below R60, who knows where the bottom is ?" Platinums had IMPALA 50c softer at R49,50 and RUSPLAT firmed 50c at R59,50.

In industrials SA BREWERIES gained 50c at R34,25 and BARLOWS 60c at R31,60. W&A was up a modest 25c at 475c but FRAME shed 50c at 650c ISCOR picked up 3c to 178c Electronic share FINTECH rose 25c at 575c showing a total gain for the week of exactly a rand.

● The volume of shares traded yesterday was 8 497 029 valued at R62 651 520 compared with 6 255 328 valued at R52 276 514 on Wednesday.

SEARCON
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FM 19/10/90 (214) **FOX**

GFSA NON-GOLD QUARTERLIES

FM 19/10/90 (214)

PROFITS SQUEEZED

Rand base mineral prices were generally lower during the third quarter, a fact reflected in the performance of GFSA's base metal and mineral producers

Gold Fields Coal saw sales dipping by 13,2% as a result of delays in shipping programmes Slightly lower prices received meant a 15,2% fall in revenue, but costs were down commensurately However, this quarter should see a recovery coming from catch-up sales

The company has a joint venture interest in Matla, where certain adjustments during the June quarter effectively lowered GF Coal's tax rate to 27,4% Last quarter, the rate returned to a normal level of 56,7%, but the casualty was profit

Rationalisation continues at **Rooiberg** but the 14,4% quarter-on-quarter decline in the price hit the tin producer below the belt, all but eliminating efforts made to control costs Costs have been trimmed so lean that there is not much fat left Should the tin price remain under pressure, the mine will face closure, despite the fact that the loss has been reduced substantially

The one base metal to see a price rise during the quarter was copper, which helped to take the edge off other decreases for **Black Mountain,** though sales volumes of the metal were down Lead sales trebled but this was owing to the timing of deliveries, which varies from quarter to quarter

Revenue was up by 38,5% but costs soared by 89,6% to result in an 11,8% decline in operating profit Unit costs, in fact, barely changed and the fall in profitability came more from a negative sales adjustment from the previous quarter and the lower prices than from the cost side. A lower tax rate due to higher stores and capex helped ameliorate the situation but bottom-line profit still fell to R14,1m (R14,9m)

The copper grade fell at **O'okiep**, resulting in a 6% decline in output Sales were, however, higher at 6 866 t (6 011 t), which, together with the better price, translated into a 21% rise in revenue Costs rose by a sharp 28,8%, all but wiping out the gains Lower sundry revenue and a higher tax rate left the quarter's profits down

ON THE SLIDE

Average base metal prices

	Apr-Jun	Jul-Sep
Copper R/ton	7 100	7 600
Lead R/ton	2 500	2 200
Tin R/ton	18 100	15 500
Zinc R/ton	4 600	4 200
Silver R/kg	440	410

Zincor's sales rose, more than offsetting the price decline, but an 18,6% cost increase, greater sundry expenses and a higher tax rate tempered the profit rise

At **Gold Fields Namibia** higher copper revenue offset lower lead income, coming from both decreased volumes and the price fall Costs were trimmed all round, leading to a profit rise of 34,2% to R5,1m. There were further improvements in production from both Tsumeb and Kombat At Otjihase output fell as a result of August's labour unrest and problems re-establishing mining operations in the oblique fault zone

With the rand holding firm — and base metals under pressure in the wake of the Gulf crisis — the outlook for these producers for the next quarter remains bleak

Gillian Findlay

GOLD QUARTERLIES (214)

TOUGH TIMES AHEAD

FIM 19/10/90

Gold mines are facing tough times with gold unable to break through US$400. On Tuesday it was trying desperately to hold above $360 and, with the Reserve Bank's new attitude towards the rand/dollar exchange rate, it no longer weakens simply to accommodate a lower gold price.

GFSA's latest quarterlies reflect the continuing poor state of the industry Despite labour transfers these mines remain among the worst performers The group, unlike all its competitors, has yet to announce any layoff programme to cut costs, but something will have to be done reasonably soon because losses cannot continue unabated

Some workers have been transferred from Venterspost, Doornfontein and Libanon to Kloof's Leeudoorn section and Northam Platinum, but the numbers are not particularly high Capex has been trimmed to the minimum at all mines and is either down or at least held constant in nominal terms

Driefontein Cons saw a setback at East Drie. A problem with the No 2 shaft winder resulted in a lower-than-expected yield A much higher grade at West Drie of 10,3 g/t (9,4 g/t) compensated for the decline in production at East Drie and the group saw only a modest fall in profitability The situation should improve in the next 12-18 months

At **Kloof,** higher grade and well-contained costs led to a substantial rise in working profit but the bottom line was affected by a tax credit in the June quarter due to capex for the new Leeudoorn section Profit before tax was 11% higher at R97,9m This can be completely set off against Leeudoorn capex for tax purposes The only tax paid last quarter was on non-mining income

Leeudoorn is progressing well It will come into production in the 1991 first quarter at 50 000 t/month, building up slowly to 80 000 t, then 120 000 t Full capacity of 180 000 t/month will be reached only in a few years

Capex will stay high as a result — R89m of this quarter's R130,8m was attributable to Leeudoorn — and the new section will not produce a positive cash flow initially Clearly Kloof will soon need refinancing to tide it over the next few years

As part of moves to return to profitability, **Libanon** has been high-grading ore, with much success From a R2,6m loss last quarter, it posted a R4,3m profit as a result of this strategy as well as strict cost controls

Deelkraal is still suffering from stope face shortages and will remain under pressure until the longwalls below 21 level are completed The benefits should start fairly soon with completion of the first longwall, 21LW, but it will be some time before full flexibility returns Profit slipped to R15,8m (R28,5m) as margins were squeezed

Venterspost and **Doornfontein** are bleeding Though production and gold revenue at both remained unchanged, costs are still outstripping income and both have negative cash flows Interest on funds from Venterspost's rights issue helped, but is far from sufficient to stem the outflow

Sharp cost rises at Doornfontein took loss per ton to R19,21 from R7,80 The after-tax loss nearly trebled to R6,8m (R2,5m)

The state of these two mines will have to be addressed soon GFSA's Mike Tagg says the group is considering several options but no decision has yet been taken

Rationalisation at Rand Mines' producers has had benefits but performance was marred by industrial action at some mines

ERPM's strategy of reducing tonnages and raising grades paid off, with a sharp reduction in costs and a slashing of the working loss to R5,0m from R16,3m Disposal of certain slimes dams and sand dumps raised R26,1m — more than enough to cover the loss and R10,8m interest payments — to realise a net profit of R12,6m (R24,7m loss) for the quarter This pales into insignificance against total net borrowings of R360m, but the turnaround is welcome

Harmony and **Barbrook** were hit by labour unrest Despite an increase in grade at Harmony to 3,20 g/t (3,08 g/t) gold output fell after various work stoppages and disruptions as well as three underground fires Costs continued to rise and the working loss with them Lower sundry revenue was unable to offset the loss, unlike during the June quarter

Barbrook is negotiating a recognition agreement with the NUM which, it hopes, should bring some measure of stability to the unrest-plagued mine Tonnages, though building up, are still under pressure as a result of industrial action Also, ore grade fell below expectations to 2,55 g/t (3,20 g/t) Ore reserves are having to be revalued and a new mining plan is to be prepared The financial position of the mine is consequently under review

A slight rise in production and steady grade at **Durban Deep** saw revenues up enough to cover the hike in costs, so that overall performance remained relatively flat with profit of R2,9m (R2,7m) The mine fully repaid its borrowings of R2,6m while the sale of assets raised R3,4m

Gold production at **Blyvoor** remained steady as lower tonnages were counterbalanced by a higher grade Costs, however, surged to R175,67/t (R156,65/t), cutting margins This, together with lower sundry revenue, left profit at R3,2m (R5,5m)

FIM 19/10/90 (214)

Most Rand Mines operations have sold gold forward at what must now be considered enviable prices With gold in the region of R29 500/kg, prices in excess of R34 000/kg will certainly aid the group. Nonetheless, producers will be under even greater pressure in the December quarter

☐ A full tabulation of the GFSA and Rand Mines quarterlies will appear next week when other groups will also have published their quarterlies

Gillian Findlay

Duiker Exploration sees its income eroded by 61%

Bloam
19/10/90

PETER GALLI

(214)

LONRHO's Duiker Exploration posted a 61% drop in pre-tax income to R1,7m (R4,37 in the June quarter) mainly due to its particular mix of products sold.

Another reason was that sales do not accrue evenly during the four quarters owing to shipping schedules and export demand.

Duiker Exploration is involved in coal and gold mining operations, and owns 36% of Eastern Gold Holdings which is entitled to 85% of the profits from the Erfdeel gold operations, managed by Freegold.

Erfdeel mined a greater tonnage and produced more gold, but working costs exceeded working revenue by R1,9m due to the lower price of gold and a stronger rand, a Lonrho spokesman said yesterday.

Capex for the quarter on the Erfdeel project amounted to R676 000 (R1,86m), with the progressive figure for the past 10 years at just under $1bn.'

After-tax income dropped to R1,8m (R2,3m), but the spokesman said it had to be remembered that 'this figure was calculated after the deduction for amortisation, which was higher at R1,2m for the quarter (R968 000).

A final dividend of 15c was declared on the back of earnings of 28,7c a share, with total dividends for the year amounting to 30c a share against 25c in 1989.

COMPANIES

Gazgold's operating profit rockets 80%

PETER GALLI

GAZANKULU Gold Holdings (Gazgold) increased its operating profit 80% for the September quarter by reducing working costs for its mining operations, producing more gold and obtaining a higher price for it.

Operating profit increased to R584 700 with just under 10kg more gold being produced by mining operations in the September quarter.

This brought the total to 58,40kg, fetching a R666 higher price per kilogram at R31 590 (214)

Total revenue per ton milled for mining operations rose to R83,59 (R74,45 previously) with working costs being well contained, dropping to R61,66 (R67,35 previously).

This resulted in working profits more than tripling to R21,93 (R7,10) per ton milled

B/Day 19/10/90

However, less tonnage was milled on its dump reclamation operations, with the grade improving to 0,68 grams a ton (0,56)

While revenue was higher, working costs increased quite strongly, resulting in a lower working profit of R4,92 (R6,04) per ton milled for the quarter.

Management felt production from the dump reclamation operation was satisfactory during the quarter, and reported that the Louis Moore mine has been temporarily suspended to allow resources to be utilised at Klein Letaba western extension.

Southgo's gold mines in decline

B/Day 19/10/90

PETER GALLI

EXCEPT for West Witwatersrand, all the gold operations in the Southgo Group, the gold production arm of Consolidated Mining Corporation (CMC), reported lower after-tax profits for the September quarter.

Improvements in rand/gold prices received and Southgo's tight control of costs were the principal contributors to group profitability, CMC MD Glenn Laing said yesterday.

Nigel's underground operation was affected by sporadic labour unrest during the quarter Less ore was milled, but the yield improved to 3,34 grams a ton (g/t) in the September quarter (3,30 previously)

Working costs for underground operations were notably higher, with revenue increasing only slightly, resulting in a working loss of R7,18 per ton treated.

Nigel's dump retreatment operations managed to show a working profit of just R3,13 per ton treated (R3,33). After-tax profit plummeted to R345 000 from June's R1,08m.

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Treated

Witwatersrand Nigel reported expenses higher than revenue, showing a loss of R91 000.

Knights treated less sand and slimes, with a decrease in grade from both. Revenue was lower and working costs higher But an operating profit of R3,52 a ton (R3,71) was received

A higher gold price of R32 044 (R30 951) per kilogram was achieved, but a lower revenue from gold and silver and 20kg less gold produced pulled after-tax profits down to R2,5m (R2,7m). An interim dividend of 3c a share for the six-months to end-September was declared.

West Witwatersrand increased its after-tax profits on a higher gold production and a higher received gold price While a greater tonnage was mined, the grade dropped to 1,34 g/t from 1,41 g/t A 2c interim dividend was declared for the six months end-September.

Freegold fights back with two-year production high

B/Day 19/10/90

(214)

RIAAN SMIT

OPERATIONS of Anglo American's Freegold returned to normal in the September quarter, after a disastrous June quarter in which the mine showed a below-the-line loss because of labour disruptions.

Freegold, the largest gold mine in the world, milled more tons — and at a higher average yield — than in any of the past 10 quarters, to better its highest gold production during this period by nearly 2 000kg.

Executive director Lionel Hewitt said yesterday a general trend on the group's mines was to push tonnage or yield, or both, to try to contain unit costs while minimising capex

At Freegold this strategy resulted in marginally higher unit costs, and a drop in cost a kilogram of more than R1 500 to slightly above the level last achieved for the quarter to December 1989. Consequently, available profit was also the highest since the fourth quarter last year

Worrying to investors should be the performance of Elandsrand, which showed marginal available profits for the second successive quarter because of heavy capital expenditure.

Hewitt said the company had taken a decision to fund capex on extensive development work from profit rather than borrowings, and that this would "obviously have consequences for dividend payments"

He was concerned about the level of available profit and was looking at a "more realistic" dividend a share, "acceptable to investors", by cutting back excess development and increasing gold output

Milling rate dropped because of a problem in the metallurgical plant, which had now been sorted out, he said During this period 150 000 tons of ore was stockpiled on surface and would be treated during the current quarter

Vaal Reefs' yield dropped marginally, but this was offset by an increased milling rate which lifted output of gold

Unit cost was down quarter on quarter, and also cost a kilogram, resulting in slightly higher working profit Although a comparison with the previous quarter was distorted by an R11,7m dividend received for the June quarter from Southvaal, profit available remained static

Hewitt said although Vaal Reefs' Afrikander Lease area showed a loss per kilogram, the mine made a profit for the month of September and was expected to maintain this for the current quarter

Yield at Western Deep level dropped because of a predicted decline in grades in the southern part of the lease area, Hewitt said, but opening the richer eastern area — closed for most of the year because of a fire — should return grade to "a more acceptable level"

Unit cost and cost a kilogram was down on the June quarter, partly helped by an insurance claim of R9m for the fire.

ANGLO AMERICAN September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Freegold	**6 588**	**4,50**	**29 616**	**126**	**27 976**	**32 717**	**142 691**	**80 207**	**68**
	6 439	4,09	26 327	121	29 518	31 501	52 715	(14 166)	(12)
Vaal Reefs	**2 920**	**6,44**	**18 797**	**151**	**23 465**	**31 799**	**120 560**	**31 685**	**166**
	2 700	6,67	18 008	158	23 670	31 422	137 964	31 781	167
Western Deep	**1 675**	**5,75**	**9 627**	**135**	**23 405**	**31 897**	**85 405**	**20 060**	**72**
	1 616	5,93	9 589	138	23 279	31 301	89 488	21 426	77
Elandsrand	**535**	**6,67**	**3 570**	**146**	**21 829**	**31 974**	**33 701**	**604**	**1**
	583	6,04	3 521	125	20 703	31 304	37 085	197	—
SA Lands	**584**	**0,70**	**411**	**18**	**25 864**	**31 881**	**937**	**905**	**10**
	581	0,68	395	18	25 990	31 283	871	834	9
Ergo	**9 645**	**0,30**	**2 899**	**—**	**—**	**31 608**	**13 791**	**6 623**	**14**
	9 460	0,30	2 844	—	—	31 667	15 633	9 898	21

Freegold cuts retrenchments

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RIAAN SMIT

ANGLO American's Freegold, which announced three months ago it was negotiating with unions to retrench 7 800 employees at the Welkom mine, will now retrench only 3 300 employees if unions accept its proposals

Executive director Lionel Hewitt said yesterday an announcement on the retrenchments was "imminent".

He did not disclose the mine's proposals to unions, but said the proposed 7 800 retrenchments had come down to 6 600 because of natural attrition. Management was prepared to retrench half this number if the unions accepted its proposals.

BDay 19/10/90

Freegold, the largest gold mine in the world, achieved its best quarterly results of the year for the September quarter after a disastrous three months to June in which the mine posted a loss after capex of R14,2m resulting from labour disruptions

Hewitt said a general trend on the group's mines for the quarter was to push tonnage or yield, or both, in an effort to contain unit costs, while minimising capex.

● See Page 10

Sir James Goldsmith goes for Newmont gold

SITimes 21/10/90

JOHN CAVILL in LONDON

AS befits one of the finest players of the ancient game of backgammon in Britain, Sir James Goldsmith is a master strategist and anticipator of the opposition's next move He is also a contrarian

These qualities have made him a personal fortune of close to £900m

Goldsmith saw the October 1987 equity crash coming and sold. He remained basically bearish apart from joining a consortium which last year made the biggest take-over bid in history, of £13bn for the tobacco-to-financial services giant BAT Industries — with the aim of breaking it up and making a lot of money in the process. That foundered.

Now Goldsmith, 57 has made his last business move In a $1 3bn deal this week he effectively swapped his vast US timber interests, and some gas and oil, for 49% of America s biggest gold producer, Newmont, taking it off the hands of Hanson Trust which had failed to find buyers in the market of the stake acquired with Consolidated Gold Fields last year

The transaction has fascinated London s investment community For two of the world s most accomplished wheelers and dealers have taken opposite views.

Lord Hanson, of Hanson Trust, believes in minimum risk and management of cash flow It is the creed behind the success of his conglomerate which even after the slump in stock markets is still capitalised at £7,4bn.

So he is getting out of a passive (albeit effectively controlling) interest in a gold operation which, in cash terms, yields only 1 5% in exchange for a staple industry generating nearly $100m a year, or nearly 8%

The flamboyant public school drop-out Goldsmith, who has been a regular in the gossip columns ever since he ran away with a Bolivian tin heiress at the age of 20, is a gambler

His motive for the deal — which will personally give him 42% of Newmont and the balance to his partners in Cavenham Forest Industries who include Lord Jacob Rothschild — was simply stated this week:

Goldsmith is bored with the business world and plans to use his fortune for a new chapter in his life by taking up the cudgels of environmental issues and other causes. But Goldsmith is also convinced he is going to make money out of Newmont.

'Gold will have its day," he said, adding, however, that the world may be in for a period of deflation before that happens

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So on the day bullion was sold down to $359/oz on the London market, Goldsmith bought the Newmont stake at a premium of 11% over the going price of $35, in effect putting $1,1bn of his own money into an all gold pension fund.

At a time when the yellow metal's reputation as a store of value, hedge against inflation and disaster is in tatters, gold has found a long-term investor

In so doing Goldsmith is cocking a snook at the world s disillusion with bullion and the record of the last 10 years.

For it is not hard to see why even the Swiss have dropped the precious metal as the insurance premium which traditionally made up 15% of any investment portfolio or why gold is now strictly for speculative trading in the eyes of conventional wisdom

This week in dollar terms at $365/oz it was above the lows of three of the previous bear markets of the past decade — 17% above the 1982 bottom, 23% on 1985 and 7% on 1990

Adjusted for inflation, however, the picture is much worse for the long-term holder without counting the cost of carrying or loss of income.

But for investors in the hard currency countries bullion was at its lowest since 1979 when the run up to $850/oz was under way

This year alone they have lost heavily because of the fall in the dollar

- At $420 an ounce in February it was worth Yen60 480, DM706, Swiss francs 630 and £248
- At this year's $340 low the equivalents were Yen52 360, DM568 Sfr479 and £197
- At $365 this week read Yen45 990, DM551, Sfr465 and £185

Sterling is the exception because it did decline below current levels in 1982 The Japanese Germans and Swiss however are looking at something which is worth the same as it was more than 11 years ago

Ignoring the opportunity and carrying costs the real picture is dreadful in the high inflation currencies and only marginally less so for the rest. For the Americans $365 buys what $150 did in 1979 and £185 equates to £60

As for the Japanese, Yen46 990 is about Yen32 000, in Germany DM551 compares with DM376 and Sfr465 measures up to Sfr300

Stock markets and property values may be under siege in the chilling uncertainties of the 1990s but they would have to fall catastrophically to match the performance of bullion and the other precious metals.

And there is a lot of hoarded gold on which investors — who refrained from switching in and out — could be losing money The Gold Fields Mineral Services Gold 1990 report shows that cumulative bar hoarding outside Europe and North America ballooned from 600t to 3 300t between 1979 and 1989

By far the biggest increase was in Japan The Gold 1990 shows Japanese holdings swelling 20 times to 1 000t in that decade.

"Japan is showing a loss on pretty well all of it," said Robert Davies of Lehmann Brothers International in London.

With Japanese assets under pressure and the credit machine winding down as the banks adjust to the new realities, Tokyo is seen as one of the reasons — in addition to heavy forward selling by producers the Russians, Middle East and others — why most analysts fear gold has a present lid on it in the $400-410/oz range and may yet have to find a bottom

This may also explain why the Japanese have not hastened to buy cheap gold as in the past when a price of around Yen60 000/oz brought them in and anything much over Yen90 000 (which would be $718 at current exchange rates) produced profit taking

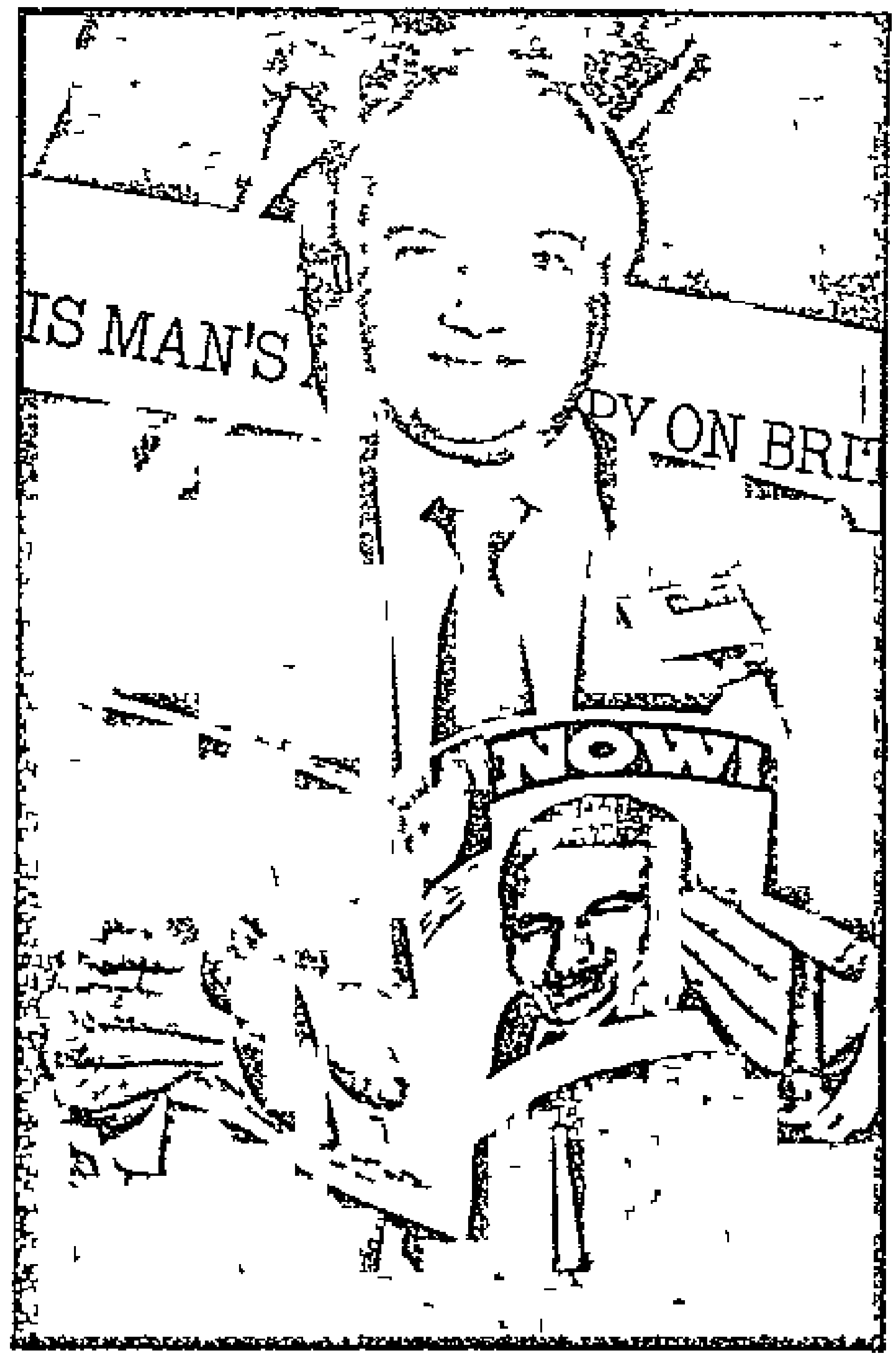
Even if oil and its politics remain the main movers of bullion there are bigger, more liquid markets for hedging those anxieties.

Turnover in the oil and products futures markets, which have mushroomed in in New York and London in the last seven years dwarfs the precious metals

On an average day on the New York Mercantile Exchange (NYMEX) 120-million "paper" barrels of crude are being traded, in London turnover in North Sea Brent blend runs at 27-million barrels.

Add on the petroleum and heating oil markets and on a typical day this week the paper value of crude and products futures trading totalled $9bn.

By contrast on the Commodity Exchange (COMEX) gold futures of around 4-million paper ounces were an equivalent $1 5bn while its former precious fellows platinum, palladium and silver, now tarnished with their industrial brush, amount to a piffling $635m — in all less than a quarter of the oil futures markets.



SIR JAMES GOLDSMITH His 'last' deal buying Newmont has cost him $1,3bn But a previous deal funding Now! magazine in Britain cost him dearly when it flopped shortly after its launch

IDAY TIMES, Business Times, October 21, 1990 3

Grootvlei must cut losses by R1m a month

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S/Times 21/10/90

By JULIE WALKER

GENGOLD's Gary Maude is encouraged at the way in which a dispute at Grootvlei mine was resolved, but the East Rand producer is not yet out of the woods.

The mine retrenched part of its labour force earlier in the year in an effort to contain costs

One-off payments were made and all seemed well But during the September quarter, the National Union of Mineworkers took up the issue again, and made demands for higher payouts for those workers who had already been paid a settlement.

Deadlock was reached, and a ballot of NUM members voted overwhelmingly in favour of a strike, which was legally called and involved 1 620 workers

Grootvlei applied for an interdict against the strikers on the grounds of unfair labour practice because the mine was not in a financial position to pay out more money The application was turned down

In terms of changes to the Labour Relations Act, due to be promulgated soon, there will be no recourse from a company to apply for an interdict against a legal strike

Mr Maude believes that the spirit of the future rules was adhered to even though it is not yet on the statute books.

Loss

The strike lasted for seven days, and was conducted in a disciplined and peaceful manner After four days, Grootvlei's management noticed a change in the strikers' attitude in that they seemed to have realised that they might have made a mistake by striking after all

Negotiations to get the workers back into production took another three days, whereafter production was resumed without Grootvlei acceding to the demand for higher retrenchment prospects

The cost to Grootvlei was R4-million, and it turned in a loss of R6-million for the quarter, mainly from the effects of the lower gold price and the retrenchment payouts

The future of Grootvlei depends on whether profitability can be restored after two consecutive months of losses

Mr Maude says operating costs need to be cut by R1-million a month and the grade increased by half a gram a ton for profits to be made Other wise, the mine's closure looks inevitable

Special

Another joker in the pack is the Government's hesitance to pay for the cost Grootvlei incurs in pumping water to allow mining to take place If Grootvlei ceases to pump, other mines in the area will be affected

The Marais Commission's findings in this regard were that pumping costs should be seen as a special case and that the Government should contribute on a rand-for-rand basis towards the cost of pumping

Heels are being dragged on the decision, but it could mean a saving of R500 000 a month — about half the amount needed to be saved It will also help other mines

Mr Maude says there is a new spirit at Grootvlei and all the mine's staff are pulling their weight to get it back on track

If the mine has to be closed, it will be for good Support-pillar mining would take place over six to nine months to take out the last tons of ore

The rest of the gold quarterlies contained few shocks for the well informed, but little inspiration for the optimists.

Three features were prominent Forward sales of gold by mines operating at all levels of profitability were resumed, annual pay rises and one-off retrenchment costs took their toll on the mines's profits, and there are strong prospects of further mine cutbacks or closures

Minorco's gamble on Nevada now appears to be paying off

S/Times 21/10/90 (214)

By DAVID CARTE

MINORCO, Anglo's European-based natural resources associate, is "encouraged" by exploration results at Independence Mining, Nevada, says the annual report.

Minorco purchased Independence (then Freeport McMoRan) for $750-million in March That was shortly after losing its hostile bid for Cons Gold of London and accepting $1,6-billion for Cons Gold from Hanson

Minorco's report does not publish results for Independence, but it states that in the quarter to June 1990, the company sold 79 400 ounces of gold at an average price of $365 an ounce. Its costs were $182 an ounce

Gross profit thus appears to have been $14,5-million That annualises to $58,1-million

We don't have a tax figure, so cannot derive an earnings multiple — but at 13 times the above annualised pre-tax profit, Minorco appears to have paid dearly for its US opencast mines. But by another measure — proved and proveable reserves of 2,3-million ounces of gold offering a gross profit at last year's cost figures and present gold prices of $429-million — the mine looks more reasonable

In addition to proved reserves, there are geologic resources containing an estimated 4-million ounces

"An important consideration in Minorco's acquisition was its assessment that the Jerrit Canyon area offered the potential for additional ore reserves with relatively low finding costs . Minorco redirected Independence's 1990 exploration effort to assess the overall area potential the results from information available at the end of August are encouraging "

Minorco's 30%-owned specialty chemical and engineering company, Engelhard Corporation, reports earnings of $83-million, up $21-million. But that was before a "restructuring charge" of $160-million

The charge is explained vaguely as arising from the decision to get out of gold and silver refining, products fabrication, crystals and electronic businesses

Charter, the UK-based mining equipment, building products and services group with a 39% stake in Johnson Matthey, reported stagnant earnings of £46-million, while those of 56%-held Inspiration Resources fell to $25-million from $42-million

Adobe, the US gas and oil explorer, reported a loss of $1-million on average oil prices of roughly $18 a barrel

Chairman Julian Ogilvie Thompson reports group earnings up 40% to $220-million and points out that 82% of earnings are now from controlled operations

Cash

What he does not say is that most of the operating subsidiaries and associates performed underwhelmingly and it was only the huge cash pile after the loss of Cons Gold that enabled such sterling earnings growth

Interest brought in $235,8-million in the group's total revenue of $264-million. The 14% bigger dividend of $74-million hardly dented interest receipts

In the light of gold's recent performance, the loss of Cons Gold turns out to have been something of a victory

The capital profit of $555-million pushed net asset value to $17 a share Even after the purchase of Independent for cash, there was $1,76-billion ($10,46 a share) of cash in the balance sheet.

Anglo's holding at the year end was 39% and De Beers Centenary 21%

Bosal's islands order

THE tube division of Bosal Afrika has won orders for the supply of steel tubing to Mauritius, Seychelles and the Comores.

Bosal will supply round, square and rectangular tubing, mainly in precision tube sizes and in light guages for furniture manufacture

The company is also pursuing export orders for Malawi and hopes also to supply central African countries

township sources said
They said scores of police

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schools

Star 22/10/90

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3 still missing at Vaal Reefs mine

Four days after a fall of ground at Vaal Reefs South mine, rescue teams were still battling to find three employees missing in the tragedy

Anglo American spokesman said rescue teams were still searching for three missing employees yesterday.

The ground fall followed two seismic events at Vaal Reefs South mine number two shaft near Orkney on Thursday night

The spokesman said the two seismic events measured 3 and 3,6 on the Richter Scale

The employees were working at 74 level which is some 2300 m below surface

● Anglo American Corporation also announced at the weekend that rescue workers had recovered the body of another miner at the Western Deep Levels West mine, bringing to 11 the toll in a seismically related accident on Thursday

The accident was caused at by a fall of ground 2600 m underground

All 11 bodies have been recovered — Sapa.

State 'erred' in not registering bonds securing ERPM loan guarantee

BDay 22/10/90

RIAAN SMIT

THE state erred in not registering bonds securing a R200m loan guarantee to embattled ERPM gold mine in 1986, the Commission of Inquiry into state assistance to the East Rand Proprietary Mines (ERPM) said in its report released last week.

Failure to register bonds exposed the state to the prospect of becoming liable for the greater portion of the loan granted by a consortium of banks in the event of ERPM's liquidation.

The reasons why this "elementary business precaution" was not taken by the state were "not satisfactorily explained", the commission found.

ERPM was granted a R200m loan by a consortium of banks after the state guaranteed the loan in October 1986 and also granted a subsidy of interest payable on the loan in excess of the first 7% to a maximum of 10% a year. The loan was to develop the Far East Vertical shaft.

After this date the state had about two-and-a-half years to register the necessary mortgage bond and notarial bond, the commission said.

The state argued it had not registered these bonds because it received advice in June 1989 that ERPM was then in insolvent circumstances and that registration at that stage would confer no preference.

The commission, under the chairmanship of Mr Justice D A Melamet, found that this advice "should at least have been verified with senior counsel".

"The initial oversight is in all probability due to the fact that there was more than one department involved in the negotiations and the responsibility for ensuring proper registration of the bonds was not specifically assigned to a particular department."

But the commission said elswhere in its report that the Cabinet decided on April 20 1988 to appoint the Inter-Departmental Committee on State Assistance to the Mining Industry (IDC) to co-ordinate assistance to mines after the Assistance Act of 1968 was repealed in January 1988.

The IDC held its first meeting on December 13 1988.

The R200m consortium loan proved inadequate to complete the Far East Vertical shaft "probably due at least partly to some inefficient management planning and control", the commission said.

2/14

The state agreed in January last year to increase its guarantee for the consortium loan to R220m.

In terms of the rescue plan facilitated by the commission, the state has undertaken to make available a maximum amount of R33m, if necessary, to ERPM after January 1 1993 to enable the company to meet deferred interest payments due on the consortium loan.

The commission said the plan was very sensitive to changes in gold revenue. A reduction in projected revenue of more than 5% would put the plan in jeopardy, it said.

Some basic assumptions made in the plan were:

☐ A gold price of R30 500 for the remainder of 1990, R34 200 for 1991, R42 200 for 1992 and thereafter increasing with the SA inflation rate,

☐ An inflation rate of 14% a year for 1990 and an average inflation rate of 11% a year until 2002;

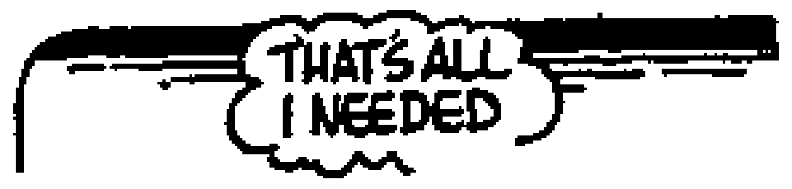
☐ A prime bank rate of about 20% a year for 1990 and an average of 16% a year until 2002, and

☐ An increase of 10% in wages for 1990 and an increase at the inflation rate thereafter.

The commission said ERPM has received a total of R174,5m in assistance from the state under the Assistance Act of 1968 for the period 1968 to 1986.

During this period the mine produced about 300 tons of gold with a value of R2,3bn.

EXECUTIVE SUI



New Cent uncertain about exploration

B Day
23/10/90

PETER GALLI

(214)

NEW Central Witwatersrand Areas (New Cent), Anglo American's investment holding company, is in two minds about its continued participation in the mining house's gold exploration programme, near Potchefstroom

In his annual review Chairman Michael King says the company is waiting for a full report on phase 1 of the Gerdhardminnebron programme before taking a decision on phase 2, which he believes will cost about R50m and will be shared by the participants

"Difficult drilling conditions, which have hampered drilling and core recovery, continue to be encountered and, although the results from some earlier boreholes offered encouragement, more recent results have proved to be disappointing," King says He says the other participants have already spent R22,1 million on phase 2

Should New Cent not participate in phase 2, its remaining 50% share in the mineral rights will be bought by the other participants at their market value, with New Cents retaining the right to subscribe for 25% of the initial equity applicable to the commercial exploitation of the joint venture ore reserves

For the year to end-September, New Cents increased its earnings by 8,4% to R2,7m, which translates into 150,9c per share The final dividend of 104c a share has been declared making a total of 151c for the year The previous year's full dividend was 139c

New Cent became a subsidiary of Anglo American Corporation after the financial year-end its new financial year, which commenced on October 1, will run for 18 months to March 31 1992.

Go-ahead for Amgold offer

214

PETER GALLI

ANGLO American Gold Corporation (Amgold) is to go ahead with a rights offer to raise R505m aftershareholders gave their approval at a general meeting yesterday, says chairman Nicholas Oppenheimer.

The rights offer will allow Amgold to take advantage of investment opportunities under consideration, repay short-term borrowings and follow its rights in the new Moab project at Vaal Reefs gold mine and the South Deep project

B/Day 23/10/90

In terms of the offer, shareholders registered at the close of business on October 26 may subscribe for a total of about 2,2-million S ordinary shares of R1 each at a price of R230 a share in the ratio of 10 S ordinary shares for every 100 ordinary shares held.

Those S shares subscribed for by others than Anglo American Corporation (AAC) and its wholly owned subsidiary companies will be exchanged for ordinary shares AAC holds in Amgold.

SA gold production to continue downward trend

B/Day 24/10/90 (214)

PETER GALLI

SA's gold production — which has been declining for over a decade — is expected to fall a further 11% by 1995 from its 1989 level, the October International Gold Mining Newsletter forecasts.

The newsletter says one of the main reasons is the fall in the gold price in real terms which is placing pressure on marginal mines to close and is discouraging exploration and the development of new mines

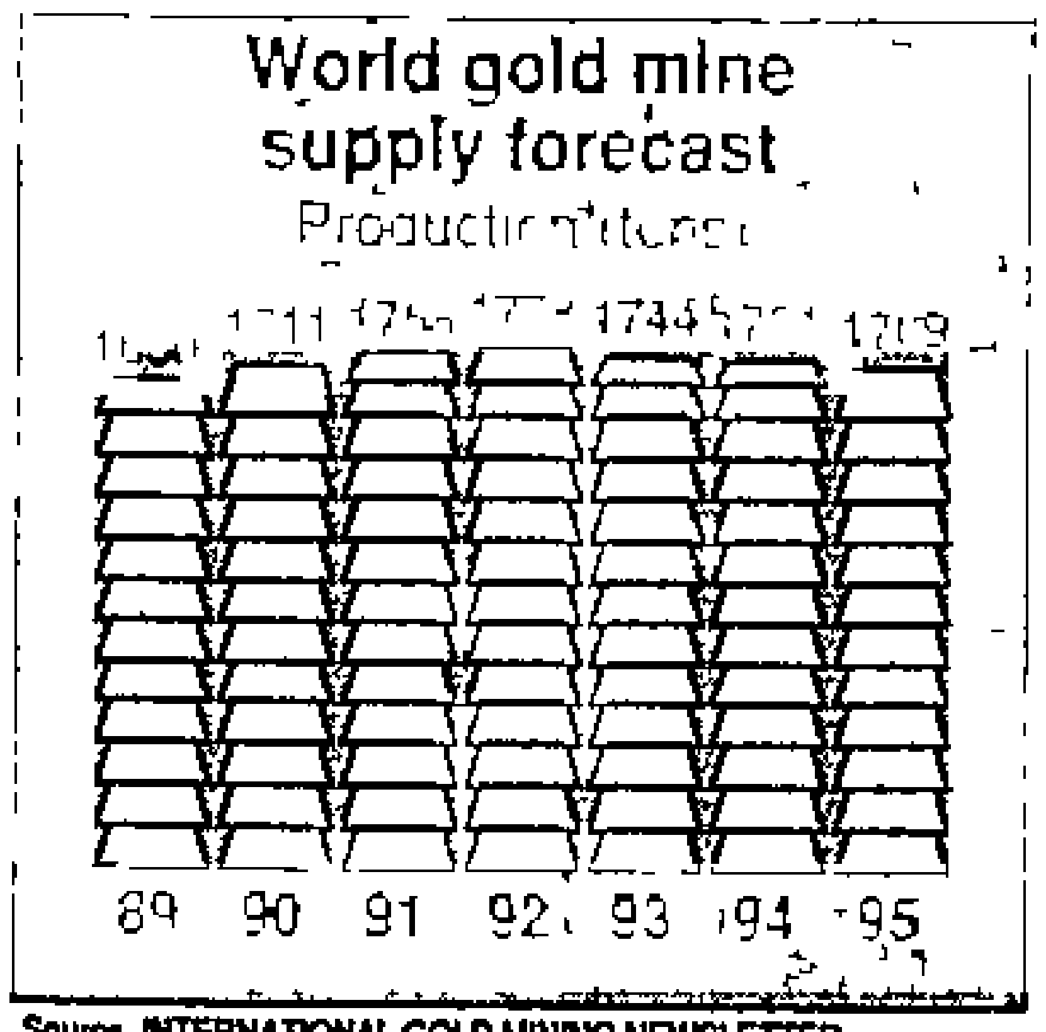
The other major reason is that most of the low-grade, low-cost gold deposits in known mining districts have been developed and a large number of those in production are at a mature stage of their life.

Unanimous

The lower production in SA as well as in Australia and Brazil will be offset by rising production from smaller countries, particularly in South America and the Pacific Rim

The newsletter says that independent forecasts for the next five years are virtually unanimous in predicting the end of the rising world mine production trend, which is expected to slow towards 1992 and then gradually decline to 1995

Although SA has a large number of operations running at a loss, high inflation will continue to put pressure on costs and force some smaller mines to close and some larger ones to rationalise, it concludes.



Source INTERNATIONAL GOLD MINING NEWSLETTER
Graphic: LEE EMERTON

Local analysts and economists are united in the belief that the world trend is towards a decline in production, which could not suddenly be reversed.

In SA there are a number of older operations which are on their last legs while new mine developments take a long time to become operational It is therefore felt unlikely that SA will be able to maintain or improve production while world production falls.

British-based Warburg Securities' Michael Spriggs believes that while much is made of the fact that the higher cost SA producers are facing a squeeze on margins, at the other end of the scale is a group of high-quality, low-cost producers offering fair investment yields and whose shares are liquid and tradeable

Whereas the traditional basis of evaluating SA golds is that an inherently higher risk has to be weighed against higher returns, the reality is different, Spriggs says.

The decade-long bear market in gold has progressively reduced distributable earnings, and even with the advantage of the finrand discount for overseas holders, average yields are barely 8%, while the opportunity cost of holding SA golds is defined by interest rates of 10%

Spriggs feels that while sentiment towards SA has been dampened by political and economic uncertainties, its mining industry is stable, profitable and efficient. Industry average production costs are higher than other major producers, but the better quality long life mines are still internationally competitive.

Fair value

The perception of higher political or currrency risk is hardly deserved when comparisons are made with many less stable operations in other countries.

"The reality is that SA mines continue to offer fair value in relation to other sectors, and do not warrant the high associated political discount," Spriggs concludes

Chamber of Mines senior economist David Kennedy agrees with Spriggs' view saying: "Given the low level of investment in SA over the past decade, the mining industry is the one that has maintained continual real investment."

Freddev to share South Deep benefits

PETER GALLI

FREE State Development and Investment Corporation (Freddev) is to pass the benefits of its South Deep shares on to shareholders by way of a renounceable rights offer of new Freddev preference shares which will have, as far as possible, the same character as the South Deep ordinary shares B Day 24/10/90

Freddev has a 7,2% participation in the South Deep Project and will be entitled to approximately 2,8-million ordinary shares in South Deep at a cost of about R17m when South Deep is listed on November 1.

In an announcement today, Freddev proposes that its new preference shares be associated with South Deep in the official list of the JSE, with an identical number of Freddev preference shares being issued as South Deep shares, thereby equating ~~the~~ one share with the other. (214)

Although Freddev originally intended a straightforward renunciation of its rights to shareholders, chairman Vaughan Bray says this has not been possible because a recent amendment to the Income Tax Act dealing with the passing on of trade stock to shareholders would have had severe adverse tax implications

It proposes to issue the preference shares at a price that will cover its cost of subscribing for its South Deep rights entitlements and the cost of the issue of the new preference shares.

These will give holders the sole rights to all dividends, rights entitlements and any other benefits arising from the South Deep shares

Genmin says goodbye to Fanakalo

Star 26/10/90

By Duma Gqubule

214

Mining house Genmin has broken with tradition in South Africa's gold mining industry — it's said goodbye to Fanakalo.

At its new Weltevreden gold mine near Orkney, it stipulates English as the medium of communication and all employees are required to have passed Std 8.

Opening the new mine, Genmin chairman Brian Gilbertson said Fanakalo, the lingua franca of the mining industry, would not be used at Weltevreden

Mr Gilbertson said employees would be required to have passed Std 8 or alternatively to have a Std 6 qualification and pass a literacy test

The mine would not have any hostels

● **Two new gold mining ventures — Page 16**

Star 26/10/90

Gold Award for Anglo Alpha

Staff Reporter [redacted] 214

This year's Gold Award for the company that best promotes, encourages and recognises the potential of women in the business environment has been won by Anglo Alpha

The award is presented annually by the South African Federation of Business and Professional Women

Star 26/10/90 (214)

Unrest hits GIC profits

Goldfields Industrial Corporation's pre-tax profits for the six months to June fell 23 percent, mainly as a result of industrial unrest which caused a downturn in demand among many of the company's customers.

This, with high interest rates, caused large-scale destocking and as a result tonnage sold decreased. The sudden fall in demand also led to fierce price competition and pressure on margins

With a lower pre-tax of R2,7 milion (R3,5 million) and a higher tax rate as a result of reduced capital spending, profit dropped to R1,4 million (R1,9 million).

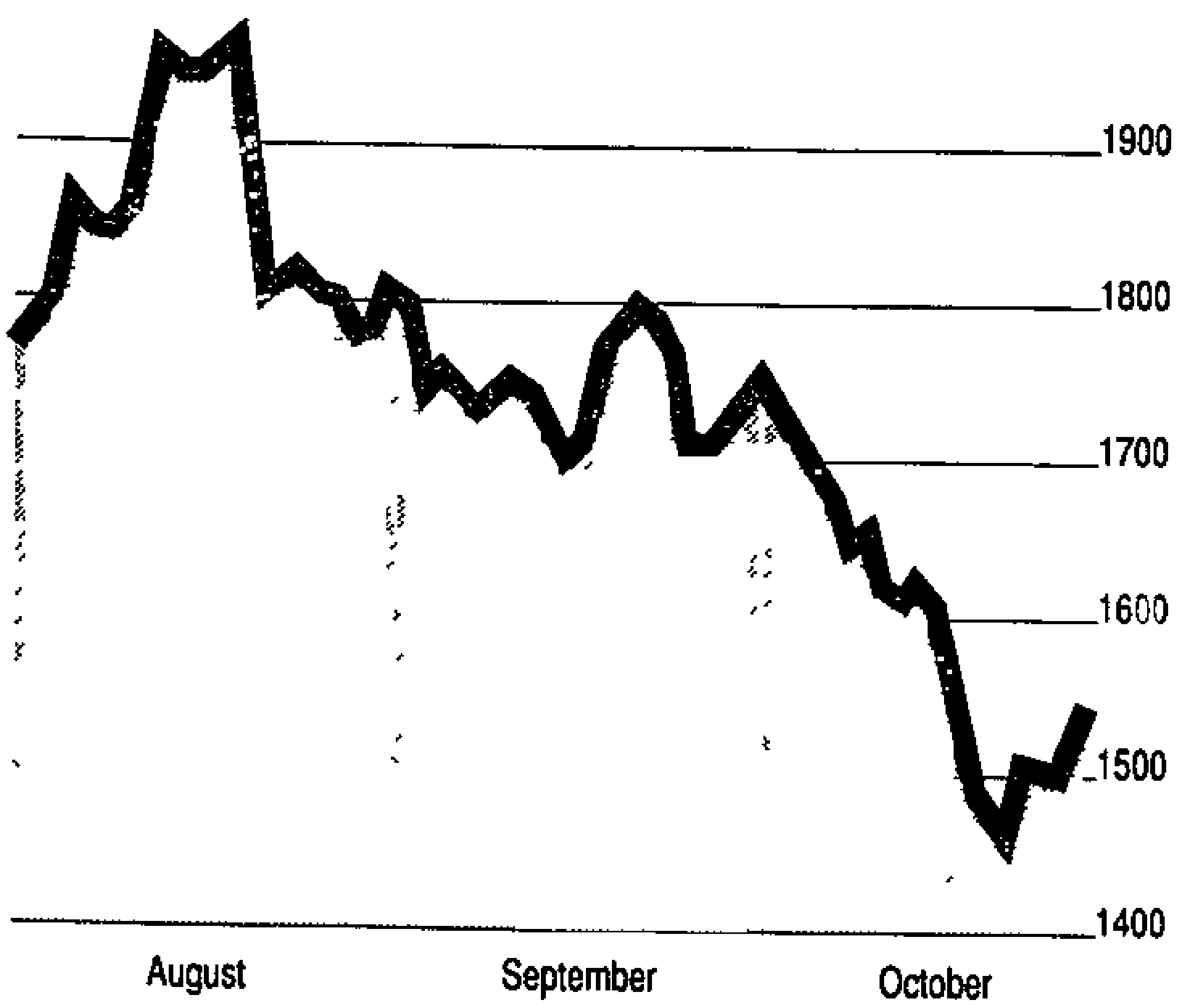
Earnings a share were 29 percent down at 34c (48c).The dividend is unchanged at 20c

Two new gold mining ventures launched

Star 26/10/90 214

By Derek Tommey

Gold price YEN PER GRAM



A yen for gold . The gold price has risen in the past few days even though the world oil price has fallen. Dealers say that Japanese buying is one of the reasons. In yen terms the price has fallen about 15 percent since the end of July

The low gold price and high inflation rate — both major deterrents to investment in gold mining — have not stopped the industry from going ahead with new projects. However, it is doing this in a different way than in the past.

It is counting every penny and using all available means, including new techniques and developments, to ensure that these projects are initiated and operated at the lowest cost. The result is that projects which would have been classed as unprofitable in the past are now expected to make handsome profits

Two new operations of this kind made the news last night Gencor's new shallow, medium-grade low-cost gold mine Weltevreden, which should prove highly profitable within a short space of time, was officially opened.

And the Southgo/Consmining company, Benoni Gold Mining, which expects to make a profit of R14 million a year by 1992 from treating dumps with a gold content of just over half-a-gram a ton, announced it was coming to the stock exchange through a reverse take-over of the engineering company, Mining and Technical Holding (Minetec)

Weltevreden, some eight kilometres south-west of Orkney in the North-Western Free State, is expected to have a life of about 25 years

Unlike conventional deep gold mines, it was designed so that the build-up to full production could be financed from profits

The shallowness of the ore body and the unique design of the mine has several benefits The high degree of mechanisation will enable the mine to operate with a relatively small labour force while the shallowness of the ore body will dramatically shorten the start-up time of the mine.

The first gold is planned to be produced during the first half of 1992 and full production for phase one is to be reached in 1993.

Phase two, scheduled for 1995, will increase the mine's production to some 90 000 tons a month Once the mine is in full production it will have a labour complement of some 1 100

The Minetec venture, subject to shareholders' approval, involves selling existing businesses for R2,18 million equal to 18,4c a share.

The share capital will be consolidated on a one for five basis leaving 2,27 million shares Minetec will then issue 101,6 million shares to Consmining, Southgo and Syfrets Managed Assets for the issued capital of Benoni and change its name to Benoni Gold Holdings

Shareholders of Consmining, Egoli and Southgo are to be offered the right by the vendors of Benoni to acquire 14 million shares in Benoni Gold Holdings at 100c a share

Minority shareholders in Minetec, many of whom paid 25c each for their shares in a private placing, are being offered 20c for every unconsolidated share

As this would seem again a case where a frog of a company is being transformed into a prince, it would seem in their best interests not to accept this offer.

Star 26/10/90 (214)

Gold output marginally up

South African gold output increased to 1,642 million ounces in September from 1,605 million ounces a year earlier, an increase of 2,3 percent

The Chamber of Mines monthly report on gold production, showed that this was down 0,2 percent from August's 1,646 million ounces

Total output for the first nine months of the year was 14,464 million ounces, 0,6 percent down on the 14,551 million ounces for the comparable period in 1989 — Sapa

Reverse-listing for Benoni Gold Mining

PETER GALLI

B|Day 26|10|90

(214)

BENONI Gold Mining Company is to be reverse-listed on the JSE via cash shell Mining and Technical Holdings (Minetec), it was announced yesterday

Benoni is part of the Southgo group, which is the mining arm of Consolidated Mining Corporation (Consmining)

If Minetec shareholders approve, Minetec will acquire the entire issued share capital of Benoni in exchange for the allotment and issue of about 101,6-million new shares at a price of 100c a share, and will change its name to Benoni Gold Holdings. This will take effect from April 1 1990

Benoni will offer shareholders of Consmining, Egoli and Southgo the right to acquire 14-million shares in Benoni (13,5% of its issued share capital) at a price of 100c a share

W/t
McG 5
27/10/90
214

Mining gold on the cheap

From DEREK TOMMEY

JOHANNESBURG — The low gold price and high inflation rate — both major deterrents to investment in gold mining — have not stopped the industry from going ahead with new projects

However, it is doing this in a different way than in the past

It is counting every penny and using all available means, including new techniques and developments, to ensure that these projects are initiated and operated at the lowest cost The result is that projects which would have been classed as unprofitable in the past are now expected to make handsome profits

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The first gold is planned to be produced during the first half of 1992 and full production for phase one is to be reached in 1993

Management expects that the initial yields will be in the region of 4,2 grams per ton, improving to an average of slightly more than 5 grams per ton

Phase two, scheduled for 1995, will increase the mine's production to some 90 000 tons a month

The Minetec venture, subject to shareholders' approval, involves selling existing businesses for R2,18 million equal to 18,4c a share

The share capital will be consolidated on a one for five basis leaving 2,27 million shares Minetec will then issue 101,6 million shares to Consmining, Southgo and Syfrets Managed Assets for the issued capital of Benoni and change its name to Benoni Gold Holdings

Shareholders of Consmining, Egoli and Southgo are to be offered the right by the vendors of Benoni to acquire 14 million shares in Benoni Gold Holdings at 100c a share

Benoni treats about 200 000 tons of ore a month at an estimated average recovery grade of 0,57 grams a ton and is scheduled to produce 1 368 kilograms of gold a year

In the six months ended March 1991, Benoni is expected to have an after-tax profit of R5 million equal to 4,8c a share In the 12 months ended March, 1982, earnings after tax and capital expenditure are estimated at R14 million equal to 13,5c a share

Cons Mining on recovery march

S|Times 28|10|90

(214)

By JULIE WALKER

CONSOLIDATED Mining's tentacles are spreading in the East Rand gold-recovery industry

The latest indicator is the Benoni plant which came into production at the end of last month Benoni Gold Mining will be listed on the JSE through a reverse takeover of cash-shell Minetec

Cons Mining, the product of the assets of Southgo and Johannesburg Mining & Finance, produces 600kg of gold a month from its East Rand operations and from the West Wits mine.

It manages the Nigel, Sub Nigel and Wit Nigel mines and the Knights and Benoni recovery plants as well as the opencast operations at West Wits. An efficient recovery plant was recently opened at West Wits

The Carrig diamond operation at Barkly West is recovering 2 500 carats a month of mainly gem stones and plans to expand

Southgo started life with only the Nigel mine, which was listed in 1986 as Southgo Its name was changed to Nigel when Southgo became a holding company for that and other operations

Carbon

The Benoni carbon-in-pulp gold recovery plant is virtually a carbon copy of the successful Knights operation which has been turning in profits since it started nearly two years ago

Benoni will extract gold from 24-million tons of sand and slimes dumps at the old New Kleinfontein, Van Ryn and New Modder mines Managing director Glen Laing expects 480kg of gold between now and the March yearend

Benoni will be listed through the reverse takeover of Minetec — Mining & Technical Holdings — which reported a sharp decline in earnings on Friday, largely because of a high interest bill

Minetec will sell its mining supplies interests to Genrec from July Its stake in a prepayment meter system business will be sold to AEG from October The consideration will be R2,18-million, worth 18,4c a share

The Minetec shares to be consolidated one for five from April 1, 1990, will buy Benoni from joint owners Cons Mining, Southgo and early partner Syfrets Managed Assets

It will issue 101,6-million shares to the sellers and its name will be changed to Benoni Gold Holdings

Cons Mining will offer Minetec holders 20c a share before the consolidation

Benoni will offer shareholders in Cons Mining, Egoli and Southgo the right to buy 14-million Benoni shares — 13,5% of its share capital — at 100c apiece, subject to Minetec shareholders' approval Minetec's net asset value after consolidation and acquisition will be 40,6c a share

Mr Laing says the offer to Cons Mining, Egoli and Southgo members will be a closed one "It is hardly the market for a front-door listing, but we promised shareholders the chance to participate in Benoni when the project was launched We have kept our word"

Weltevreden breaks traditions

ROBERT GENTLE

214

GENMIN, the autonomous mining arm of the Gencor group, last week unveiled its R460m Weltevreden gold mine, a daring new venture that breaks with many traditions of existing SA gold mines

It enters new territory in terms of cost, technology, labour skills and even the language its workers will be speaking

Weltevreden — which means "very satisfied" in Dutch — is a shallow operation of just over 100m whereas many SA gold mines are at levels of over 1 000m.

This has resulted in a much lower overall capital cost — about half the R1bn often associated with a new deep level mine — and a high degree of mechanisation.

Instead of deep expensive vertical shafts, Weltevreden has twin declines running at an 8 degree slope into the ground.

The operation is to be mechanised to a large extent and conventional mining methods will be used only in the stopes

The gold bearing ore will be trucked to the surface in four wheel drive vehicles

Qualification

The high degree of mechanisation means Weltevreden will have a relatively small but skilled labour force who will communicate in English or Afrikaans, and not in Fanagalo, the lingua franca of the mining industry

Employees, who will be locally sourced and will not live in hostels, are required to have passed Standard 8, or alternatively they must have a Standard 6 qualification and be able to pass a language test

Genmin chairman Brian Gilbertson says "That may not seem high, but about half of all workers on SA mines are not able to read or write"

In a similar vein, Weltevreden will have far more participative management and far fewer hierachical levels

Mine GM Keith Noble says "We're going the North American route with more multi-skilled miners. Once underground, they'll do whatever is needed."

The mine is designed to break even at well below the current gold price and should easily cover costs. Initial indications are the mine will live up to its name and that Genmin will be "weltevreden"

"It is the answer to those who think that gold mining in SA has come to an end," Gilbertson says

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Royalties rise for Wit GM

214

PETER GALLI

WITWATERSRAND Gold Mining (Wit GM) more than tripled its after tax profits for the year to end-June compared with last year, because royalties earned from the recovery plant at Knights Gold Mining doubled, management said at the weekend.

Wit GM earns most of its revenue from royalties

Knights obtained the rights to treat sand and slimes dumps owned by Wit GM in 1988, but only in the year to end-June did the plant operate at full capacity B/Day 29/10/90

Operating profit more than doubled to R1,9m (R882 000) with interest income rocketing to R120 000 (R3 000). Added to this was an income of R300 000 from dividends of listed shares.

Quality is Nordberg's way of life

BDay 30/10/90 (244)

MINERAL reduction and processing industry supplier and manufacturer Nordberg this year celebrates its 75th anniversary in SA and its second year as a finalist in the SA Non-Listed Company Award.

Financial director Leon Chonin says "The reason we have maintained our position among the top 20 non-listed companies is our drive to reach the World Class Manufacturing Status

"Quality at Nordberg has become a way of life"

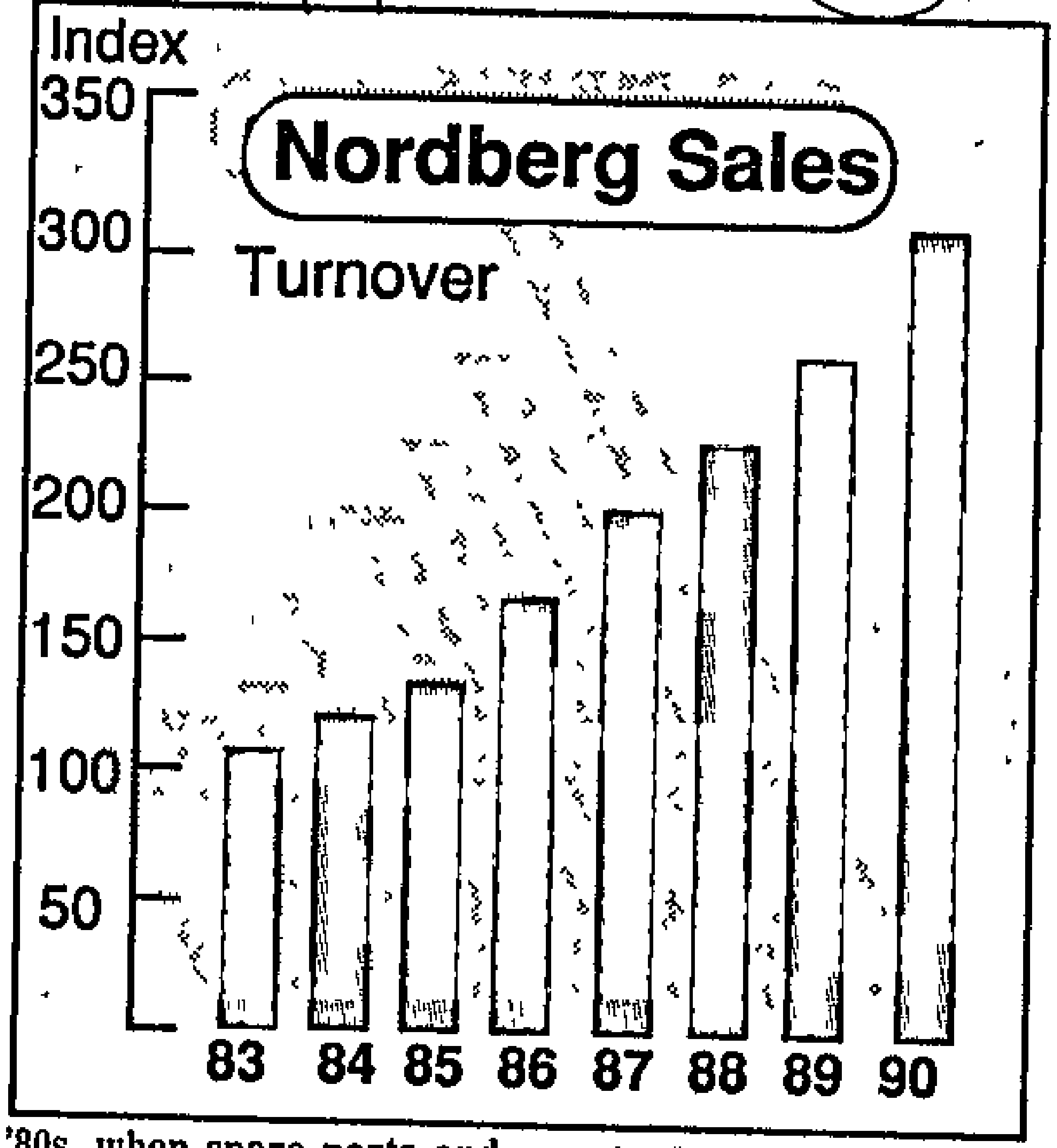
Last year, steady and impressive growth and superior design drew attention to Nordberg.

Maintained

The growth trend which, measured by turnover, has averaged about 25% a year, was maintained in 1990, resulting in turnover trebling in the past eight years Sales have grown by 206% in the same period

Chonin says the company's continued success arises through "the marketing of new technologies and the expansion of existing product lines that have enhanced the sale of capital equipment

"The product mix has changed from the early '80s, when spare parts and foundry products were predominant"



The company has its roots in the international Nordberg Group, recognised as the top-ranking manufacturer of stone crushers in the world and a market leader in ferrous and non-ferrous founding and machining

Incorporated in 1916 as an engineering works, the company gained products designed by Nordberg Inc in the US and Bergeaud in France

Nordberg in SA became a wholly owned SA company in a management buy-out in 1988.

Throughout its history, the SA company has asserted its leadership and in the past five years has enjoyed exceptional growth, a doubling in turnover and success in export markets

A major supplier to SA's mining and aggregate industries, the company's product range covers cone crushers, jaw crushers, horizontal and vertical impactors, gyratories, screens, conveyors, vibrating feeders, replacement parts and wear materials for all its equipment

Nordberg's main market is the gold mining industry It is also the dominant cone crusher supplier for SA mining and aggregate producers

Exports remain a major contributor to company success and at peak can be as high as 20% of sales

Alternative

This year, the company introduced a more cost-efficient alternative to autogenous milling in the form of waterflush technology which "is set to irrevocably change the profile of mineral reduction"

The latest range of high-powered "HP" crushers and the MP 1000 crusher being introduced are leaders in the trend to smaller, more efficient, machines

Nordberg buys design technology from the US and France, but its own metallurgists conduct ongoing research and development at Vereeniging in order to adapt and make alterations to customer specifications

Gencor shrugs off weaker economy

(214)

B/Day 30/10/90

BRENT MELVILLE

IN A year devoted to consolidation, Gencor managed to shrug off a weakening domestic economy and softening international commodity prices to record a hefty 38% rise in attributable earnings to R1,45bn (R1,05bn)

Incorporating the 20% increase in share capital resulting from last year's rights issue, however, Gencor produced earnings up a more sedate 17% at 123c (105,5c) a share A total dividend of 40c (34c) a share was declared.

Gencor is said to be the world's second largest mining house after Anglo American on gross assets of R16,3bn (R14,4bn)

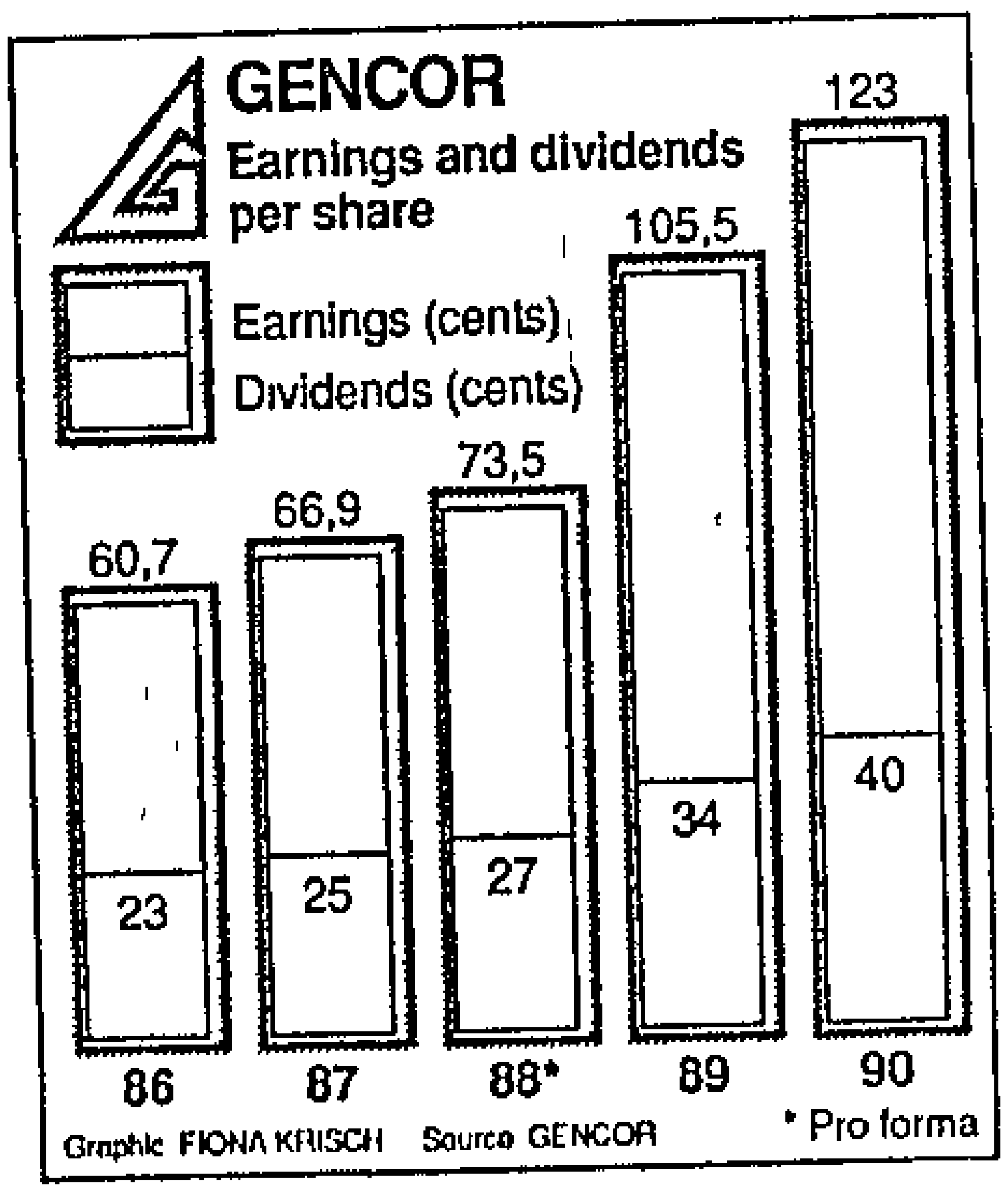
The performance comes on the back of a warning by Gencor executive chairman Derek Keys that operating profits are likely to fall next year. Keys said subsidiary Genmin was likely to be one of the hardest hit as Samancor, Gengold, Implats and Trans-Natal were likely to post earnings at levels about 10%-15% lower

In addition, he said the Genmin contribution, reduced to 41% (54%) of attributable earnings for the period, would be further diluted by a higher level of international exploration spending, as it began to look further afield, and by lower earnings from its mineral sands investments

Although Samancor remained the major contributor to Genmin for the year, its portion fell to R251m (R321m), or 17% (31%) of the Genmin bottom line Gengold was next on the list of contributors at R157m (R154m), and the recently formed minerals division put in R119m (R77m), upping its contribution slightly to 8% (7%)

Implats, which joined forces with Lon-

☐ To Page 2



Graphic FIONA KRISCH Source GENCOR * Pro forma

Gencor

B/Day 30/10/90

(214)

☐ From Page 1

rho's platinum mines this year by selling Lonrho its contiguous Karee developing mine in exchange for a 27% interest in Lonrho's enlarged operations, left its contribution at R91m

Gencor's industrial activities took a pounding, however, as pulp and paper group Sappi's contribution to group attributable profit fell to 16% (26%) on deteriorating domestic and international markets

Keys said it was unlikely Sappi, which chipped in R240m (R276m) to attributable profits, would show growth next year, although five paper mills bought in the UK were seen as important building blocks for the future

Malbak also reduced its contribution to R116m (R145m) as a result of the higher tax charge on the exhaustion of assessed losses and a reduced Gencor holding in the diversified industrial group

Recently listed energy giant Engen, market capitalised at more than R3bn, contributed a maiden R203m, or 14%, to bottom-line earnings, and Genbel and investments added a full 29%, or R414m (R191m)

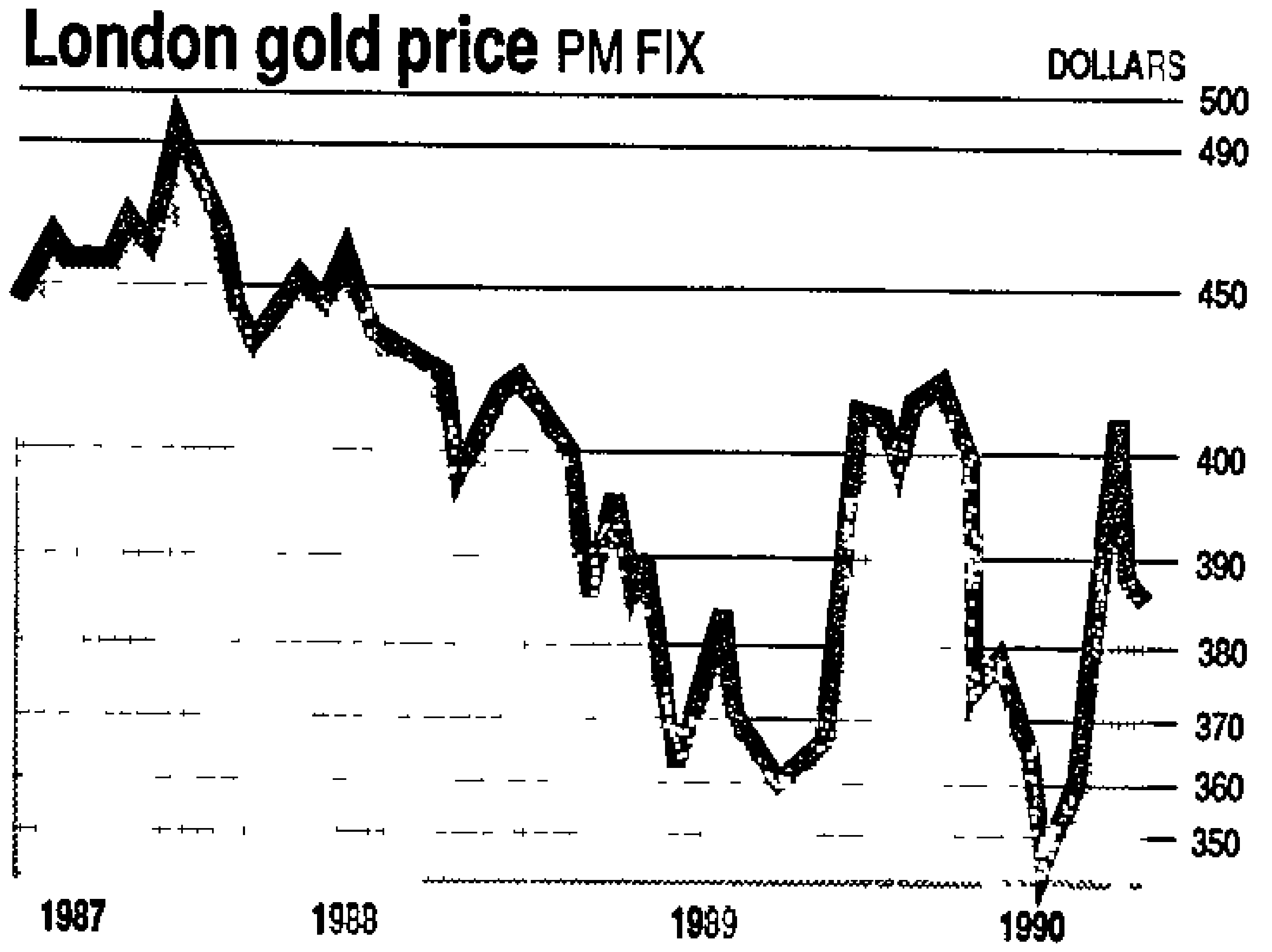
Gencor slipped 10c yesterday to 890c, a 35% discount on the group's estimated net asset value of 1 375c

Gold producers step up forward selling

Star 31/10/90

214

By Derek Tommey



London gold price PM FIX

The past 12 months have seen major changes in the way the South African gold mining industry has been selling its gold.

Hard-pressed by the falling gold price, the industry has also lost the protection afforded by a falling rand/dollar rate, a ploy used in the past by the fiscal authorities to maintain the rand price of gold

This has forced the producers to work out a way to sell its gold in a much more efficient manner in order to get the best price.

Helped by a more supportive Reserve Bank attitude, it has engaged quite extensively in considerable hedging operations in recent months

This has involved selling gold forward and taking put and call options in the options market The result is that the industry receives a firm price for the gold sold forward It is safeguarded against future price falls and gets a 15 percent annual premium on the gold.

Signs of the new direction in gold sales emerged in the September quarterly reports when, for the first time, several gold mines reported forward sales of substantial quantities of gold

Altogether, it is estimated that up to 15 percent of current gold output of some 600 million tons is being sold forward at any given moment

This is a substantial quantity and 18 months or so ago the idea would have drawn strong criticism from many in the industry

Until recently the gold mines have been reluctant to sell gold forward because by temperament the industry has to be perennially bullish about the metal and therefore had no need to cover against a lower gold price

One analyst explained that the industry had to be bullish otherwise it would not be taking such risks as investing, say, R2 billion in a mine working medium grade ore thousands of metres underground where future profits could not be assessed with any certainty

For the most part, this bullishness has paid off

Another reason why the industry had been against making forward sales was that most sales were matched by an immediate sale on the spot market This increased the gold available, put pressure on the gold price — and reduced mining profits

A third reason was that one mine had tried to cover itself against a lower gold price in the past and as a result had shown substantial losses

However, for some time now most of the world's other major gold producers have been hedging their production In this country it is increasingly being recognised that in not following other producers in selling forward South Africa was providing a firmer market for them, and helping competitors more than itself

The gold mining industry probably has more to gain than lose in hedging part of its gold output — even though forward selling would appear to depress the metal's price

However, dealers point out that forward selling has a depressant effect only at the start of the selling cycle — more gold sold now means that less will go to the market in the future and this could lead to a better price

Dealers also point out that some heavy losses recently by central banks participating in forward selling deals had made many banks wary about engaging in this type of business The result is that there are only limited facilities for forward selling Therefore it is unlikely to play a dominant role in the market

The increasing sophistication shown by the industry in selling its gold is good news for investors in gold shares It means they should start getting returns somewhat better than they would have done

On the other hand, the next time the gold price reaches, say $390 an ounce, don't expect it to rise much further for a long time

For the world's gold producers will probably be selling thousands of tons forward at the price and delaying any further improvement in the metal price

COMPANIES

Gold price snips East Dagga's income

RIAAN SMIT

214

INVESTMENT holding company East Daggafontein Mines' attributable income for the six months to end-September dropped slightly from R8,4m to R7,9m because of a lower gold price

It has declared a lower interim dividend of 55c (60c) BDay 1/11/90

East Dagga's major investment, wholly owned subsidiary Dumpco, received less revenue from disposal of slimes to Anglo American's Ergo than during the previous six-month period because of the lower gold price, said chairman Peter Bieber

East Dagga was in a consortium with Lydenburg Exploration (Lydex) and Potchefstroom Gold Areas (PGA) to acquire slimes dams and dumps from ERPM, he said

The company would retain a 10% participation right in high grade sand and slimes material acquired by the consortium and would take part indirectly to the extent of approximately 12% through its shareholding in Lydex and PGA

Since the year end on March 31, East Dagga had entered into an agreement with Ergo in terms of which it acquired from Gold Fields Property Company (GF Props) a 50% interest in two slimes dams on the farm Grootfontein. These acquisitions would extend the life of the Daggafontein plant by about two years, a recent company announcement said

Star 1/11/90

East Dagga cuts back on interim dividend

214

East Daggafontein Mines has declared an interim dividend of 55c (60c) for the six months to September.

Net income before tax for the six months fell marginally to R16,074 million, against 17,002 million for the same period last year.

Net income after tax was R7,900 million (R8,428 million).

Despite higher gold production for the period, subsidiary Dumpco received less revenue from the disposal of slimes to Ergo than in the previous six months because of the lower gold price received by Ergo on gold sales.

Chairman Peter Bieber says East Dagga is in a consortium with Lydenburg Exploration and Potchefstroom Gold Areas to acquire certain assets from ERPM.

East Dagga will retain a 10 percent participation right in the high-grade sand and slimes material acquired by the consortium and will participate indirectly to the extent of approximately 12 percent through its shareholding in Lydex and PGA.

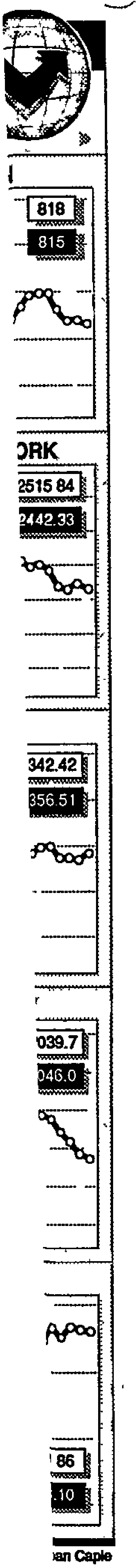
Analyst Trevor Pearton of Fergusson Bros says despite the poor performance of gold shares, East Dagga should remain a sound investment for those wishing to maintain a long-term exposure to gold.

A report by analyst Rene Hochreiter of Anderson Wilson concludes that the acquisition of the dumps is favourable for shareholders in all three members of the consortium as it adds value to each of the companies.

Since year-end East Dagga has entered into an agreement with Ergo in terms of which it has acquired a 50 percent interest in slimes dams 7L8 and 7L9 on the farm Grootfontein from GF Props.

Mr Bieber says East Dagga is a sound investment because the slimes dams acqusitions will extend the life of the Daggafontein plant. — Sapa

Star 2/11/90



Gencor far from decision on breaking up the group

214

By Duma Gqubule

Gencor, South Africa's second largest mining group has announced that it is studying the pros and cons of unbundling itself so as to capture the full value of its underlying assets.

But it is by no means clear whether breaking up the company will release the true value of the conglomerates' constituent companies.

At this stage it would appear that the group is still far from making a final decision and Gencor chairman Derek Keys says the group is still in the preliminary stages of their investigations.

Asset value

But what is clearly worrying Mr Keys is that, except for a short period in 1989, the company has over the past five years, continuously traded below its net asset value

The share is now priced at 920c, compared with a net asset value of 1250c — giving a discount of 26,4 percent

Mr Keys says he believes ultimate. shareholders' wealth could be increased by about 10 percent if the conglomerate were broken up into its constituent companies.

While it is hoped that the individual companies — Sappi, Genmin, Engen, Genbeland Malbak — would trade closer to their net asset values there are no precedents to determine whether this would actually happen.

In addition, the various divisions would be deprived of access to an important cash base, therefore making financing of major prejects more difficult.

Decentlralised

Gencor might also lose important economies of scale.

Although Gencor is now a fully decentralised conglomerate, with the various divisions run as separate businesses three functions — treasury, foreign exchange and insurance — are centralised, providing significant cost reductions

It is also possible that the market pays a premium on the constituent companies because they are sheltered from the vagaries of the outside world by having a "big brother" like Gencor

This premium could disappear if Gencor were broken up

Gencor would also lose its status as a defensive stock with a diversified portfolio of shares.

If Gencor were to hold only the group mining interests now held by Genmin, the market's perception of the company's risk profile would be altered.

W Australia in recession

Foreign News Service

PERTH — Many shops in Western Australia are experiencing their worst trading period for 20 years, according to the president of the Retailers Association, Mr Chris Elieff.

He said sales had slumped alarmingly, with clothing and footwear the hardest hit.

GENCOR FM 2/11/90 (214)

A WELCOME SPARK OF ENERGY

Lower gold and commodity prices and a dip in domestic demand didn't stop Gencor from raising pre-tax income by 58% to R960m and attributable income by 38% to a record R1,5bn in the year to June Coal, Engen and investment arm Genbel came to the rescue

The contribution of mining interests, managed by Genmin, fell below half attributable income, to 41% (1989 54%) Commendably, in absolute terms it actually edged 4% higher, to R592m Executive chairman Derek Keys says mining is not diminishing in importance, but expects Genmin's contribution this year "to be further reduced by higher international exploration spending as the division begins to look further afield and lower earnings from mineral sands"

Gold division Gengold's contribution fell to 11% (15%) Attributable income rose a meagre 2% to R157m The gold price averaged US$383/oz — $20 less than in 1989.

Platinum prices averaged 7,5% less than the year before at $494/oz, hitting Impala, whose static R91m attributable income depressed its contribution to 6% (9%).

Samancor, which produces mainly manganese and chrome ferroalloys, was worst hit by lower prices, especially for ferrochrome Attributable income fell 22% to R251m and was less than 17% of the total (31%) But manganese ore prices rose and higher prices are expected for manganese alloys this year

GENERALLY IMPROVED

Year to August 31	1989	1990
Income before tax (Rm)	609	960
Attributable income (Rm)	1 051	1 447
Earnings (c)	105,6	123
Dividends (c)	34	40
Net asset value (c)	1 211	1 376

Keys is not too worried by lower prices "Short-term prices cannot guide long-term prospects We have a competitive advantage internationally because of our low-cost mining operations, so we can cope with lower prices" He says there are no marginal mines in the base minerals group

But mines have taken a double-whammy Lower prices have been exacerbated by a more stable rand/$ exchange rate. Keys says this squeezed margins further but most operations are trying to offset this by controlling costs and improving productivity With higher wage demands this could prove difficult

Bucking the downward trend, coal producer Trans-Natal more than doubled attributable income to R73m from R36m Its contribution rose to 5% (3%). Keys says the major reasons are increased coal prices (11,5% in US$) and better organisational structures.

Most industrial interests fared poorly, except Engen, whose maiden results beat expectations It contributed R203m (-R29m) or 14% (-3%) of total attributable income Keys says the Gulf crisis has caused a tightening of finished product availability The effect on prices and margins will be favourable for Engen's refining company, Genref

Contributions from Sappi's paper and pulp interests are not expected to grow this year (*Fox* September 21) But Keys quotes Sappi's Eugene van As, who reckons the five paper mills bought in the UK last year will put the group in a good position to attack Europe 1992 and should contribute about R100m attributable income in two years.

Industrial arm Malbak suffered from domestic recession and attributable income fell 20% to R116m (see next story)

Income from Genbel more than doubled, to R414m (R191m) Its contribution to the total rose to 29% (18%) This includes earnings on Gencor's R1,5bn "liquid resources" — two-thirds in cash and the rest in marketable securities — which is managed by Genbel pending disbursement to fund capex and any "opportunities that may present themselves in the new SA"

Keys sees opportunities for joint ventures abroad once SA is accepted as a member of the international community

Cash will be used to develop the Oryx and Weltevreden gold mines, which Keys says Gencor may have to fund if the market is not conducive to another rights issue.

More than R1bn will be required for expansion of Genref in Durban. Keys reckons this may also have to be financed mostly by Gencor, which still owns 84% of Engen.

He forecasts a fall in operating income this year but hopes this will be offset by transaction profits — on the realisation of assets — and expects the 40c dividend to be comfortably maintained Keys is probably right to be conservative as gold and commodity prices are still wavering and the domestic economy continues on a downtrend The 910c share price is a 26% discount on the 1 242c NAV, which looks fair value relative to the market *Heather Formby*

Barplats and Harmony cut back on production

Star 6/11/90

214

By Derek Tommey

Two Rand Mines companies, Barplats and Harmony gold mine, are to cut back operations.

This is the second time in two days the Rand Mines group has announced cutbacks Yesterday it said Vansa was halting production of vanadium

Job losses at Barplats will be small since only two shaft-sinking crews will be affected. But they could be substantial at Harmony with a workforce of 27 000

Harmony has already started discussions with trade unions on a reduction in manpower

Barplats has two developing platinum mines — Crocodile River, which is near Brits and is in the production stage, and Kennedy's Vale in the Eastern Transvaal, which is still shaft-sinking

Shaft intersections at Kennedy's Vale have confirmed grade projections, Barplats says However, it has been decided to stop work on Kennedy's Vale until such time as Crocodile River is fully operational, paying dividends and generating a positive cash flow

At Harmony, which made a taxed loss of R11,6 million in the September quarter, ore production is to be cut by 30 percent to 550 000 tons a month

Production levels at four of the seven shafts will be lowered and one of its four metallurgical plants — the Harmony plant — will be closed.

However, income is not expected to fall as much as production. Harmony's directors say mining will be conducted in those areas where profits can be realised As a result, gold production is expected to fall by only 20 percent — from 2 500kg to 2 000kg a month.

Harmony says it should start making profits in the six to June 1991, provided there are no further falls in the gold price and that production levels now planned are achieved

But it still expects to report losses for the year to June 1991 This possibly reflects the heavy retrenchment benefits the mine will have to pay if it lays off a lot of workers

Harmony had a difficult September quarter Its recognition of the NUM led to wage increases of 14 to 17 percent. Production in the September quarter was also affected by illegal work stoppages and other disruptive tactics However, certain grievances have been identified and are being addressed

Barplats' preliminary statement shows the profits of the Crocoile River operation have been hit by the slower-than-expected build-up of face available for stoping operations underground and a a higher lock-up of platinum group metals (PGMs) in the various metallurgical processes

The result is that the mine took five months longer than forecast to reach the first stage target production target of 160 000 tons a month, which was ultimately achieved in August.

This five-month delay and the metallurgical problems cost the mine dearly

Pre-production revenue for the full year was R40,6 million, while operating costs were R175,3 million

Interest paid rose to R37,7 million, resulting in net costs for the year to September of R172,4 million This was capitalised

In addition, capital expenditure of R121,9 million was incurred, bringing total expenditure for the year to R294,3 million

This is well ahead of the R95 million forecast a year ago and has put pressure on the company's finances

Probe into Barbrook mine's future

(214)

RIAAN SMIT

B/Day 7/11/90

IN ANOTHER move to rationalise cash draining operations, Rand Mines said yesterday trading in shares of its eastern Transvaal gold mine Barbrook had been suspended on the JSE "pending a re-evaluation of the mine's future"

The viability of the mine was in question in view of prevailing economic circumstances, labour difficulties, and disappointing recovery grades, the group said.

This follows announcements this week by the group that it is closing loss-making vanadium pentoxide production at Vansa, mothballing the developing Kennedy's Vale platinum mine close to Vansa at Steelpoort in the eastern Transvaal, and cutting operations at Harmony gold mine near Welkom which will result in an output drop of 500kg of gold a month.

Rand Mines said an announcement on the results of the re-evaluation of Barbrook would be made as soon as possible

Chairman Dammy Watt said yesterday shutting down the vanadium pentoxide production of Vansa was an indication of the problems facing the group's base minerals division.

Last year base minerals contributed 10% to group profits, but with chrome and vanadium exports "in a tailspin" in 1990, it was doubtful if this division had provided

☐ To Page 2

Barbrook

B/Day 7/11/90

(214)

☐ From Page 1

more than three or four percent of profits, he said.

Vansa would continue its chrome mining operations at Winterveld, which would hopefully enable it to remain profitable, even at a lower level.

It also retained interest in platinum via a 12% holding in Rand Mines' platinum arm Barplats

But the group said this week Kennedy's Vale would only be restarted once its other platinum mine, Crocodile River near Brits, was showing a positive cash flow and was paying dividends

A group spokesman said yesterday Kennedy's Vale remained an attractive proposition because it was richer than Crocodile River and its production cost structure would be lower.

Trading in Barbrook shares suspended

By Derek Tommey STAR 7/11/90 (214)

The JSE listing of Barbrook, the new Rand Mines gold mine near Barberton, has been suspended

This follows a decision to re-evaluate its future in the light of prevailing economic circumstances, labour difficulties and disappointing rcovery grades.

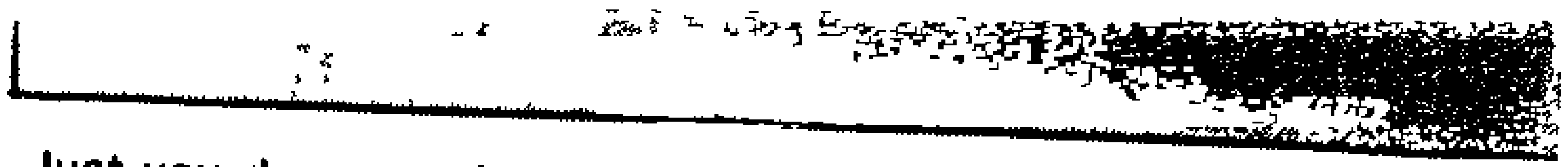
The decision to have another look at its future is not surprising, given the disappointing September quarterly report

Although tonnage milled doubled from 26 000 tons to 55 000 tons, yield was down sharply owing to labour difficulties, which confined mining to initial development areas and the higher-grade target areas not being mined

Barbrook produced 140,3kg o gold in the September quarte at a cost of R56 935 a kilogram

Revenue was R35 061 a kilo gram, resulting in a shortfall, o R21 874 a kilogram — equal to a loss of just over R3 million

The yield of ore was 2,55 grams a ton — well below the expectec recovery grade of 4,5 grams.



Just you dare . . . A policeman next to a minibus with TopSport at Zeph Mothopeng's fune

Miners down tools over missing worker

Star 7/11/90

(214)

By Brendan Templeton

Libanon mine in the western Transvaal came to a standstill yesterday when 6 000 workers downed tools over the mysterious disappearance of a colleague at the mine

Workers suspect he was murdered underground

The National Union of Mineworkers (NUM) said management had dragged its feet over Mokhameleli Ntoko, who went missing in May

Mine security, police and army personnel were forcing workers underground at gunpoint, the union said

This week Goldfields spokesman Michael de Kok denied the charges and said an intensive search for the missing man had been conducted above and below ground.

"Mine property has been available to protect workers who wanted to work and at no point has anybody been forced at gunpoint to work"

The NUM demanded the dismissal of three mine officials The union said management had admitted that the day after Mr Ntoko's went missing, he was clocked in by a mine captain after being told to go to work early for repair work

Mr Ntoko's computerised identity card was found at the mine's crush office and his lamp was discovered underground They said his tool case was also found hidden underground

Mr de Kok would not discuss the issue further "At present, Goldfields are engaged in talks with the union," he said

More mine jobs in jeopardy

ABOUT 72 000 workers have lost jobs on South African gold mines in the past three years and if the gold price does not rise, another 200 000 could join them

These predictions by prominent gold analysts follow Rand Mines' announcement of planned further rationalisation at the Harmony mine. Some 4 000 miners at Harmony have already lost their jobs 214

Anglo American envisages rationalisation at Saaiplaats in the Free State. The average gold price in the quarter ending in September was R996 a fine ounce and 22 mines operated at a loss - *Sapa* Sowetan 8/11/90

Gencor is confident

Sowetan 8/11/90

214

AS a result of the State President Mr FW de Klerk's initiatives of reforms after February 2, South Africa had entered an era of great potential for business, the executive chairman of Gencor, Mr Derek Keys, said in Johannesburg this week.

He said the company was optimistic about the prospects for the new South Africa.

A great potential existed if only it was known how to realise it.

"This is true for Gencor as it is for the country itself.

He added that in both cases risk and uncertainty levels would be higher in the short term but, he said confidently, "there is no reason why we should not be able to handle this."

Keys observed that the company was a well-run diversified group, with no debt, looking for fresh opportunities.

"As South Africa returns to international acceptability we expect that many will present themselves and we hope to be in shape to tackle the best of them."

Surveying the likely performance of Gencor companies in the year ahead, Keys predicted the company's operating income was likely to fall but transaction profits should be fairly substantial and should certainly be to maintain its dividend at its increased level.

GOLD QUARTERLIES FM 9/11/90

PROGRESS ON COSTS

A tendency to raise recovery grades, with a cutback in tonnage throughput, helped gold producers to make some progress in containing costs in the September quarter (214)

Capex is generally being slashed to the bone wherever possible However, the scope to pursue these measures remains limited, with some mines being more successful than others A marginally higher average rand gold price helped to ease the situation

The Gencor mines have shown consistently good performance throughout the trying times of this year The house was the first to institute production cutbacks and concentrate on higher grade areas where possible, with little impact on total gold output. At an early stage it identified cost of gold produced, rather than the cost per ton milled, as being the most important variable to watch The strategy has paid off

Only Grootvlei and Stilfontein saw costs (including capex) exceed $500/oz. The rest remained below $400/oz Grootvlei's performance was affected by retrenchment costs as well as a one-week strike Stilfontein, though showing a strong turnaround to a healthy net profit, was affected by higher capital expenditure and retrenchment costs The current quarter should see a further reduction in working costs

Other Gencor mines showed good-to-steady performance with Bracken achieving a 63% hike in its after-tax profit from the previous quarter, West Rand Cons seeing a return to profitability and results improving from Unisel, Winkelhaak, Leslie and Kinross

Without exception, the Anglo mines raised gold production during the quarter through varying combinations of higher recovery grades and greater mill throughput Though Vaal Reefs, Elandsrand and Western Deeps posted lower after-tax profit, a reduction in capex at all three mines resulted in higher earnings after capital spending At Ergo, profits were pulled down by a higher royalty at the Simmergo operation and increased cost of slimes purchased Higher capex reduced the figure further Sallies'

FM 9/11/90 (214)

old revenue rose by 7,4% to reflect the icreased rand gold price and better yield

Freegold showed a solid profit rise, largely is a result of the 12,5% rise in gold output to 29 616 kg and, to a lesser extent, the 3,9% 'se in the rand gold price received Total ost increases were held at 6,6%, while unit osts fell Both the north and the south regions contributed to the good performance

Anglovaal's high cost producer, Loraine, held its loss constant after announcing a rationalisation programme last quarter, the main benefits should be felt in the December quarter Both Hartebeestfontein and E T Cons saw lower gold production and consequently lower earnings E T Cons was also hit by a higher tax payment in the absence of capex

Rationalisation at Western Areas is bearing some fruit as the gold loss was chopped and the operating profit lifted The interest burden should be greatly reduced when short-term debt of R110m is repaid out of receipts from the sale of the company's entitlement to shares in the Sodexco project Randfontein improved its performance through higher gold production and controlled costs

Of the independents, the Southgo group mines were the best performers of the quarter, with only West Wits showing a modest loss after tax and capex Southgo has kept a strict control on costs, significantly improving the group's position The rest of the independents have remained in the red and one wonders how much longer this can continue

On the whole the December quarter should see more of the benefits of the recent spate of rationalisation announcements flowing through to the mines, and working costs may even fall

Gillian Findlay

RAND MINES FM 9/11/90

IN RETREAT

(214)

More bad news about Barlow Rand's mining interests Expansions in the coal sector helped Rand Mines to lift its 1990 attributable earnings by 5% but, after the 33-for-100 rights issue in December, EPS have fallen by 17,4%

As expected, the dividend was maintained at 560c, on a reduced cover of 2,8 (3,4) times It was largely thanks to the acquisition of an additional 49% in the Middelburg Mine Joint Venture that higher coal revenues lifted turnover by 24%. Against this, the house had to cope with a 35% higher interest burden, reflecting the loan raised for the Middelburg acquisition as well as high rates

With the results came news of the JSE suspension of Barbrook Mines, the Eastern Transvaal gold producer which Rand Mines manages, "pending a re-evaluation of the mine's future in view of prevailing economic circumstances, labour difficulties and disappointing recovery grades "

Aside from coal, it seems the group is retreating virtually on all fronts. Earlier this week, closure of Vansa's vanadium operations was announced In the platinum division, Barplats has put on ice the Kennedy's Vale platinum mine With this record, the share's puny performance is not difficult to understand *Andrew McNulty*

Cash-flush Minorco set to make acquisitions

BDay 9/11/90

214

Business Day Reporter

CASH-flush mining group Minorco was well positioned to acquire companies that came up for sale as world economic growth slowed, chairman Julian Ogilvie Thompson said yesterday.

Addressing an annual shareholders' meeting in Luxembourg, Ogilvie Thompson said it was widely accepted that industrialised economies, and the US in particular, would experience a more difficult economic climate with materially lower rates of growth

"While the duration of this downturn is impossible to forecast, there is little doubt, as a number of recent transactions have indicated, that attractive investment opportunities will become available to companies which are debt-free and have substantial reserves of cash "

Ogilvie Thompson did not specify where or in which industries Minorco might invest, but said ideally it would look to invest in a balanced portfolio of businesses, diversified geographically and by commodity

Minorco last year sold a stake in Gold Fields plc for $1,6bn, earlier this year acquired Independence Mining of the US, and made an investment in Beralt, a Wolfram operation in Portugal Ogilvie Thompson said Independent Mining's reorientated exploration programme results had been "most encouraging".

While the year had been less dramatic than 1989, it saw Minorco make significant progress towards its strategic objective of acquiring and developing assets in the field of natural resources.

Ogilvie Thompson said it was significant that 82% of Minorco's earnings from operations during the past financial year, including financial income, came from activities over which Minorce exercised direct control

Engen poised for major expansion

Star 9/11/90 (254)

By Jabulani Sikhakhane

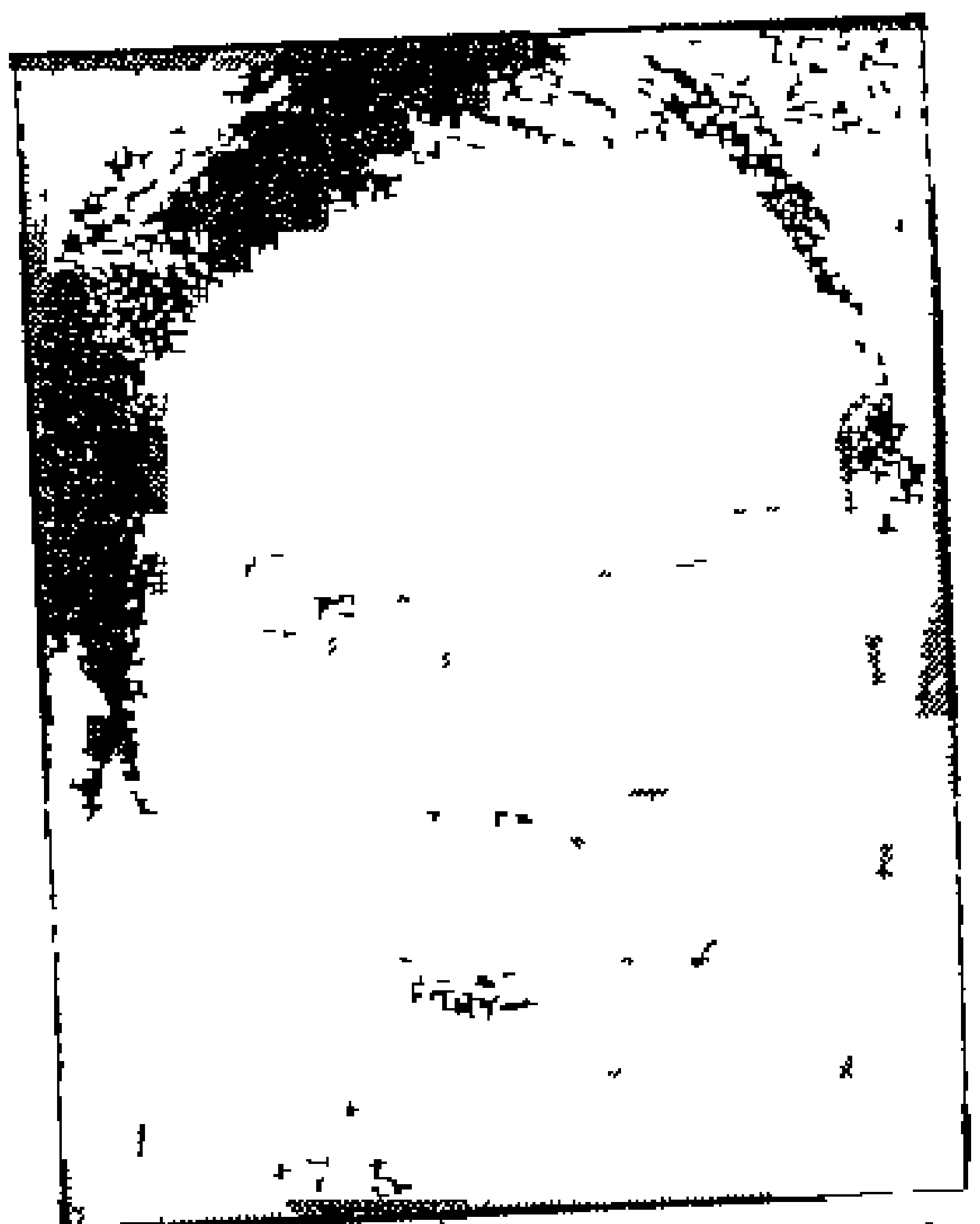
Gencor's energy group, Engen, has major expansion plans both inside and outside South Africa, but will probably have to come to the market to raise some of the required funds

Chairman Bernard Smith says in the annual report that Engen's plans cannot be financed entirely from internally generated funds

The expansion plans include doubling of capacity and extensive upgrading of Genref's Durban refinery in the next five years, the development of a chemical plant to produce feedstocks for the local market, and expansion of production and exploration activities

Preparatory work to move into exports to sub-Saharan Africa are under way, he adds

In his review, managing director and Engen chief executive Rob Angel says Genref has conducted detailed engineering and feasibility studies to debottleneck, upgrade and expand in the most effective and pollution-free manner



Bernard Smith . . exports to sub-Saharan Africa

The expansion at Genref is due to the fact that Sasol plants will be operating at full capacity in the near future

This has led to local crude production coming under pressure

Another consideration for increasing refining capacity is the advantage in Genref taking over the refining of Trek volumes from Sapref

For the first phase, the Engen board will consider capital expenditure of at least R500 million by December 31

"The Genref refinery is fully competitive, compared with any refining facility in sub-Saharan Africa

"Although limited capacity for exports exists at present, we are pre-investing in selected areas to secure a share of those rapidly growing markets once the expanded refinery is on stream"

In the long term, the opportunity to increase the production of solvents, and enter into related petroleum-based chemicals manufacture offers scope for major expansion

Mr Angel says that exploration has been conducted in the Bredasdorp Basin with some success Engen plans to expand these operations to ownership and production of crude oil

The group will also pursue exploration outside South Africa

Engen is actively discussing a possible participation with parent Gencor in the Alba and Kilda oil fields in the North Sea

In his forecast, Mr Angel expects improved profits and more real growth But he says it will be tougher to achieve such growth after an excellent opening year

Refining margins are expected to remain strong and substantial inventory profits will be realised if oil prices remain high

But Mr Angel says excessive profits from inventory evaluation will be used to cover increased working capital and tax payments and will not be available for dividends

Mobil's takeover of the Trek distribution operation should save the group R15 million a year when complete.

With finance and tax costs expected to remain at financial 1990 levels, Engen is looking for improved operating earnings

At the end of financial 1990, Engen's effective tax rate was 3,4 percent and the group had R79,340 million in assessed tax losses

Hersov forecasts higher earnings at Anglovaal

Star 10/11/90 (214)

FINANCE STAFF

MR Basil Hersov, chairman of the Anglovaal mining house, says that the group expects higher earnings this year

But he told shareholders at the annual meeting in Johannesburg yesterday that maintaining earnings a share on the increased share capital remained a challenge

Consolidated pre-tax profit of associate company Anglovaal Industries for the September quarter was marginally ahead of the year-ago period, in spite softer conditions in a number of the markets served by that group's companies

Mr Hersov said the AVI group was budgeting for a moderate increase in earnings for the year ending June 1991

Contributions from Anglovaal's Mining Investments were lower than the comparable period of last year because of reduced Associated Manganese earnings, the generally lower profitability of the gold mines caused by the decreasing real-terms gold price and continuing high expenditure on exploration

Strike at mine halts production

Sow 10/11/90 [redacted] 214 [redacted]

GOLD Fields management yesterday warned of possible dismissals as a strike by more than 6 000 mineworkers at the Libanon gold mine, near Westonaria, crippled production.

Workers downed tools last Sunday demanding increased security underground and the dismissal of three mine officials who, miners claim, were responsible for the disappearance of a colleague on May 15.

National Union of Mineworkers official Jerry Majatladi claimed management had distributed pamphlets warning workers of possible dismissals if production did not resume by Monday.

"The union and management have deadlocked on the demands of the strikers. Management says they cannot transfer the three officials as they could not break their employees' contracts," said Mr Majatladi.

Gold Fields officials were not available for comment. — Sapa

Unfazed Pouroulis set to revamp his empire

W/ARGUS 10/11/90

214

From MALCOLM
FOTHERGILL

JOHANNESBURG. — Major rationalisation is on the way at Loucas Pouroulis's mining empire.

Fresh from quashing the R67-million fraud and theft charges against him and three of his co-directors, the Cyprus-born entrepreneur has turned his energies to looking critically at his group's investments and mines

Mr Pouroulis, who declined to comment on the recent court case in which he and three co-directors were acquitted without having to present their defence, says "quite dramatic" ventures, including new mines, are on the cards.

"We're busy looking very carefully at our investments and our mines to see what's best suited to our needs."

New developments are not necessarily in the group's sphere of operations, which include chrome, gold, platinum, manganese and diamonds, he says.

Mr Pouroulis, a mining engineer who immigrated 25 years ago, was a salaried employee at Anglo American before acquiring the rights to several mine dumps on the East Rand.

He was the first to apply the then-ridiculed carbon-in-pulp process to the extraction of gold from low-grade dumps.

With the money he made from the small amounts of gold he recovered, he acquired control of JSE-listed gold mining companies Consolidated Modderfontein and South Roodepoort.

Then, from under the nose of Johannesburg Consolidated Investments, he snatched the rights to mine a platinum prospect that he turned into the Lefkochrysos mine and took to the JSE in July 1987.

Hit by a declining gold price and high costs at Lefko, he had to sell Lefko to the Rand Mines subsidiary, Barplats.

However, he bounced right back in July this year, opening his latest venture, Goudini Chrome

"Rubber ball"

At the opening, Minister of Finance Barend du Plessis described Mr Pouroulis as a "dynamo" and a "rubber ball".

Mr Pouroulis was arrested at his home in April last year on the theft and fraud allegations and released on bail of R250 000.

Mr Justice Stegmann found the State did not have a case against him and his three co-accused, Edwin Coombes, David Willis and Roger Daniel.

Citizen 11/11/87

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Miners strike after shaft murder claim

By **DAN DHLAMINI**

ALLEGATIONS of the underground murder of a mineworker have sparked a strike at the Libanon Gold Mine in Westonaria where 6 000 miners are demanding that management produce the missing man.

Mokhalemeli Ntoko went underground on May 15 this year and never surfaced again – though he was later clocked out

It is alleged Ntoko had been shot dead underground, his tongue cut out and private parts mutilated

A man allegedly forced to participate in the crime has also disappeared

The National Union of Mineworkers' (NUM) says management claims the man who says he witnessed the murder a certain Mabuza – has resigned.

But mineworkers fear he may have been killed in a cover-up

According to Mohale Mohale – Mabuza's former room-mate – Mabuza told him Ntoko had been gunned down underground by a white official after an argument

He claimed two white officials were involved in the alleged murder

Mohale said Mabuza told him the officials wanted Ntoko's killing to look like a ritual murder and forced him to mutilate Ntoko's body

Because he was terrified, Mabuza cut off Ntoko's tongue and private parts

The officials then threatened to kill Mabuza if he breathed a word, Mohale said.

Mabuza then disappeared from the mine, shortly after Mohale advised him to talk to union officials

Goldfields spokesman Michael de Kock confirmed a miner had gone missing and that an intensive search had been launched, but denied workers' allegations about Ntoko's disappearance

De Kock also refused to discuss several conflicting points with *City Press*

He refused to confirm or deny allegations by NUM press officer Jerry Majatladi that a white official had clocked out on behalf of Ntoko on the day he went missing

Majatladi said management had admitted that an official had clocked out for Ntloko on May 15.

Two white men were temporarily suspended after this irregularity.

Majatladi said Ntoko's tool box and lamp were discovered hidden underground

Mineworkers at Libanon are up in arms and have been on strike for the past seven days after the NUM reached a deadlock at a conciliation board hearing over the security of miners

The striking workers, who meet every day at the mine's stadium, are also demanding the dismissal of two white officials and the general manager because "they failed to give a full explanation about Ntoko's disappearance"

Majatladi said mine security officers had been forcing workers to go underground at gunpoint.

De Kock would not comment on this allegation

Blow after blow for Rand Mines

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RAND MINES shareholders were hit by a trio of blows this week, resulting in the share price losing R13 to R72 before rallying to R76

The Barlows-controlled mining house announced the cessation of operations at three mines on successive days. Vansa, Barbrook and Kennedy's Vale are ceasing production and cutbacks are being made at gold flagship Harmony

Chairman Dammy Watt told shareholders at last year's annual meeting they could expect real earnings growth for the next decade

S|Times 11|11|90

Potential

This week the group — once the world's largest mining house — reported a 17% slide in the bottom line and a 1% fall in pre-tax profit

Mr Watt said in an interview this week that the group's future lay in coal, which had enormous potential

Investors were getting a return on their investment in Rand Mines because the dividend yield was 6% — the highest in the sector

(The share price has fallen so much that the yield is now 7,4% Investors buy shares for capital growth, not for dividend income)

Gold mine ERPM is still around by courtesy of taxpayers Its revenue has been far below production costs and development expenditure at the Far East Vertical shaft.

By JULIE WALKER

Durban Deep has curtailed production markedly, and Blyvooruitzicht has no room in which to expand Its reserves could be exhausted in a few years

Gold production is to be chopped by 20% at Harmony The grade there has fallen by a quarter to 3g/t in five years although milling capacity was raised to 860 000 tons a month Tonnage will be reduced to 550 000 a month

Barbrook, which was to have paid a maiden dividend soon, has cost more than forecast, experienced labour difficulties and poor recovery grades

Rand Mines, a large mining house developing a small gold mine, has fared worse than have the maligned small independent operators

Gold is only one problem for Rand Mines Production of vanadium pentoxide at Vansa has been stopped because demand has crashed Presumably, Vansa cannot produce cheaply enough to compete Near-neighbour Highveld is the world's largest producer and sets the price

Trade in Vansa shares was suspended a week ago After trading resumed the share price shed nearly 60% to 120c It is now 155c

I asked Mr Watt why operations at Vansa had been stopped so suddenly He replied "What are we supposed to do when we're losing money? Keep it going?"

He said circumstances were different at ERPM where operating losses had piled up for years ERPM was meeting grade and tonnage forecasts in terms of the rescue plan

Rand Mines tried to diversify outside coal and gold, but found hot water

Mr Watt said he was unable to disclose information to the press because Rand Mines had first to report to shareholders He would not reply to questions, saying the matters would be discussed in full in the annual report.

Rand Mines is not the only mining house to have had a clutch of marginal gold mines in its stable in the past few years Gencor's prospects were equally dubious with its dozen near-dogs, most of which have been steered on a profit path

Stake

The profits from Barmines' Crocodile River platinum mine — formerly Lefkochrysos — have yet to flow through There was a five-month delay in reaching phase one production and Mr Watt said it should break even on working profit between April and June next year

"It must make its own arrangements to survive until then," he said

Rand Mines had lent nothing to the mine It paid 450c a share for the controlling stake in 1988

Barmines now trades at 215c

CT 13/11/90

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JCI mine to cut 1 100 jobs

By Derek Tommey

Traders in the West Rand, whose businesses have already been hit by heavy retrenchments at West Rand Consolidated and Western Areas gold mines, are to suffer afurther blow.

Another West Rand mine, Randfontein, is to cut its 14 100 work force by 1 100 to rationalise operations at its troubled new Doornkop shaft.

JCI gold division chairman Kennedy Maxwell said losses at the shaft were threatening the mine's viability.

Development at the Doornkop section would be directed towards the predicted high grade areas north of the shaft.

The gold mines in the Free State and Transvaal have cut their labour forces by 72 000 in the past 18 months.

Further large-scale retrenchments are likely. Harmony, which employs 27 000 people, is to cut production by 30 percent

1 100 jobs to be axed in rationalisation at JCI mine

BUSDAY 13/11/90

RIAAN SMIT

(214)

JCI's Randfontein Estates gold mine is to cut its 14 100-strong labour force by 1 100 in a rationalisation of operations at the new Doornkop Shaft. Its losses were threatening the viability of the whole mine, the company said yesterday

Continued faulting on the Kimberley Reef horizon had resulted in a restriction of the availability of payable areas in the Doornkop Section The level of stoping operations at the section would be reduced and more emphasis would be placed on development towards predicted higher grade areas to the north and east of the shaft This change in operations would require the cut in the labour force, in consultation with employee unions.

JCI gold division chairman Kennedy Maxwell said although the need for this course of action was regrettable, the decline in profitability at Randfontein and the continuing viability of its operations needed to be addressed Randfontein's profit after tax during the past four years fell by 55% to R153,2m for the year to June 30 from R336,7m the previous year

The statement said the underlying causes of fall in earnings were that while production costs increased by 83,9% the average price received rose by only 12,3%.

The 1990 annual report stated a grade of 2,55g/t over a channel width of 380cm for the Kimberley Reef This is much lower than the industry average for 1989 of 4,99g/t, said the Chamber of Mines

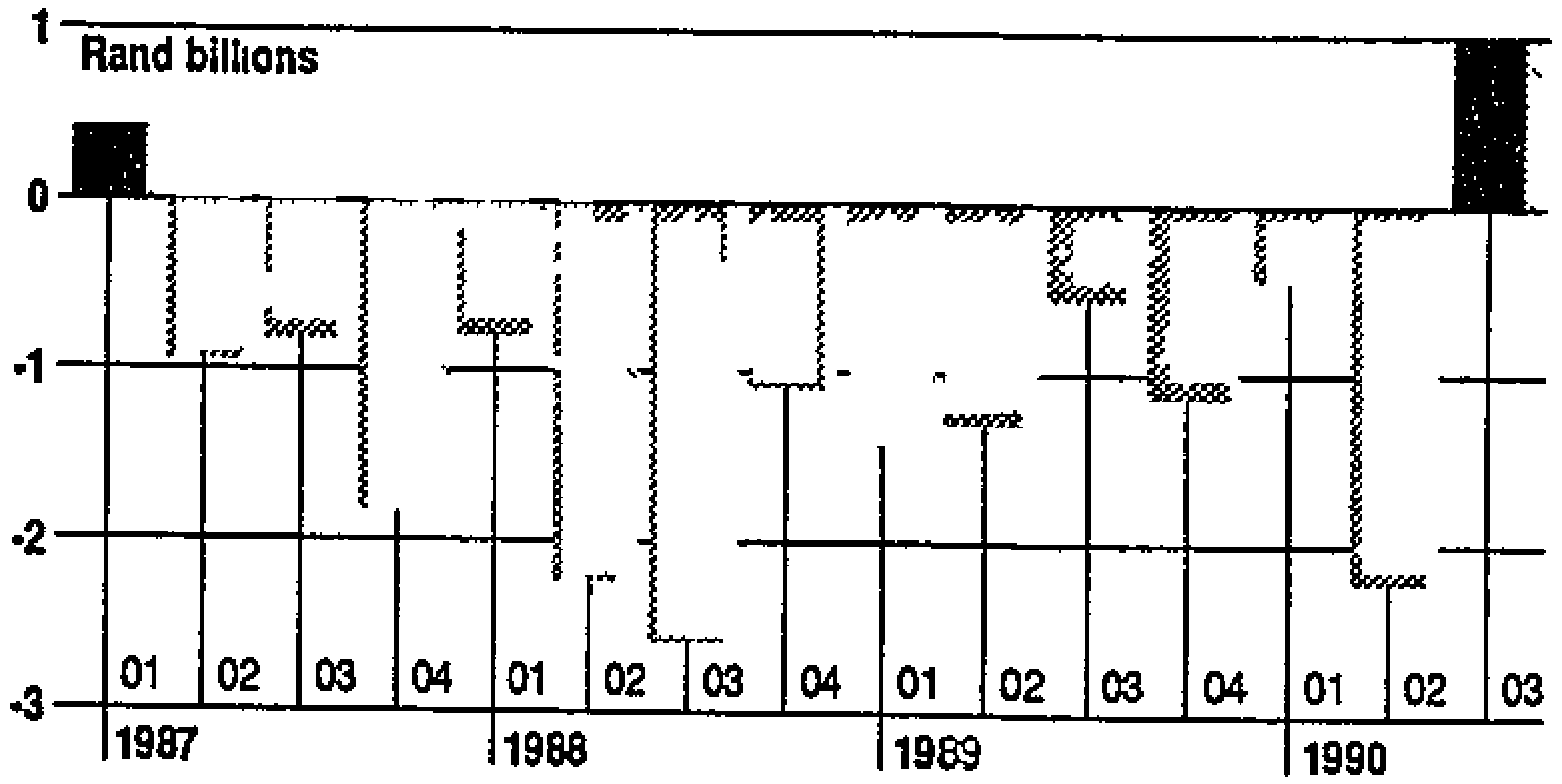
Maxwell confirmed yesterday the rate of production from the Cooke 3 shaft would be increased to about 220 000 tons a month as stated in the annual report

He said the rate of production from Doornkop had not been finalised Planned production from the shaft had been 150 000 tons a month, the report said

Rand-hedge stocks could be losers if finrand goes

Star 14/11/90 (2-14)

By Derek Tommey



Positive . . Inflows of foreign capital turned positive in the third quarter, the first time since 1987.

Johannesburg stockbrokers were undecided last night whether the proposal by the Government to phase out the financial rand would seriously affect the share market.

In theory, SA investors holding gold and other financial rand-related shares such as De Beers, Richemont and Barlows could be in for a rough ride in the next 18 months to two years

The intention to phase out the financial rand will cause a significant drop in share values — unless there is a foreign-inspired share market boom.

Investors in gold and broadly based unit trusts could also be affected

However, there are a number of brokers who believe this will not happen unless investment sentiment overseas towards SA improves significantly

Were this to happen, share prices on the JSE would be more likely to rise than to fall

Governor of the Reserve Bank Dr Chris Stals said in London on Monday it was the Bank's intention to phase out the financial rand when SA was allowed to borrow money again from the International Monetary Fund (IMF)

He gave no schedule for the development, which would depend upon the US Congress withdrawing its direction to the American governor on the IMF board to oppose loans to SA

But guesstimates are that this could happen anytime in the next six months to two years

The financial rand protects SA investors from price falls in SA shares overseas It keeps up the price of SA shares on the JSE and depresses their prices on foreign exchanges

The financial rand discount to the commercial rand is just below 30 percent This means that SA share prices in London are 30 percent below their SA prices It also means that if the financial rand were abolished by edict, the price of financial rand-related shares could drop by 30 percent

However, some brokers say it cannot happen in this way because the Government could not afford it.

Financial rands are created when SA shares held overseas are sold into the Johannesburg market.

It would be too expensive for the Reserve Bank to try and mop up these rands with its scarce foreign currency holdings, a broker said yesterday

If the authorities wanted to see the financial rand phased out, it must create conditions leading to an end of foreign selling of SA shares and to foreign buying instead

The need for the financial rand would end and it would simply disappear — without any decline in local share prices

Greater confidence was required to end the financial rand, he said

However, Dr Stals's comments are expected to lead to some reduction in the financial rand discount

In this situation, investors should buy shares which have no London listing, such as Wooltru and Tiger Oats, as their prices would not be affected by a drop in the financial rand discount, said Richard Jesse of the brokers Martin & Co

His firm had been drawing the attention of clients for some time to the possible repercussions of a lower financial rand discount.

But while SA industrial shares offered good protection against a lower financial rand discount, he said most SA industrial shares were tightly held

Should Dr Stals's statement trigger heavy foreign investment in SA industrial shares in the hope of making a financial rand profit, the industrial market would become extremely tight, he said

Dr Stals is no doubt well aware of the need to increase confidence

He made an important contribution to this by announcing in London that in the September quarter SA had experienced its first capital inflow since the first quarter of 1987

The inflow exceeded R1 billion and marked a swing around of R3 billion from the situation in the June quarter It followed a net outflow of R15 billion over the past three years

Bankers said most of the capital inflow in the September quarter had come in the form of trade credits for financing imports and exports

MONTHLY SUPPLEMENT TO THE WEEKLY MAIL

/Environment

ECOLOGY ★ CONSERVATION ★ NEW PRODUCTS ★ BUSINESS & ECOLOGY ★ GREEN STRATEGIES ★ WILDLIFE

The Midas touch destroys as it creates

214

(Suppl) W/Mail 16|11 - 22|11|90

EDDIE KOCH reports on mining and ecological damage

ACID water as sour as vinegar seeps into rivers used for drinking and irrigation Spontaneous fires ignite in disused collieries and burn for years underground Heaps of deadly arsenic dust are dumped next to streams and rural villages. Rare dune forests are strip-mined for titanium ore Ugly quarries and gullies scar the slopes of mountains across the country...

The 1 000-odd mines and quarries that dot the South African landscape, and form the backbone of the country's economy, have often been criticised for promoting repressive labour practices and maintaining low standards of healthy and safety. Recently another complaint has been added to the litany of maladies associated with the industry the damage that mines have caused to our air, water and earth.

"Excavating minerals always entails environmental risks It involves blasting, digging and hauling thousands of tons of ore to the surface, then grinding it to a fine powder and washing out the metals with harsh substances like cyanide, mercury and sulphuric acid," says a recent report by the Worldwatch Institute entitled "Apartheid's Environmental Toll"

"South Africa has treated mining like a sacred cow, fearful of disturbing the cash flow Air and water near mining and smelting operations are hardly monitored, and what little monitoring is done is not reported In SA the extent of ecological damage from mineral extraction is massive, from poisoned streams to stripmined hillsides "

How accurate is this assessment by the institute — an international environment monitoring group based in Washington — of the impact that mining has had on this country's ecology?

Examples abound to illustrate that mining practices, past and present, are causing extensive damage to their natural surrounds. But recent developments within the industry — which include commitments, at least at corporate level, by major mining houses to clean up their act — make it difficult to label the industry as a whole as a bogeyman throwing noxious matter into the eyes of all South Africans

Mining engineers, even though they have varying degrees of loyalty to the industry, agree that the two main ecological problems associated with mining in South Africa are the vast amounts of acid that seep into ground and surface water during the production of gold and coal and extensive arsenic pollution caused by gold mines in the Eastern Transvaal.

Says Fanie Geldenhuys, environmental science manager for the engineering firm Stefan, Robertson and Kirsten "All gold mining concerns have problems with seepage of acid water A mineral in the rock is iron sulphide which, when it is oxidised through exposure to air and water, produces a diluted form of sulphuric acid."

Coal-mining belts on the Eastern Transvaal Highveld and in Northern Natal are another source of acid water contamination Most aquatic life in the Loskop Dam, north of Witbank in the Eastern Transvaal, and the rivers around Vryheid and Dundee in Natal, including the Black Umfolozi, has been killed or seriously depleted by acid leachates from the collieries and the Department of Water Affairs is known to be perturbed by the problem

"South African coal, gold and base metal mines will have to equip themselves with expertise to manage acid mine water effectively or risk suffering the same fate as some mines in Canada which will have to spend almost a quarter of their entire profits for the next two decades on combating this problem," says a statement issued by representatives from SRK and the Department of Water Affairs last month after their conference around the problem

Toxic pollutants from the mines have led to some dramatic eco-disasters Earlier this year *The Weekly Mail* tested samples of water running off dumps in Crown Mines, an old mining area near Johannesburg, into a stream that flows through Soweto, and found an astonishing cocktail of poisons The samples included eight million micrograms of acidic sulphate for every litre of water as well as large amounts of uranium, arsenic and cyanide

Paul Reynolds, a farmer in the Standerton district, said that neighbouring gold mines had polluted the Waterval River — used to irrigate his arable land — so badly that it has cost him R300 000 in damages over four years.

"If I irrigate with 500mm of water from the river I add seven tons of salt to a hectare of land, he said "It's like watering your garden with seawater. Plants get scorched and salt crusts on the surface of the ground so that seeds aren't able to come through." Corrosive matter in the water has "chewed up" underground water pipes on Reynolds' lands

In the mining belt around Barberton a major ecological threat is caused by clouds of arsenic gases released into the air and dumps of arsenic dust left near villages and the banks of rivers

"The gold-bearing ore in this area as well as in Botswana and Zimbabwe is different to that on the Witwatersrand It is located in rock with a high content of arsenopyrites," says a mining engineer, who asked not to be named "The classic method of getting the gold out of this rock is to roast it in huge furnaces This sends volatised arsenic gases up the stacks and into the air and creates a fine arsenic dust that has to be disposed of. The mines try to sell some of this and treat the rest before they dump it But it's an extremely dirty process

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Loraine strategy 'based on cash flow problems'

BDay 16/11/90

(214)

MARC HASENFUSS

CASH flow problems have forced Anglovaal's Loraine gold mine to abandon its own plans to exploit ground beyond its northern boundary, and to devise an innovative financing package for its continuing exploration programme.

This was the interpretation placed by mining analysts on the announcement yesterday that the mine would place its northern mineral rights in a new company, Target, and would raise the R45m needed to complete an exploratory drilling programme by a rights issue of Target shares to Loraine's own shareholders.

In September Loraine said exploration of the Eldorado, Big Pebble and B reefs had disclosed good values on several farms to the north of the mining property and that extensions of the Basal reef, the richest in the Free State, had been indicated by boreholes

However, analysts pointed out yesterday that the mine was making operating losses and was unlikely to generate profits unless gold rose strongly As a result, the analysts said, Loraine could neither borrow to finance further drilling nor gain any tax advantages by offsetting further drilling costs against profits

The implication was that eventual exploitation of Target was expected to be more profitable than Loraine's present operations and that its drilling costs were more likely to be recouped in tax savings than if they were to be borne by Loraine itself

Encouraging

Loraine has been particularly affected by gold's persistent price weakness, and earlier expectations that it might be used as the tax-efficient vehicle for developing Anglovaal's Sun gold project had disappeared, analysts said.

They also noted that Anglovaal itself had given very little information about the Sun project's drilling exploration results and added that the latest decision to proceed with Target was encouraging for shareholders who believed Sun would be the mining group's next major project.

Star 16/1/90 (214)

R2-bn wiped off gold shares

Finance Staff

The combined effect of a strong financial rand and a drop in the gold price to below $380 knocked nearly R2 billion off the market capitalisation of gold shares on the JSE yesterday.

This brought the gold share index to 68 points below the previous year's low reached in June, closing at 1253.

Yesterday's drop was about R1 924 000.

The gold price lost $5,20 in London yesterday to a close of $379,25 after an $8 fall in New York the previous day.

However, in New York last night, it closed $1,50 up on the day at $379,10.

Loraine finds novel way to raise capital

Star 16/11/90 (214)

By Derek Tommey

Loraine Gold Mine has lost no time in coming up with a novel scheme for raising R45 million in fresh capital to enable it to have good look at the gold deposits which it owns to the north of its present lease area

No details have been released about the values found in these deposits But the degree of excitement in the the first announcement seven weeks ago that encouraging values have been discovered and the speed with which the mine has produced a plan to finance more detailed exploration, suggests that something better than average has been discovered

Loraine itself is in no shape to raise fresh capital It had a working loss of R9,2 million in the September quarter. Shareholders are likely to baulk at being called on to raise new capital on the grounds that it would probably be used to keep the existing operation afloat

To get round this Loraine is forming a wholly-owned subsidiary called Target Exploration Company Limited.

Loraine will exchange the mineral rights in the northern area for 25,1 percent of Target's final proposed issued share capital.

Target is then to be listed. Loraine will renounce its rights in favour of its shareholders at no cost after which Target will make a rights issue to raise R45 million This will cover the cost of the exploration programme, estimated at R36,5 million spread over the next two years and the cost of a feasibility study, if warranted, into whether the area could support a gold mine.

Loraine shareholders who take up their rights in Target will retain, through their Loraine and Target Holdings, the same proportional interest in the mineral rights as at present

Although Target will not apply for an International Stock Exchange (London) listing, it may be possible to deal in Target's rights and ordinaries in terms of ISE rules.

The proposed formation of Target and its acquisition of mineral rights will not have a material effect on the net tangible asset value or share earnings of Loraine.

Anglovaal will be appointed the financial, administrative and technical advisers, as well as head office Secretaries and Transfer Secretaries to Target.

Loraine is to call a general meeting shortly to seek shareholders' approval for these proposals. In the meantime shareholders are advised to continue to exercise caution in dealing in their shares

Increase in gold output for October

PETER GALLI

TOTAL gold output for mines in SA for October increased by 1,7% to 51 908kg from 51 061kg in September, its highest level since November last year.

At an average September gold price of R32 313/kg this represents an increase of R27,4m to the hard-hit industry for the month.

B/Day 19/11/90

A Chamber of Mines economist said the increase should be seen against the fact that the industry was at present rationalising output through the curtailment of operations and retrenchments in the labour force.

He added that the industry was milling roughly the same amount of ore, but was containing and even increasing declining grades.

This was also a positive development but the need to mine higher grade reef meant there would not be much scope for higher grading in future and this would restrict increased production from these levels.

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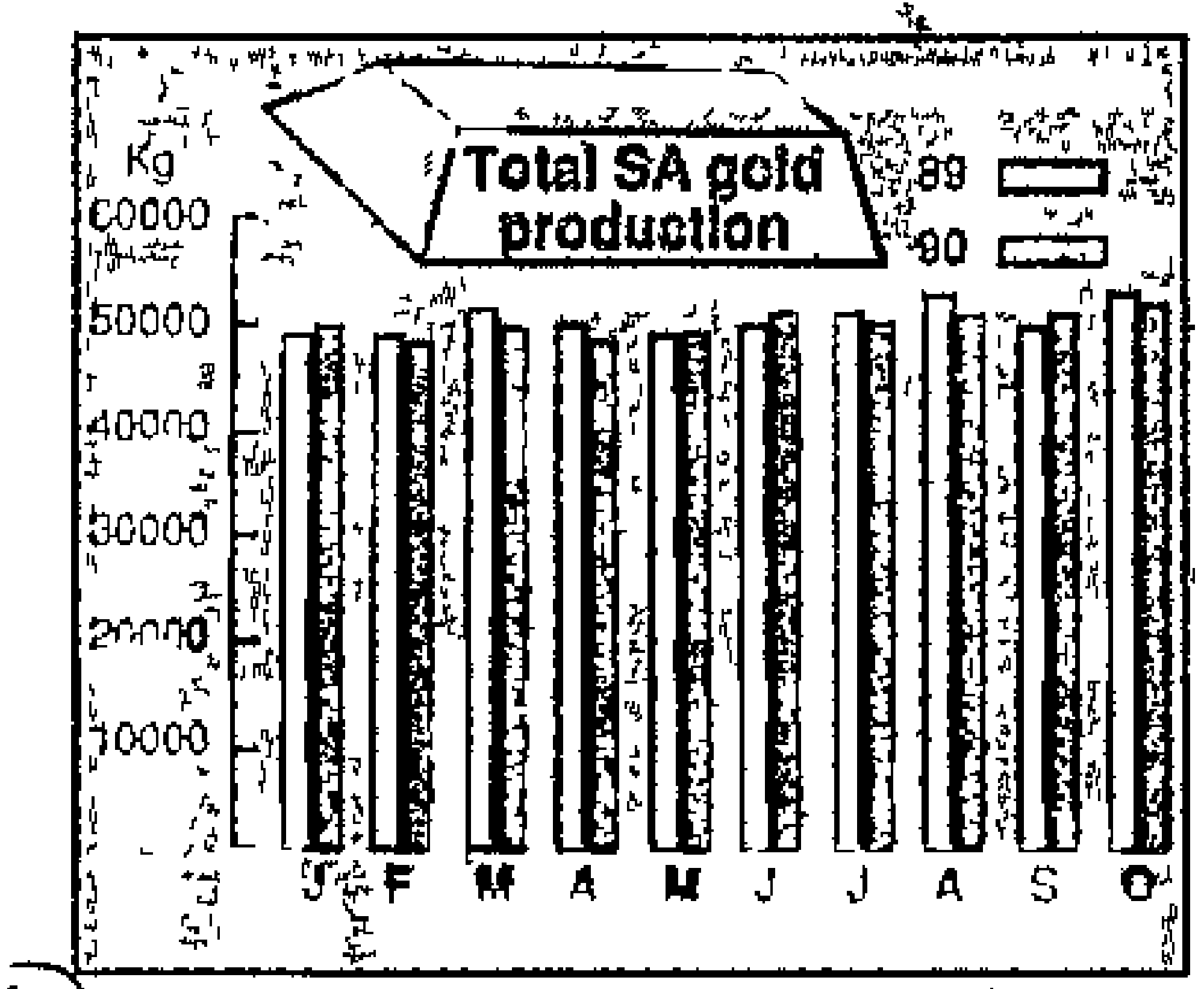


Graphic: LEE EMERTON Source CHAMBER OF MINES

The progressive output figure for the 10 months to October showed a drop of 3 667kg (0,7%) to 501 777kg or a loss of R118m at an average gold price for the period of R32 176 over the corresponding period last year.

The economist said that output for the year would undoubtedly be lower than last year's 608 tons, and it was also doubtful whether the predicted figure for 1990 of 596 tons would be reached as December was a quiet month.

Anglo helps pay township's water bill

MATTHEW CURTIN

WATER supplies were restored to Welkom's Thabong township yesterday after Anglo American helped to bale out the cash-strapped township.

The township was without water for 24 hours as authorities put pressure on the 190 000 strong community to step up payments for water bills At least R800 000 is owed to the Goldfields Water Board.

Local civic organisations, councils and the corporation reached an agreement on the issue at a meeting yesterday afternoon

Anglo American gold and uranium division GM Adrian du Plessis said last night Anglo had a "direct and material interest in the resolution of conflicts affecting our workplaces" Anglo's Freegold mining operation employs about 2 500 Thabong residents among its 100 000 employees.

Du Plessis said Anglo was present at the negotiating table and "was able to bring a little to the table which may have helped the principal parties involved in reaching a settlement". (214)

He would not give details of Anglo's role

Sapa reports that a source in the Welkom City Council said Anglo had agreed to financially bale out the township "at another meeting" on Tuesday

Welkom Mayor Alwyn Rohrs said civic leaders had pledged to pay R10 000 daily and to establish extra paying points in the township to offset the more than R800 000 owed to the water board.

96/11/22

BmD/9

CMC firmer on the bottom line

BDay 23/11/90

LIZ ROUSE

2.14

CONSOLIDATED Mining Corporation (CMC) group companies' results for the six months to September were mixed, with the gold producers' profits adversely affected by the lower gold price although gold production was increased

The leaner and fitter CMC fared well at the bottom line although turnover was down CMC's turnover declined to R67,4m (R76,5m) but pre-tax income was up at R8,07m (R6,4m) while net income after outside shareholders' interest was R4,3m (R3,7m)

Earnings per permanent capital unit were down marginally at 1c (1,1c) An interim dividend of 0,9c was paid in October

South East Rand Gold Holdings' (Southgo's) turnover declined to R61,3m (R90,1m) with pre-tax income down to R5,8m (R6,8m), but net income was up at R3,4m (R3,3m) mainly because of smaller outside shareholders' interest

Southgo's earnings a share were lower at 2,6c (3,1c) on a larger issued share capital.

Egoli Consolidated Mines' net income was also slightly higher although turnover and pretax income was down Turnover amounted to R65,8m (R76,2m) with pre-tax profit down to R5,6m (R6,3m) but net income up at R2,7m (R2,3m)

Carrig Diamonds, in which Egoli has increased its holding to 80,6% from 72,9%, pushed up turnover to R4,5m (R3,5m) with pre-tax income up at R189 000 (R141 000) Higher tax and increased outside shareholders' interest of R10 000 resulted in net income declining to R132 000 (R153 000)

Carrig directors say in the interim report that results for the second half of the year will be adversely affected by current labour problems and resultant additional costs in commissioning three new plants

The CMC group turned around in the year to end-March 1990, only nine months after the merger of Joe Berardo's JMF group with Southgo Both Egoli and Southgo resumed dividend payments after passing dividends for three years

Sunter declares war on gold costs rise

B/Day 23/11/90

214

ALAN FINE and EDYTH BULBRING

ANGLO American was planning to keep the growth in working costs per kilogram of gold mined to zero in the next two years, gold and uranium division chairman Clem Sunter said yesterday

The move appears to be a significant strategic shift by Anglo, whose large mines have until now concentrated on increasing tonnages mined, spreading overhead costs over a greater volume, and thereby containing unit cost increases

Sunter said a key part of the strategy would be the mining of higher grades

It would include rationalisation of production and the cutting of overall costs at marginal shafts as means of heading off some threatened shaft closures.

The new strategy seems to be similar to that of Genmin, whose much smaller marginal mines have concentrated on producing lower tonnages of higher grade and profitable ore

Sunter said Anglo's planning was based on an expected average 1991 gold price of R30 000 to R32 000/kg "In the past the gold price tended to escalate at the same rate as costs We had always been eternal optimists, but the past three years have shown this assumption is no longer valid"

The price is presently R31 000/kg

Although each Anglo mining region was operating profitably, a number of shafts would be in serious trouble in the absence of management intervention, he said

He declined to supply details of the identity and number of shafts in danger of closure or rationalisation, or of the number of jobs that might be affected, as detailed strategic planning was still in progress

Once shafts in danger had been identified, in addition to the mining of higher grade ore, the strategy included the better handling of materials underground, looking at whether shafts were overstaffed, and the rationalisation of management structures if possible, he said

Mine managements also intended pressing suppliers to keep their price increases to a minimum, and were assuming falling inflation would enhance prospects of this

Better stores management, efficient use of explosives, the use of more efficient ways of breaking rock, optimising electrical consumption and "screwing capex down to what is absolutely necessary", were further measures to be adopted

Sunter said such programmes would have an effect on employment levels If the average gold price was R30 000 — the bottom of the expected range — retrenchments would probably be unavoidable

However, retrenchments could be reduced by the negotiation of "modest" wage settlements, and natural attrition accounted for 5% of the workforce each year

B Day 23/11/90

MidWits posts same dividend

LIZ ROUSE (214)

MIDDLE Witwatersrand (Western Areas) (MidWits) has declared an unchanged interim dividend but Anglovaal's gold companies have all cut their interim dividends.

Middle Witwatersrand has kept its interim dividend at 2c.

Hartebeestfontein's interim is down to 50c from 65c and, in line with this, Zandpan has declared a lower interim of 8,25c (10,5c)

Eastern Transvaal Consolidated's interim is 7c (10c), while Village Main's payment is 13c (14c).

Clyde performs better

B Day 23/11/90 **ZILLA EFRAT** (214)

CLYDE Industrial Corporation has improved its earnings a share by 53% in the six months to August, off a low base and despite unfavourable trading conditions in the gold mining industry.

The group, which manufactures secondary steel products for the mining and industrial sectors, posted earnings of 4,9c (3,2c) a share or attributable profits of R886 000 (R556 000).

An interim dividend of 1,25c (0,75c) a share has been declared, covered 3,9 (3,5) times.

The company has been restructured and rationalised.

Chairman Gordon Wilson says the gold mining industry has traditionally been responsible for the company's income, but its market base has been broadened with greater emphasis being placed on the industrial sector.

Turnover rose 6% to R35,8m (R33,7m). However, with operating margins up at 6,1% (5,1%), operating profit increased 25,7% to R2,2m (R1,7m).

The interest bill more than halved to R343 000 (R736 000) with interest cover improving to 6,4 (2,4) times.

Pre-tax profits rose 84% to R1,8m, but a higher tax rate at 51,9% (44,6%) resulted in taxed profits improving 59% to R886 000

Anglo bows to chill winds of recession

Star 23/11/90 214

By Derek Tommey

The squeeze on gold mining profits and the chill winds of recession have trimmed the earnings of the country's financial giant, the Anglo American Corporation.

Anglo's attributable earnings for the six months ended September 30, fell 10 percent to R540 million equal to 223c a share, while equity accounted earnings fell 12 percent to R1 150 million (496c a share).

However, the interim dividend has been maintained at 85c a share.

Anglo's chairman, Mr J Ogilvie Thompson, said earlier this year that the high cover on the dividends declared by the non-gold mining companies in the group should ensure that these dividends and Anglo's dividend would not be affected by the downturn in the economy

Anglo's investment income dropped from R632 million to R594 million, mainly as a result of lower dividend income from the gold mining interests

Gold mining dividends have dropped to 21 percent of the corporation's investment income against 30 percent a year ago

At the same time there was no significant growth in dividends in the other sectors in which the corporation is invested.

The lower gold mining profits reflect the continuing fall in mine profit margins owing to inflation-driven cost increases and a static gold price.

Anglo American says the rand gold price in the first six months of 1990 averaged R1008 an ounce ($386), which was only two percent higher than the average of R985 ($384) in the first half of 1989

Trading income dropped 19 percent from R279 million to R226 million mainly owing to the fall in Anglo American Coal Corporation's (Amcoal) operating profit. This was the result of lower export sales, increased unit working costs and the strengthening of the rand against the US dollar

Other net income fell from R28 million to R19 million, reflecting lower interest and fee income and higher prospecting costs

The drop in taxation to R162 million (1989 R210 million) arose partly from Amcoal's lower tax charge and partly from the fall in other net income

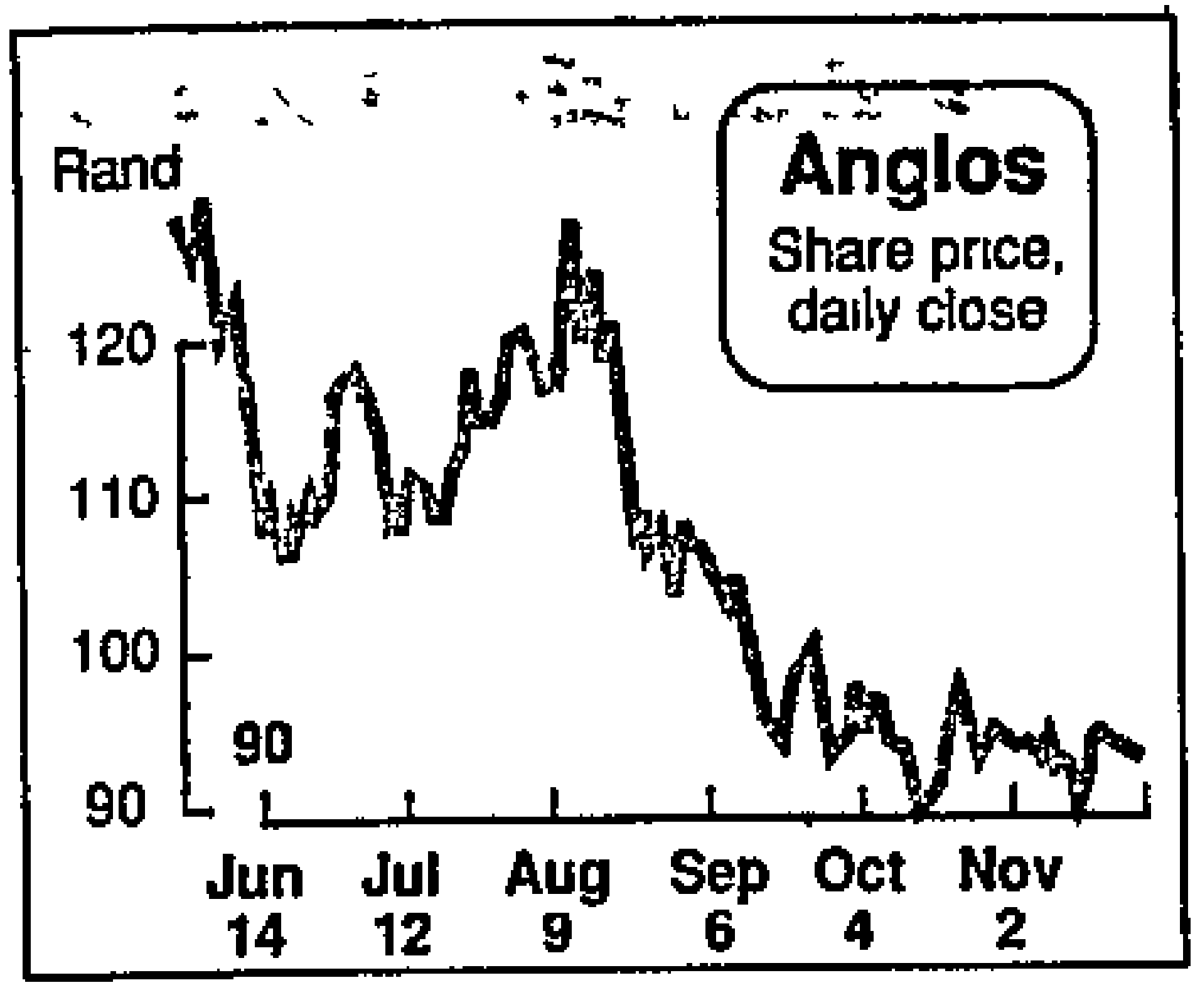
Retained earnings of associated companies, which are transferred to non-distributable reserves, fell by 14 percent to R610 million, reflecting the effect of the recession on industrial interests.

In addition, the stronger rand/US dollar exchange rate and the slowdown in world economies affected demand for exports and had an adverse impact on the Corporation's offshore earnings.

Based on the market value of listed investments at September 30 and the directors' valuation of unlisted investments at March 31, and provision for dividends, the net asset value per share rose marginally by two percent from 13 713c to 14 031c

Anglo directors forecast that with the continuing difficult economic conditions, the slow down in demand for exports and a firmer rand, together with reduced profit margins in the gold mining industry, the results for the year ending March 31 1991 are likely to show a similar trend to that recorded for the period under review

Anglo hit by reduced gold earnings, recession



Graphic: LEE EMERTON Source JSE

ROBERT GENTLE

ANGLO American Corporation posted a 10,4% fall in attributable earnings to 233c (260c) a share for the half-year ending September as it felt the bite of reduced gold earnings, the South African recession and the slowdown in world economies

The mid-year showing, which analysts said was below their forecasts, saw net income fall virtually across all sectors, at home and abroad

However the mining, finance and industrial conglomerate maintained its interim dividend at 85c a share

B Day 23/11/90

Anglo's overall net pre-tax income fell 10,6% to R839m (R939m) as all three constituent components — investment, trading and other — dipped below their previous half-year levels (214)

Investment income, which accounts for over two-thirds of total net income, fell to R594m (R632m) Anglo attributed this largely to lower dividend income from gold mining interests and "no significant growth in other sectors"

Anglo's gold interests include Freegold, the world's largest gold mining complex, Western Deep Levels and Vaal Reefs

☐ To Page 2

Inflation

B Day 23/11/90 (214)

☐ From Page 1

the brunt of the hike and could see the rate increase to around 15%.

The figures revealed a scenario of how the inflation rate might have performed without the high oil and petrol prices in the wake of the Gulf crisis, economists said

Underlying downward pressure reappeared in October after being outweighed by September's 10% petrol price hike.

One major bugbear, that of food inflation, showed an impressive 1,3 percentage point fall to 16%, its lowest annual rate of increase since June. The increase in the food index from September was only 0,6%, which was held back by a 3,8% decrease in the vegetable component.

The month-on-month rate of increase in the CPI from September was only 0,7%, one of the smallest in the last two years.

Bankorp economist Johan Els said November's inflation rate was expected to be 15,1%, after which it was likely to resume its drop. By the end of 1991, he said, SA could see inflation at around 11%.

After encouraging money supply figures on Wednesday, he said, economic prospects for a Bank rate reduction before the second quarter of 1991 were better

Capital market rates fell on the news, with the Eskom 168 slipping to 16,10% from 16,16% on Wednesday.

LORAINE FM 23/11/90

FUNDING PLAN

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Loraine will seek to raise about R2,80 a share to fund its exploration venture in the area north of the mine's northern boundary, if it gets approval of shareholders at a general meeting

After the September announcement regarding Loraine's drilling programme in the region (*Fox* October 5) comes news that the gold mine is to establish a new company to carry out further exploration.

In what was really an elaborate form of cautionary announcement, Loraine released details of borehole and sampling data from the area It stated that the figures were encouraging enough to justify additional and more detailed drilling at a cost of about R36,5m

Funds for this are to be raised through the incorporation of Target Exploration Co, initially as a wholly owned subsidiary of Loraine Mineral rights will be injected into Target, in exchange for 25,1% of the final proposed issued share capital, and Target will be listed through a rights offer.

The amount to be raised, including various contingencies, is about R45m, which is equivalent to roughly R2,80 per Loraine share. This is about 23% above the estimated drilling costs, so most eventualities look well covered. Additional financing is unlikely to be needed unless a mine is to be developed

Loraine will renounce its rights in favour of its shareholders, for no consideration. Members will therefore be able to participate directly in Target If shareholders follow their rights, they will retain the same proportional holding in the mineral rights, through their holdings in both Target and Loraine (which will hold 25,1% of Target)

This venture has been structured to ensure that continued exploration in what seems to be a promising area will not negatively affect Loraine's cash flow. Already the mine is rather strapped for cash

Having come this far with the drilling and exploration programme, it would be a pity to miss a potentially profitable deposit, just because of funding difficulties, so it makes sense for the mine to continue with the undertaking It will take about two years to complete the study, by which time the developers will be able to evaluate whether they have a viable mine. At this stage it is possible only to use words like "encouraging" and "promising " So it's a case of you pays your money and you takes your chance.

Gillian Findlay

Anglo feels chill winds

S Times 25/

214

By JULIE WALKER

BRAVE words were spoken by Clem Sunter this week about keeping the rate of gold-mine cost increases at zero for the next two years

Lower dividend income from gold holdings brought Anglo American Corporation face to face with reality. Mr Sunter became chairman of the gold and uranium division earlier this year, taking on a herculean task of restoring profit levels.

Reporting a 12% decline in equity-accounted earnings to R1 150-million for the six months to September, Anglo says inflation-driven cost increases have affected gold-mine profitability.

The rand price of gold in he first six months of 1990 averaged R1 008 an ounce, only 2% higher than the average for the corresponding time in 1989

The equation for gold-mining profitability is constantly changing It depends on the rand exchange rate, the dollar price, the grade recovered and the cost of production

Anglo cannot determine the gold price or the rand receipts It is a huge producer and if it tried to sell forward when the gold price ticked up, the exercise would become self-defeating because the price would retreat

The target of holding costs will be reached only through labour cuts, improving the grade, and by taking a harder line with suppliers

Battle

It could develop into a battle between Anglo American's industrial businesses supplying mines, notably AECI. AECI is dominant in explosives and chemicals.

Gencor followed the cost-cutting path sooner than the other mining houses, and the ratings afforded on the JSE to its better-quality mines, notably Beatrix, Winkelhaak and Kinross, have improved.

Labour accounts for nearly 50% of the cost of mining gold Job cuts will not be undertaken lightly or cheaply, but they could be inevitable.

The mining unions would rather see more employed at one rate of pay than half as many workers on twice the individual wage

Mining to a higher grade is no overnight answer It will probably take a year before an appreciable change can be made to the grade, and the lives of the mines will be shortened

The corporation has also come under pressure at its other mines Export revenue from coal fell and other net income fell by R9-million to R19-million as a result of lower interest and fee income and higher prospecting costs.

The recession being felt by industrial companies depressed retained earnings of associates The earnings, which are transferred to non-distributable reserves, slipped 14% to R610-million

Star 26/11/90

214

Prospects good for Benoni

By Derek Tommey

Minority shareholders in listed Minetec should think hard before accepting the Consmining offer, which opens today, of 20c a share for their holdings

The offer is part of the move to facilitate Minetec's reverse takeover of the Benoni Gold Mining Company and its listing on the JSE

Minetec shareholders should be aware that if Benoni performs as expected, they will be better off holding onto their Minetec shares than taking the 20c

They should also bear in mind that the people running Consmining, RA (Tony) Lee and Glenn Laing, have had considerable success in launching and running similar operations such as Knights and West Witwatersrand

In a statement today Consmining says Minetec has sold its mining supply business to Genrec Holdings and its pre-payment meter business to AEG for R2,18 million

This is equal to 18,4c a share and would seem to be the basis for the 20c a share offer which closes on December 14

It is planned to consolidate Minetec's shares on a five-for-one basis and change the company's name to Benoni Gold Holdings

Thereafter, the net tangible asset value of Benoni's shares will be 40,6c a share

Mine research cuts hit mechanisation work

[redacted] (214) **PETER GALLI** [redacted]

WORK on mechanisation would be most affected by the budget cutbacks announced recently by the Chamber of Mines Research Organisation (Comro), Chamber of Mines senior manager general operations Horst Wagner said B Day 27/11/90

More fundamental work on gold deposition would also be affected, he said, adding that Comro would continue research in other areas of importance to the industry

The mining houses had agreed to contract work with Comro in areas of importance to themselves. CSIR and Mintek would continue to receive specific projects from the mining houses in their fields of expertise.

CSIR president Brian Clark said the effect of the Comro cutback could not be determined, but the CSIR was keen to expand its area of sponsored work and wanted any extra contract work which might become available as a result of the cutbacks.

"We are seeing an increasing number of individual mining companies applying to us to do contract research for them, and we foresee an increase in this," he said

CSIR corporate mining programme manager Brian Protherow said the aim of the council's corporate mining programme was to use its available skills more broadly, which meant focusing on priority areas for the mining industry and then seeing in what way it could assist it

The CSIR had an "out-and-about policy", he said, and was always looking to improve and increase its skills base. The mining industry was in a period of consolidation and was concentrating on fundamental research only, he concluded.

Anglo American's gold and uranium division spokesman said that in 1990 the division was expected to spend R47m on in-company research into new mining technologies, safety and health

A similar budget was projected for 1991, with the move away from industry to in-company research.

Star 27/11/90

Gold shares bolstered by weaker finrand

By Derek Tommey

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Gold share prices rose sharply on the JSE yesterday

The gold index gained 83 points, or 6,7 percent, to 1319

But although the gold price jumped $3 in London yesterday to $387 on growing Middle East war fears, it seems the weakness in the financial rand was equally important in lifting share prices

The financial rand, which opened yesterday at R3,40 to the dollar, fell back sharply and at one point almost reached R3,60

Later it recovered to R3,51, but its earlier fall would have been sufficient to kick up gold share prices by almost six percent

There is no obvious reason for yesterday's weakness in the financial rand.

But there is a suspicion that foreigners are beginning to realise that the abolition of the financial rand system is much further away than recent reports might have suggested.

The belief that the financial rand system was on its deathbed led to a strong demand for Eskom loan stock.

The ending of the financial rand system could present foreign holders of Eskom stock with a capital profit of up to 40 percent.

But the Reserve Bank has been at pains in the past few days to let banks know that the ending of the financial rand system could be some time away.

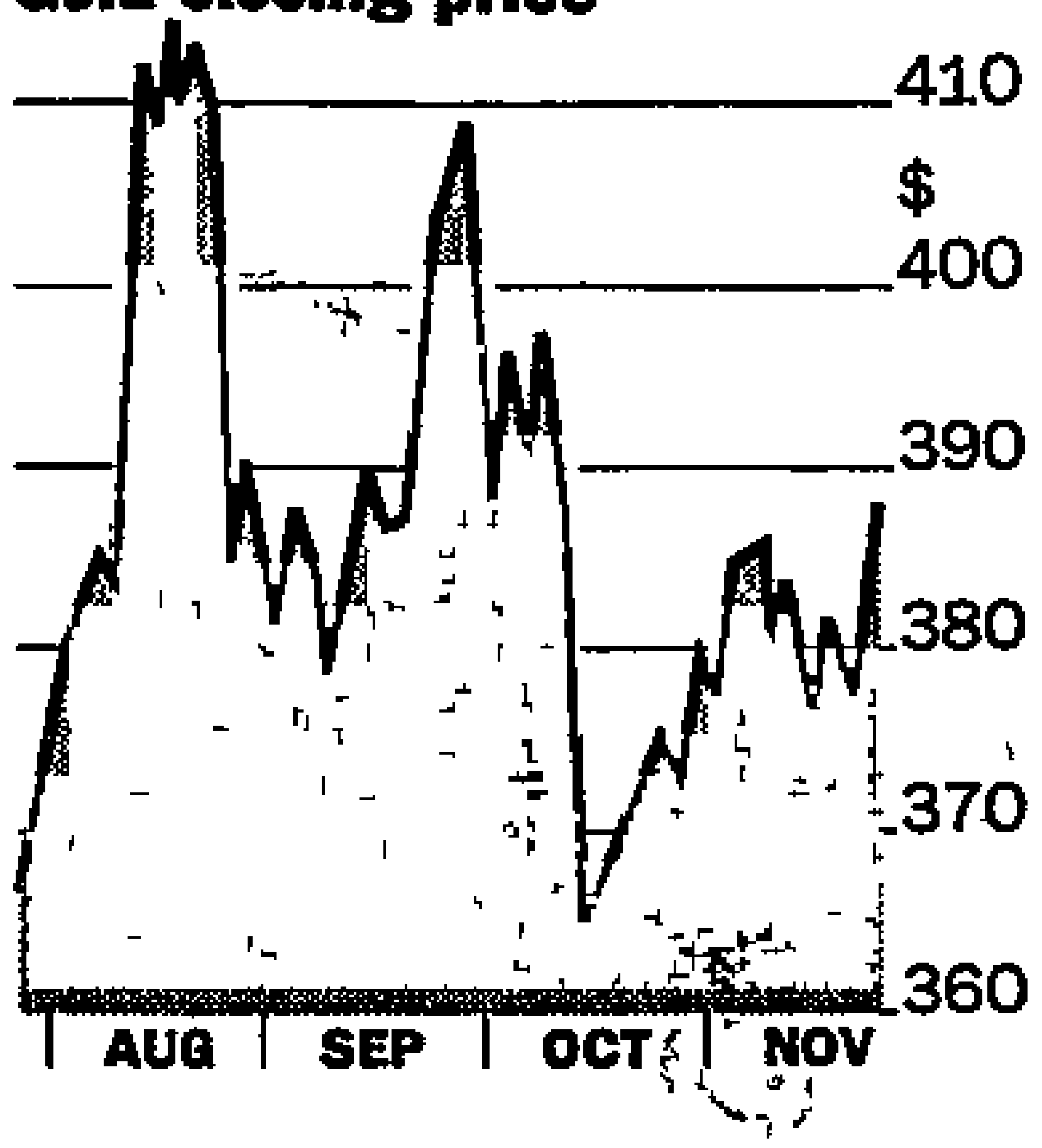
The $3 rise in the gold price yesterday came after reports in US and British newspapers that the US wanted to get the UN to impose a January 1 deadline for Iraq to withdraw from Kuwait or face military action

This resulted in the price of Brent crude oil jumping to $33,50 a barrel, with the gold price rising in sympathy

The only factor keeping up the oil price is fear of a Middle East war leading to the destruction of Saudi Arabian oil installations

If these remain intact, the oil price could drop to $25 a barrel, analysts say

Gold closing price



COMPANIES

Oryx needs more cash for operation, says chairman

214

B/Day 29/11/90

LIZ ROUSE

ORYX Gold Holdings will need additional funds to bring the first phase of the mine into full production of 100 000 tons a month by the end of 1993, says chairman Gary Maude in his annual review.

Loans totalling R550m have been secured, of which R309,2m has been used to date. The annual report reveals that a total of R949m is needed up to 1993 and beyond

Cumulative expenditure to August 1990 amounted to R497,9m on the No 1 Shaft system and R8,7m on the No 2 Shaft system Due to the prevailing low gold price, further expenditure on No 2 Shaft has been temporarily suspended.

Royalties and dividend income from the mine will ultimately depend on the profitability of mining operations on the Kalkoenkrans Reef

Maude says the establishment and development of the mine is proceeding satisfactorily. Major civil, mechanical and electrical construction — both underground and on surface — is proceeding well. No 1B ventilation shaft has been completed and the sinking of two subvertical shafts is in progress.

Oryx is a partial member of the Chamber of Mines and has excluded itself from the chamber's labour agreements. Maude says this has enabled it to introduce novel labour structures facilitating the development of more highly skilled positions for more junior workers.

Oryx Gold Holdings incurred a taxed loss of R1,3m in the year to August compared with a taxed profit of R9,7m in 1989.

Gold Fields retrenches 3 700 mineworkers

21P

388

Str. 30/11/90

Finance Staff

Gold Fields last night announced the retrenchment of 3 700 mineworkers at two of its struggling gold mines — Doornfontein and Venterspost.

Both these mines have been reporting losses in recent quarters.

The retrenchments have been made in order to reduce costs and restore them to profitability.

The scale of operations has been rationalised, a company spokesman said.

Working losses were incurred in the June and September 1990 quarters and the financial position of the mines has continued to deteriorate because of the weaker gold price in rand terms and increases in operating costs.

At this stage, the reduction in the workforce at Doornfontein is expected to be about 1 700 and at at Venterspost about 2 000.

To reduce the impact of the rationalisation programme, efforts were being made to secure work for employees at other operations within the Gold Fields group, the company said last night.

B/Day 30/11/90

RMP profits from property set to dive

MARIETTE DU PLESSIS

RAND Mines Properties' (RMP's) profits from property operations will be substantially lower in financial 1991, says chairman Dammy Watt in his review.

In the light of the lower expected earnings, he said, dividends would not be maintained and unless there was a significant improvement in the gold price, results from the gold recovery division could be further attenuated.

Rand Mines continued the exploration of RMP's mineral rights in the Pilgrim's Rest and Sabie districts Exploratory underground workings were reopened at the Morgenzon and Mayflower mines

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Slowdown

During the year to end-September, gold recovery at its Crown Mines and City Deep plants suffered the combined effects of a declining yield, significant cost increases and a relatively strong rand

Working profit at Crown Mines and City Deep declined 62% and 36% respectively to R12,9m and R2,2m. It was also down at Pilgrim's Rest

Watt also expected the economic slowdown, high interest rates and political uncertainty to have a negative impact on demand for vacant township land

At year-end RMP's cash surplus was R58,2m

AMGOLD FM 21/9/90 (214)

READY FOR MOAB

Only days after posting a 38% decline in profits Amgold has announced a R500m rights issue "to take advantage of attractive investment opportunities under consideration " This comes at the same time as the disclosure that mineral leases have been granted over the Moab extension to Vaal Reefs, in which Amgold has a 16,6% interest

FOX FM 21/9/90 (214)

The decision to allow the development of Moab under the Vaal Reefs tax shield means that work can begin on the R2bn project At this stage, though, Vaal Reefs has no interest in the venture and, in terms of the capex allowance scheme, the extension must be wholly owned by it in order to benefit from the tax base

The ultimate financial structure has yet to be decided, hence Amgold's degree of participation is unknown for the moment Anglo would not be drawn on Amgold's current interest in the project, as it will undoubtedly differ from the final result What is certain is that a large portion of the R500m which Amgold is raising will be used to help finance the Moab venture

Short-term loans are also to be repaid from the rights issue, which amounted to R40,6m at the February year-end and were around R80m at end-August In addition, Amgold will be required to put up some funds for the South Deep project of JCI/Western Areas (see page 93) Amgold has a 2,5% interest in Western Areas and a 4,5% interest in pyramid company Elsburg (which holds 48,7% of Western Areas)

At this stage, no figure can be put on the amount needed for South Deep, but this should be available later this week The balance of the funds to be raised will be used for investments in other areas, which remain confidential at present

Several companies are believed to be considering rights issues and the market will be asked to dip quite deeply into its pocket over the next few months Not only are we looking at this R500m, but there could be some R350m to be raised for the Western Areas/South Deep arrangement, Rand Mines is said to be considering a rights issue of perhaps as much as R500m — Wit Colls could use substantial refinancing and Barmines will need funds for Kennedy's Vale and Crocodile River — and Barlow Rand would need to follow its rights Implats/Messina will need some R700m, but may be able to avoid a rights issue, and Joel could be looking for at least R200m

With the market in the doldrums, the timing for raising capital can hardly be described as propitious *Gillian Findlay*

FM 21/9/90 (214) **FOX**

WESTERN AREAS/SODEXCO

LISTING PLANS

(214)

FM 21/9/90

Battling with declining production, rising costs and a low gold price — together with having to support the exploration of the South Deep Project Area — has been too much for Western Areas The JCI gold mine is to dispose of its 40,9% stake in South Deep, in terms of a scheme which will see the JSE listing of a new exploration company, Sodexco

Western Areas is to put into Sodexco its mineral rights, part of its mining lease and certain land in exchange for 40,9% of the issued share capital The new company is to have a rights issue simultaneously and Western Areas will offer its entire entitlement of Sodexco shares to its shareholders, including those arising from the rights issue

The value of South Deep is subject to much debate Western Areas has indicated it would apply the proceeds from the disposal to the reduction of its short-term debt of R95,9m (at June 30), cover the retrenchment costs involved in reducing the level of operations at the North Shaft (somewhere between R7m-R10m) and provide for ongoing capex The mine would probably like to raise about R130m-R140m

It is believed Sodexco will need to raise at least R200m to cover the costs of completing the exploration and development programme A document giving more details of the arrangement is to be released on Friday

An important benefit of the cash injection will be the reduction in Western Areas' interest burden and the consequent boost to cash flow In the year to end-June, interest payments equalled R16m This, with the reduction in labour announced in July, should do much to put the mine back in the black

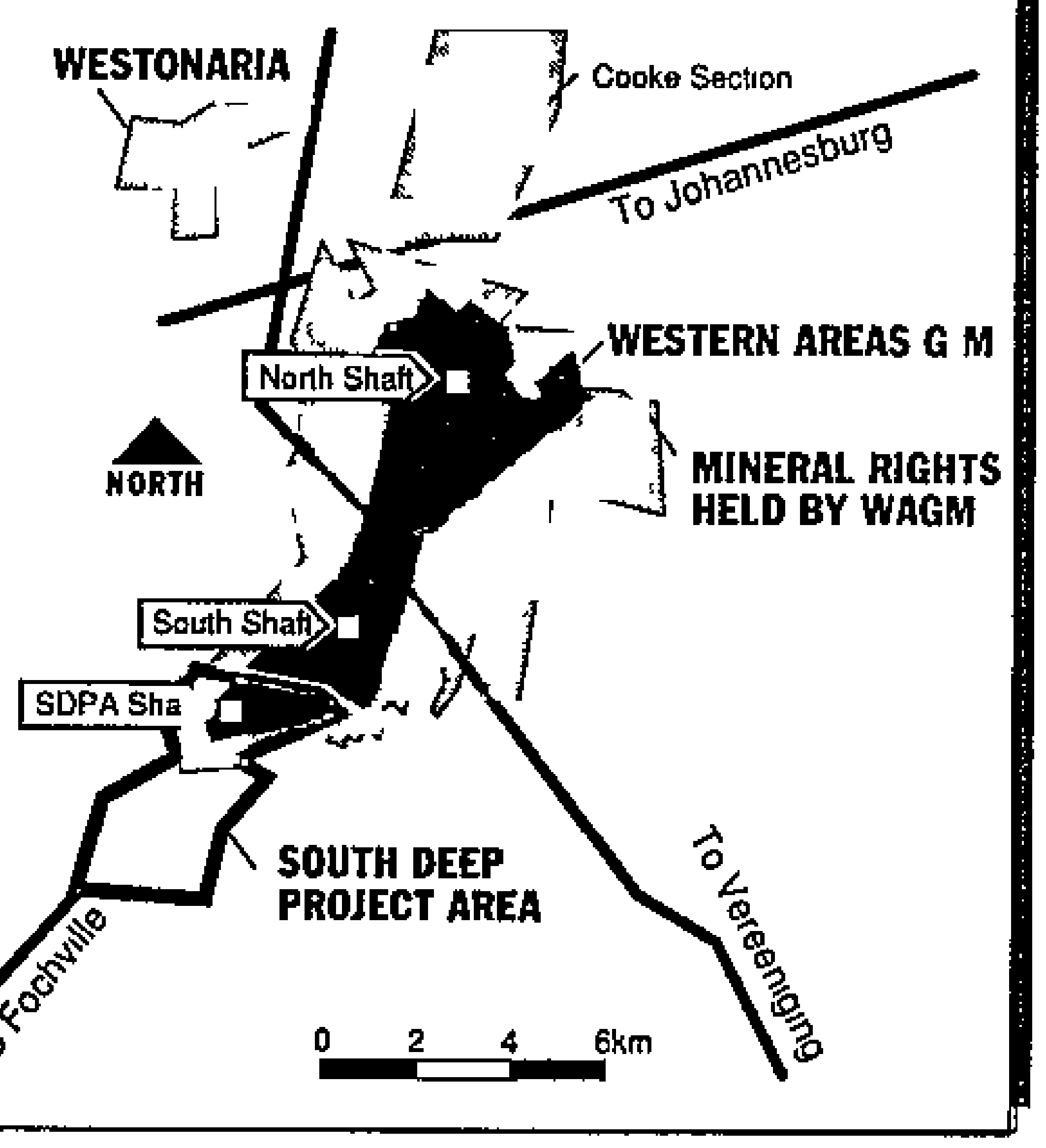
Sodexco will be listed as an exploration company and will continue prospecting the area Already some 24 boreholes, with a total of more than 100 reef intersections, have been drilled and an underground prospecting programme is now under way

South Deep reserves of mineable ore are estimated at 116 Mt at an in-situ grade of 9,0 g/t Such a deposit could support an economically viable mine with a life exceeding 30 years

To confirm these estimates and increase knowledge of the area, the development of the 95 level twin haulage will continue and ramping to the reef intersection will be undertaken in the probable shaft area Once an ore reserve equivalent to at least four years of stoping at full production has been proved, the mine should get the go-ahead This is expected to take 18-24 months

SAVING THE BACON

Western Areas selloff



As a result of this scheme, shareholders will have the opportunity to "focus separately on the relative investment merits of an existing marginal gold producer and a greenfields orebody which, in SA terms, has considerable potential to develop as a large medium-grade producer " In addition, the refinancing of Western Areas should enable the mine to return to profitability, which was surely long overdue *Gillian Findlay*

FM 28/9/90 (214)

NEW WITS/SEL MIN/WIT DEEP

MERGER PLANS

The decision to merge the three GFSA mining holding companies — New Wits, Selected Mining and Wit Deep — makes a lot of sense

New Wits is to be used as the vehicle for the rationalisation Selected shareholders will receive 120 New Wits shares for every 100 Selected shares, while Wit Deep shareholders will be issued 90 New Wits shares for each 100 Wit Deep shares

There is a large overlap of the investment portfolios of the three companies, though New Wits' is by far the largest and most comprehensive New Wits' market capitalisation is R260m, that of Wit Deep is R79m, and Selected's is only R12m — totalling R351m

A single administration, as well as a bolstered asset base and a combined mineral portfolio, must benefit all parties Selected and Wit Deep shareholders should gain these benefits in exchange for their existing holdings, which usually trade at a substantial discount to net worth

The smaller companies tend to trade at a relatively larger discount, so the overall effect should be a firming

The investments are seldom traded — changes in holdings tend to come about more from rights issues and share splits than any active management — which again supports a merger

Gillian Findlay

JCI

FLOW OF NEW PROJECTS

(214)

FIM 5/10/90

Activities: *Mining house with principal interests in platinum, gold, base metals and minerals, diamonds, exploration, industry and property*
Control: *Anglo American Corp 39,8%*
Chairman: *P F Retief*
Capital structure: *147,5m ords Market capitalisation R5,9bn*
Share market: *Price 4 000c Yields 3,3% on dividend, 10,2% on earnings, p e ratio, 9,8, cover, 2,2 12-month high, 6 100c, low, 3 600c Trading volume last quarter, 2,59m shares*

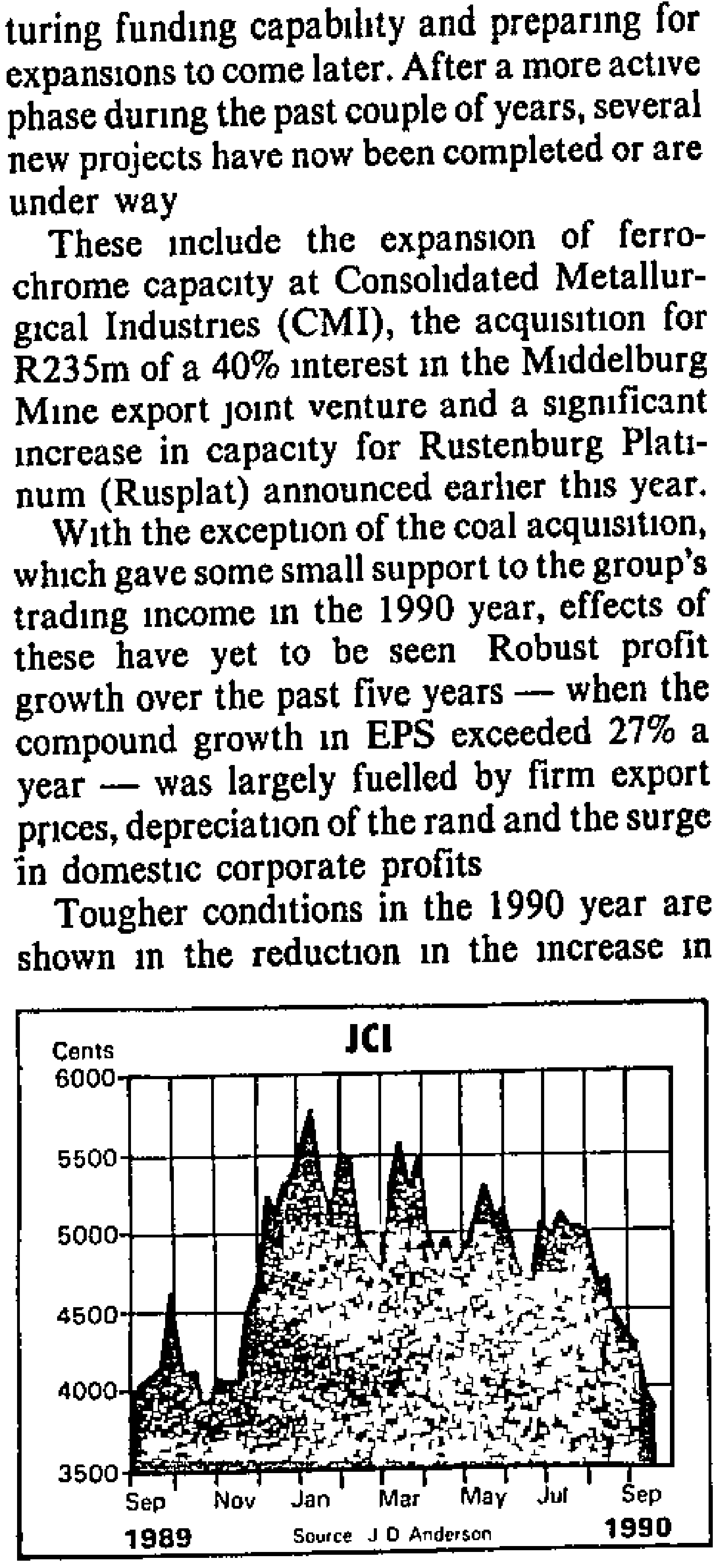
Year to June 30	**'87**	**'88**	**'89**	**'90**
Investments				
Listed (Rbn)	4,60	3,45	5,19	6,55
Unlisted	0,81	0,69	1,4	1,56
Performance:				
Investment income (Rm)	191	235	294	363
Other income (Rm)	142	88	112	89
Pre-tax profit (Rm)	333	323	406	452
Earnings				
attributable (c)	182	195	246	291
Equity	256	272	386	408
Dividends (c)	75	88	110	132
Net worth (R)	38,89	30,82	48,20	60,10

For JCI, much of the past decade was devoted to consolidation of the major interests, nurturing funding capability and preparing for expansions to come later. After a more active phase during the past couple of years, several new projects have now been completed or are under way

These include the expansion of ferrochrome capacity at Consolidated Metallurgical Industries (CMI), the acquisition for R235m of a 40% interest in the Middelburg Mine export joint venture and a significant increase in capacity for Rustenburg Platinum (Rusplat) announced earlier this year.

With the exception of the coal acquisition, which gave some small support to the group's trading income in the 1990 year, effects of these have yet to be seen Robust profit growth over the past five years — when the compound growth in EPS exceeded 27% a year — was largely fuelled by firm export prices, depreciation of the rand and the surge in domestic corporate profits

Tougher conditions in the 1990 year are shown in the reduction in the increase in equity earnings to only 5,6%, though attributable earnings were up by 18,2% Chairman Pat Retief says it was a difficult year for the group, but he emphasises JCI's business



Source J D Anderson


JCI's Retief *a difficult year*

And, plainly, the house is entering the Nineties with a healthy pipeline of new ventures that should bode well for the longer-term performance

Despite an over-supply of ferrochrome, CMI last month enlarged its presence in the market by acquiring Purity Ferrochrome This week, JCI announced a new platinum producer, a R935m mine on the Platreef, as a joint venture between Rusplat and Lebowa Platinum In the gold sector, management continues to mull over the South Deep prospect, though here, too, there have been developments, with the recent announcement of a listing for South Deep Exploration Co (Sodexco)

Substantial financing will be required for the new mining projects and they are absorbing much of management's attention Only a net R102 m was spent on additions to investments last year, the main item being the investment in the rights issue made by 32,2%-held Premier Group For the rest, the only change to the investment portfolio was an increase from 22,9% to 24,1% in the stake in Times Media, which is becoming established as an income stock

Platinum remains the largest contributor to JCI's income (see chart) The group is moving aggressively to prepare for forecast growth in demand over the decade and to defend its dominant market share in the face of expansions by existing competitors and by new entrants — even if this means contesting a price war at some stage Rusplat, held 32,6%, had some R900m at June 30 and should have no difficulty carrying its own funding needs

For the much smaller, 20,1%-held Lebowa Platinum, financing of its involvement in the Platreef venture is problematic (see *Leaders*) and a structure for the project has yet to be finalised, but it should not affect JCI's cash position adversely

Should the South Deep prospect go ahead, it will almost certainly be much more costly than Platreef Risks in such a venture are considerable, but three points are worth noting firstly, JCI is evidently moving cautiously and, though making enthusiastic noises about the large ore reserves involved, is not rushing into decisions Secondly, after mining plans were revised last year, capital costs will not be nearly as large as appeared earlier (*Fox* September 29 1989)

Finally, progress is being made with both exploration and funding arrangements, as shown by recent announcements of a R232m rights offer for Sodexco More details on Sodexco should be available soon

Among other gold prospects, evaluation of the Doornrivier prospect north of H J Joel and Beatrix mines is nearing completion, 18 boreholes have been drilled, with the final four for completion this year and preliminary feasibility studies are under way

The existing gold operations continue to struggle, though action is being taken Retief says the curtailment of unprofitable operations at Western Areas' North shaft and the proposed sale of its interest in the South Deep prospect to Sodexco, are designed to return the mine to profitability and to secure its future

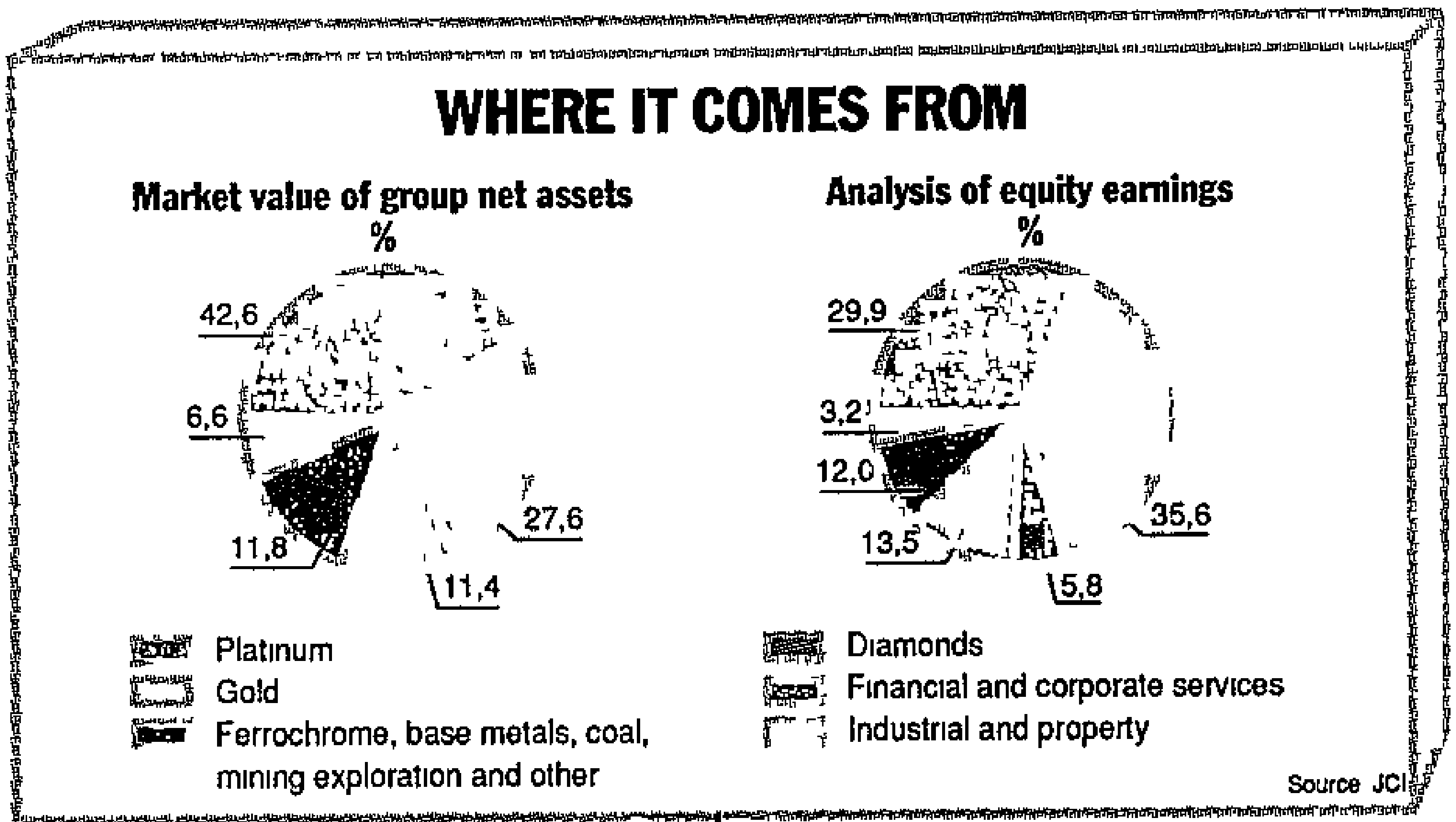
H J Joel gold mine has obviously disappointed After technical and, more importantly, geological problems, it has an accumulated deficit of R83m and last year's production target was not met With this year's gold price, a profit will not be possible from the targeted tonnage throughput of 80 000 t/month An expansion of throughput to make better use of the infrastructure is being considered, better grades are also expected soon

In the coal division, Retief says, Tavistock has benefited from the Middelburg acquisition, as well as from improved prices received by the Arthur Taylor export joint venture in a strengthening world market for SA coal

Retief says changing attitudes towards the country, with renewed uncertainty about Gulf oil supplies, may further strengthen this trend, notwithstanding the temporary accumulation of stocks in Australia and entry of new competitors He adds that Tavistock is well placed to take advantage of any market growth, a position that will be further con-

P.T.O.

WHERE IT COMES FROM



Source JCI

FM 5/10/90 (214)

solidated once the current R531m opencast extension of Arthur Taylor colliery is commissioned in 1992

Overall, while the slowing global and domestic economies will probably mean a markedly smaller increase — if any — in earnings and dividend this year, there are enough new projects to underpin solid long-term growth The share looks reasonably priced at 3 925c, where the 3,4% yield is slightly better than the sector average and in line with Anglo American's yield. *Andrew McNulty*

JCI STALLS ON ITS MEGA-MINE

By JULIE WALKER

S/Times 21/10/90

SOUTH DEEP could become SA's next big gold mine But a decision on whether to go ahead with the R2,2-billion project will not be taken before 1992

Even if the go-ahead is given, shareholders will have to wait nine years or more before the maiden dividend is likely to be paid, according to a presentation to investment analysts by management company JCI

The proposed lease area — to the south of the existing Western Areas gold mine on the West Rand — contains plenty of tons of reef at a less-than-appealing grade for the depth involved

JCI previously rejected in-house feasibility studies and focused on the higher grade areas and a new positioning of the shaft It has now identified 116-million tons of ore at an average in situ grade of 9g/t and a recovered amount of 7,8g/t

The depth for the first 10 years will not exceed 2 750m — not mega-deep by today's standards The initial grade will exceed 10,5g/t.

The estimated capital expenditure is R2,2-billion in July 1990 terms, of which R400-million will be recouped early by the mining out of shaft-pillar ore through access from Western Areas' 95 level

The decision to defer the green light — which really looks inevitable as more than R80-million has already been spent and a further R170-million is earmarked for 1991 — is stock market related "This is hardly the market to raise more than R2-billion," says one analyst

JCI's reason for the delay is that it wants to be super-sure before going ahead with the project

It forecasts working costs of R139 a ton, or R17 900 a kg of gold produced, putting South Deep very much in the low-cost bracket This is possible because of new refrigeration and ore-handling techniques.

Risks

(214)

The reefs, known as the Elsberg Massives, lend themselves to mechanised mining, says gold division boss Kennedy Maxwell

JCI estimates the yield on the project, using a gold price of R34/gram, at 8,3% Most mining houses require a 7% real return for a new gold mine investment before it will be considered The current gold price is closer to R32/gram

The risks of new mines are high, and the parameters for South Deep might be too demanding for the cautious to accept The mood was one of "lower risk elsewhere"

SOUTH DEEP EXPLORATION

LOOKS GOOD ON PAPER

FM 12/10/90

(214)

JCI's forecasts for the South Deep gold prospect suggest the group could have a winner on its hands — at least on paper As history has shown, though, it is altogether another matter whether the estimates of working costs, recovery grades and capex will be achieved as planned

Still fresh in investors' memories are several large mines developed over the past 15 years that did not go as hoped Given the size and cost of this prospect, it would not be surprising if some prefer to wait for more hard information before stumping up funds

One point on which JCI shows no lack of confidence is the size of the orebody Says Kennedy Maxwell, chairman of JCI's gold and uranium division "We believe we have in South Deep the most extraordinary and exciting of ore bodies."

Geologists estimate the total orebody at 785 Mt, at an average in situ grade of 3,4 g/t, with grades varying from less than 3 g/t to more than 20 g/t Of this, the group has delineated for mining a deposit of 116 Mt, at an average in situ grade of 9 g/t, which Maxwell says should enable an average recovery grade of 7,8 g/t

A decision on whether to go ahead with a mine has been postponed until at least the end of 1991, when the timing will still depend on market conditions Assuming it does go ahead, the mine as planned would treat 180 000 t/month, at which rate the 116 Mt deposit would last for 40 years

This deposit includes 19 Mt of VCR reef at 11,5 g/t, much of which is underlain by multiple Upper Elsburg reefs, comprising 46,7 Mt of Upper Elsburgs (wide orebody mining) at 8,8 g/t and 50,1 Mt of Upper Eslburgs (individual reef mining) at 8,4 g/t Maxwell says the Elsburgs — known as the Elsburg Massives — will allow "enormous" stoping widths, with selective and highly flexible mining

Mining methods could include narrow stoping, room and pillar mining, and massive vertical crater retreat stoping

The shaft system would be sunk 2 650 m and mining operations over the first 10 years would be at depths between 2 400 m and 2 750 m. This would make South Deep among the deepest mines in the industry, though some are now deeper Kloof is mining below 3 000 m as is Western Deep Levels, which has announced an expansion in its southern lease area to exploit ore at more than 4 000 m

The favourable recovery grade and production cost estimate of only R17 900/kg — in July 1990 terms — for South Deep are based partly on the nature of the reefs and the operational flexibility envisaged Dilution is expected to be minimal, especially on the Elsburg Massives Should these figures be achieved, the profit margin could be large, the cost figure compares with the industry average of R25 000 and the gold price of about R32 000/kg

JCI's Maxwell *an interesting proposition*

Even so, a recovery grade of 7,8 g/t would be well above the present industry average of 5 g/t In the June quarter only two mines did better E T Cons, with 9,7 g/t, and Kloof, with 11,6 g/t Western Deep Levels then had a recovery grade of 5,9 g/t, with production costs (before capex) of R23 279/kg Kloof's production cost was R18 428/kg

As one gold analyst points out, the South Deep estimates may well be achievable on paper but in the mining business things are often very different in practice — particularly in deep-level mining, where costs and production are notoriously difficult to control There is also the question whether the wide variation of in situ grades indicates values will be patchy

Though the Elsburg Massives offer advantages, mining them at that depth will present certain problems from the standpoint of ground control The plan is to use de-stressing cuts, ahead of the follow-on stoping operations These cuts will also provide a platform to systematically diamond drill, and further evaluate the remaining Upper Elsburg reefs

JCI is moving cautiously rather than rushing straight into developing a mine That is understandable borehole results are all very well, but the reliability of data that can be built up on such information is limited Some recent ventures have disappointed badly during their early years, including Anglo's Elandsrand and JCI's H J Joel Joel looked good at its listing in 1986, but it encountered geological and other problems, production was below target over the past two years and the mine has an accumulated deficit of R83m

With South Deep's capital cost in current money forecast at R2,2bn, spent over 10 years, the cost of failure is large Hence the plan is to improve confidence levels by continuing development of the 95 level twin haulage from Western Areas' South shaft, and ramping to the reef intersection in the probable shaft area (*Fox* September 21) Apart from helping to improve understanding of the ore deposit, use can be made of the Western Areas infrastructure — with cost benefits — and an earlier flow of revenue is possible

By gaining early access to the VCR, some R400m could be earned, reducing the cash cost of the project to R1,8bn There would still be a long lead time to full production and self-funding — a dividend may be considered after nine years There will be no help from the taxman, as the project is being treated as a stand-alone producer with no tax umbrella

Exploration costs to January 1990 absorbed R86,7m A further R170m needed to cover costs from that date until December 1990, as well as about R11m to repay loan accounts, is being raised through the rights offer by South Deep Exploration (Soudex) Funds are also being raised for Western Areas — perhaps a more pressing problem for JCI — which has a 40,9% participation in the Soudex prospect area and is passing its entitlement on to shareholders

The prospectus gives more clarity on major shareholders in Soudex After the offer they will be Western Areas/Elsburg shareholders (33%), JCI (30,4%), West Wits (8,1%), Freddev (7,2%), Gencor (4,8%), GFMD (3,3%), Anglo American (2,4%) Rooderand (2,4%) Rand Mines (2,4%) and subparticipants (6%) The Soudex rights offer is not being underwritten, but JCI, Western Areas, the principal participants and West Wits have undertaken that they or their renouncees will together subscribe for the entire issue

Though investors may not rush for their cheque books at this early stage, there will be no difficulty raising the funds Large new gold projects simply don't come very often

Andrew McNulty

ALTRON/POWERTECH

FM 12/10/90

TAKING CHARGE

Altron executive chairman Bill Venter is smiling again After a disappointing year to end-February — when earnings fell for the first time in more than 20 years — the

MID WITS

WAITING FOR SUN

214

FM 12/10/90

Activities: *Holds investments in companies with interests in the mining sector, and participates in and provides finance for mineral prospecting and for mining development*
Control: *Anglovaal 55%*
Chairman: *C S Menell*
Capital structure: *321,6m ords, 1,3m 8% red cum prefs, and 50m var rate red cum prefs Market capitalisation R1,53bn*
Share market: *Price 475c Yields 1,3% on dividend, 2,3% on earnings, p e ratio, 44, cover, 1,8 12-month high, 815c, low, 310c Trading volume last quarter, 2,6m shares*

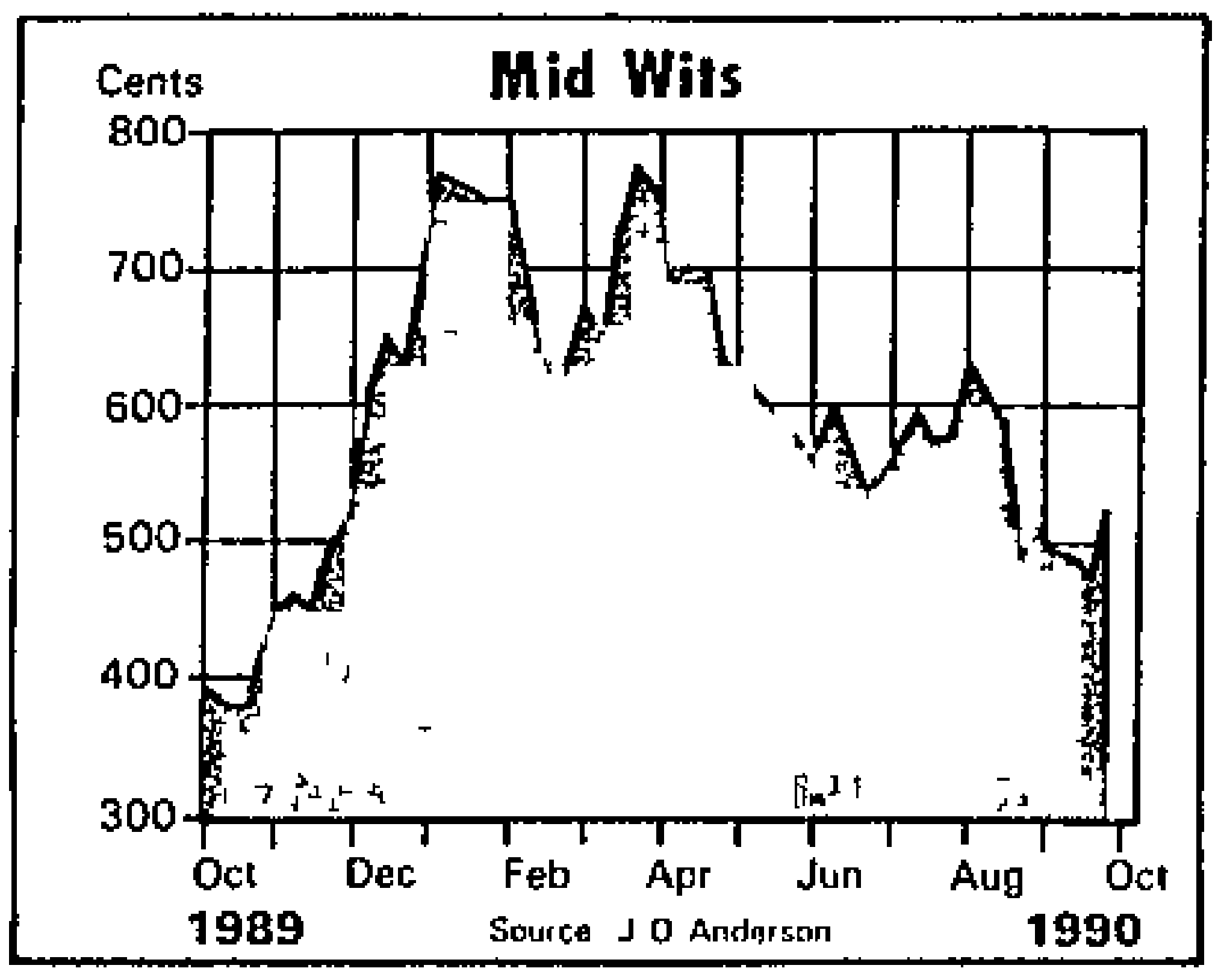
Year to Jun 30	**'87**	**'88**	**'89**	**'90**
Investments				
Listed (Rm)	666	485	617	660
Unlisted (Rm)	10	11	96	96
Performance				
Taxed profit (Rm)	32,8	31,3	31,0	53,8
Earnings (c)	13,5	12,9	12,7	10,8
Dividends (c)	6,4	6,4	6,0	6,0
Net worth (c)	305	233	293	372

Last year's pedestrian profit advance and pegged dividend emphasises the long-term nature of an investment in Mid Wits Even after the share's recent falls, the price stands well above net worth rather than at the usual discount Similarly, the historical yield is a minuscule 1,3%

The share portfolio offers no great attraction at present More than two-thirds of last year's dividend income was from gold and uranium stocks, with another quarter from other minerals and metals Neither of these sectors looks set to generate much earnings growth for a while

On the other hand, two major new developments in which the company has important stakes — Venetia diamond mine and the Sun gold prospect — will not add significantly to Mid Wits' income over the next year or two The company has, however, moved closer towards the stage where benefits should be seen from these ventures, both of which have been keeping a premium on the share price

Venetia mine is now being developed, limited diamond production will start in the second half of this calendar year and completion of the recovery plant is expected by mid-1992 Until De Beers recoups the estimated R1,1bn capital cost, the Venetia mineral rights holder, Saturn Mining Prospecting & Development, in which Mid Wits has a 65,6% interest, will receive a minimum royalty of 12,5% of profit before capex After recoupment of capital, Saturn and De Beers will share equally in Venetia's after-tax earnings



Source J O Anderson

Mid Wits' Menell *boost from interest income*

That means Venetia should soon start contributing to cash flow, though initially the effect is unlikely to be large In addition, there should be hefty interest income earned on the cash received through the R440m rights issue held in May 1990

Chairman Clive Menell says interest income will result in an appreciable increase in EPS, though it is not possible to quantify the increase owing to uncertainty over interest rates and the timing of new investment opportunities Should the present cash balance be held for the full year and invested at, say, 16%, that would add some R70m to pre-tax income — about twice last year's total of R34,6m

Until new investments are made, cash is being absorbed largely by exploration activities and acquisition of mineral rights In the 1990 year, these items accounted for R32m, compared with R27m in 1989, and the current year's figure is expected to be about R36m

Main area of interest is the northern Free State, where the evaluation is continuing of the Sun prospects, as well as the area to the north, where drilling is being done by Oribi Prospecting Though shareholders in Mid Wits and Anglovaal have been asked to stump up funds, investors have yet to be favoured with any borehole results Menell now says shareholders will be informed upon completion of the drilling programme in the southern region of the area being explored by Sun Prospecting and the evaluation of the results, expected by mid-1991

Should a go-ahead be given for development of a mine, Mid Wits will face a large funding contribution without seeing returns for at least eight years An increase in the 1991 dividend is unlikely, but the yield will remain paper thin

Andrew McNulty

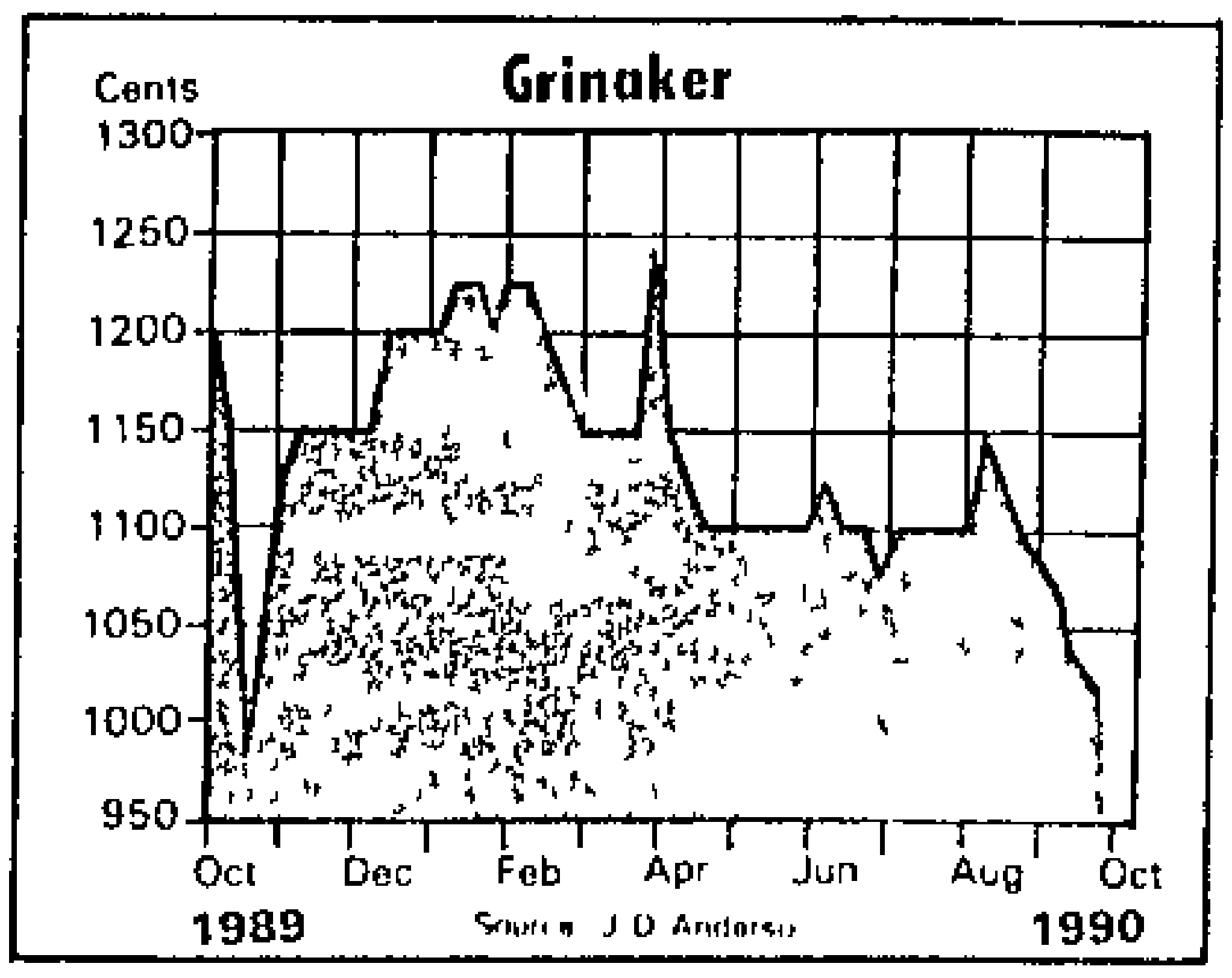
GRINAKER F/M 12/10/90

ELECTRONICS DRIVEN

Activities: *Electronics and construction*
Control: *Anglovaal through Avgrin Holdings (50,4%)*
Chairman: *J C Robbertze, MD A N Saulez*
Capital structure: *34,9m ords Market capitalisation R359m*
Share market: *Price 1 030c Yields 3,7% on dividend, 14,0% on earnings, p e ratio, 7,2, cover, 3,8 12-month high, 1 250c, low, 800c*

Year to June 30	**'87**	**'88**	**'89**	**'90**
ST debt (Rm)	6,3	20 7	33 2	23,3
LT debt (Rm)	2,3	2 8	19 0	20 8
Debt equity ratio	0,02	0 13	0,08	0 04
Shareholders interest	0 45	0,42	0 39	0,37
Int & leasing cover	7 2	84 8	—	—
Return on cap (%)	7,8	15 1	13 3	15 5
Turnover (Rm)	523	886	1 219	1 943
Pre-int profit (Rm)	20,3	68,0	82 5	127 5
Pre-int margin (%)	3 9	7 6	6 4	6 5
Earnings (c)	39 2	71 4	106 8	143,9
Dividends (c)	14	22	30	38
Net worth (c)	369	396	532	516

The latest annual report reveals the full effects of the restructuring which has been going on for some years In essence, the thrust has been to turn Grinaker into a non-operating holding company of its two divisions — construction and electronics Restructuring of the electronics division was completed with the listing in November of



Source J O Anderson

Unrest leads to increase in Rand Mines losses

B/Day 16/10/90

(214)

RIAAN SMIT

HARMONY and Barbrook, Rand Mines' largest and smallest gold producers, were badly affected by industrial unrest in the September quarter.

As a result, the group's five mines generated operating losses of R20m against R12,7m in the June quarter

Harmony suffered work stoppages in the quarter it reached a recognition agreement with the National Union of Mineworkers Management also suspect arson to be the cause of a number of underground fires at the mine.

The mine, which is particularly dependent on a large mill throughput to contain unit costs, showed an R11,6m loss (June quarter R164 000) on a reduced throughput of 165 000 tons of ore.

Cost per ton milled increased by more than 10% and the cost per kilogram produced rose by 5,9% to R33 881 compared with a price received of R31 893/kg

Labour disruptions at Barbrook caused yield to drop, because mining was confined to initial development areas, gold division deputy chairman Paul Forbes said yesterday Although mill throughput more than doubled quarter on quarter, this included "a lot of dilution" because higher grade target areas could not be mined

Forbes also admitted the mine had "a grade problem", which was being looked into

Negotiated

ERPM continued to cut its milling rate and to concentrate on higher grade areas during the quarter.

As a consequence, its costs per ton milled were up, but this was more than offset by increased revenue from milling richer ore.

Cost per kilogram produced was cut by almost R10 000 The mine might even make a profit ahead of the commissioning of Far East Vertical Shaft — currently being equiped — if management negotiated good forward selling prices

Forbes said these negotiations were being conducted

The group's accounts also show forward selling of part of the production at the other four mines at prices ranging between R34 061 and R37 792 — well above the current price of around R30 500

The trend of cutting milling rate and increasing yield was reversed at Durban Deep with throughput increasing by 13 000 tons, while yield remained static

This marginally decreased the cost per ton milled and converted production losses during the June quarter into a slight profit per kilogram.

Helped by forward selling, the mine achieved an average price during the September quarter of R33 546/kg, which slightly increased after-tax profit to R2,9m (June quarter R2,7m).

RAND MINES September Quarter	Tons milled 000s	Yield g/ton	Gold produced kg	Costs per ton milled R	Costs per kg gold produced R	Price received R/kg	Net profit R000s	Profit after capex R000s	EPS after capex cents
Harmony	2 273	3,20	7 268	108,34	33 881	31 893	(11 567)	(14 136)	(52,6)
	2 438	3,08	7 505	98,44	31 980	31 342	(164)	(5 240)	(19,5)
Blyvooruitzicht	400	5,56	2 224	175,67	31 595	32 383	3 179	2 347	9,8
	417	5,09	2 122	156,65	30 782	31 852	5 536	2 883	12
Durban Deep	252	870	3,45	113,84	32 974	33 613	2 904	5 008	215,4
	239	825	3,45	114,36	33 130	32 961	2 730	1 539	66,2
ERPM	242	5,17	1 250	185,28	35 870	31 926	12 603*	16 663	100,2
	320	3,90	1 248	175,84	45 075	31 358	(24 748)	(20 644)	(124,1)
Barbrook†+	55	2,55	140,3	145,24	56 935	35 061	—	—	—
	26	3,20	83,2	319,46	99 832	32 488	—	—	—

* Includes R26,1m sale of some sand dumps and slimes dams

†Developing mine

P Star 18/10/90

(214)

The Star
Finance

Another 10 000 jobs at risk on Gencor mines

By Derek Tommey

The low gold price and rising costs are still threatening employment in the gold mining industry.

Although some 17 000 people have been retrenched at Gencor's gold mines in the past 27 months, a further 10 000 jobs in the group are still at risk, says Mr Gary Maude, managing director of Gengold which operates the group's mines.

Among the people whose jobs are on the line are the 2 467 employed at the Grootvlei mine which made a working loss of R6,5 million in the September quarter and is in danger of having to close.

Mr Maude said it had been a difficult quarter for the group The 15-16 percent pay increases which took effect from July 1 added some seven percent to mining costs Several mines had also made large retrenchment payments which were included in their working costs.

"We have to do everything we possible can to keep the mines going," he said.

In these trying circumstances it is a tribute to Gengold's management that seven of the group's 11 operating mines increased their profits after tax in the September quarter

Stilfontein was one of these. Although the working loss rose fractionally from R3,83 million to R3,97 million, the mine was able to report a taxed profit of R10,3 million (loss R938 000) as a result of a R15 million dividend from its wholly-owned subsidiary, Chemwes Stilfontein bought Buffelsfontein's 20 percent interest in Chemwes during the quarter for R10 million.

Buffelsfontein was one of the mines that did not increase its profit in the September quarter. In fact it even had a working loss of R748 000, compared with a working profit of R16,2 million in the June quarter.

The working loss was the result of a drop in production and an increase in working costs.

But in spite of the working loss the mine was able to show a taxed profit of R15,4 million (R18,7 million) for the quarter mainly as a result of sundry income, which included the R10 million from the sale of Chemwes, jumping to R15,4 million (R6,4 million)

Mr Maude said he was concerned about Grootvlei The mine had a working loss of R6,5 million in the September quarter after a profit of R1,2 million in June.

Bracken, which is to be closed, had a working income of R529 000 (R2,16 million) for the quarter and a taxed profit of R2,9 million (1,8 million) It was intended to keep the mine profitable until it is closed, said Mr Maude. About half the shaft pillar had already been removed with little damage to the shaft.

West Rand Cons continued its recovery with a working income of R455 000 against a loss of R567 000 in June. Taxed income was R640 000 (R102 000).

The opening of more faces at the mine has given it greater flexibilty.

Development results at No 10 Shaft at St Helena had been better than expected, said Mr Maude. Stoping had started at the shaft and it should be in production by the middle of next year. St Helena had a working income of R4,1 million (R6,1 million) for the quarter and an attributable profit of R10,1 million (R8,7 million)

Increased costs and a drop in the gold price cut **Winkelhaak's** working profit from R38,2 million to R30,0 million. The mine plans to spend R42 million in the next six months in the No 6 shaft area

Leslie is developing the "northern area" where the the values are some 30 percent better than in the rest of the mine. It had a working income of R749 000 (R1,82 million) for the quarter and a taxed income of R3,0 million (R2,1 million).

Kinross had a working income of R29,0 million (R37,6 million) and a taxed profit of R19,0 million (R17,5 million)

Unisel earned R9,5 million (R11,4 million) and had a taxed income of R11,4 million (R8,9 million)

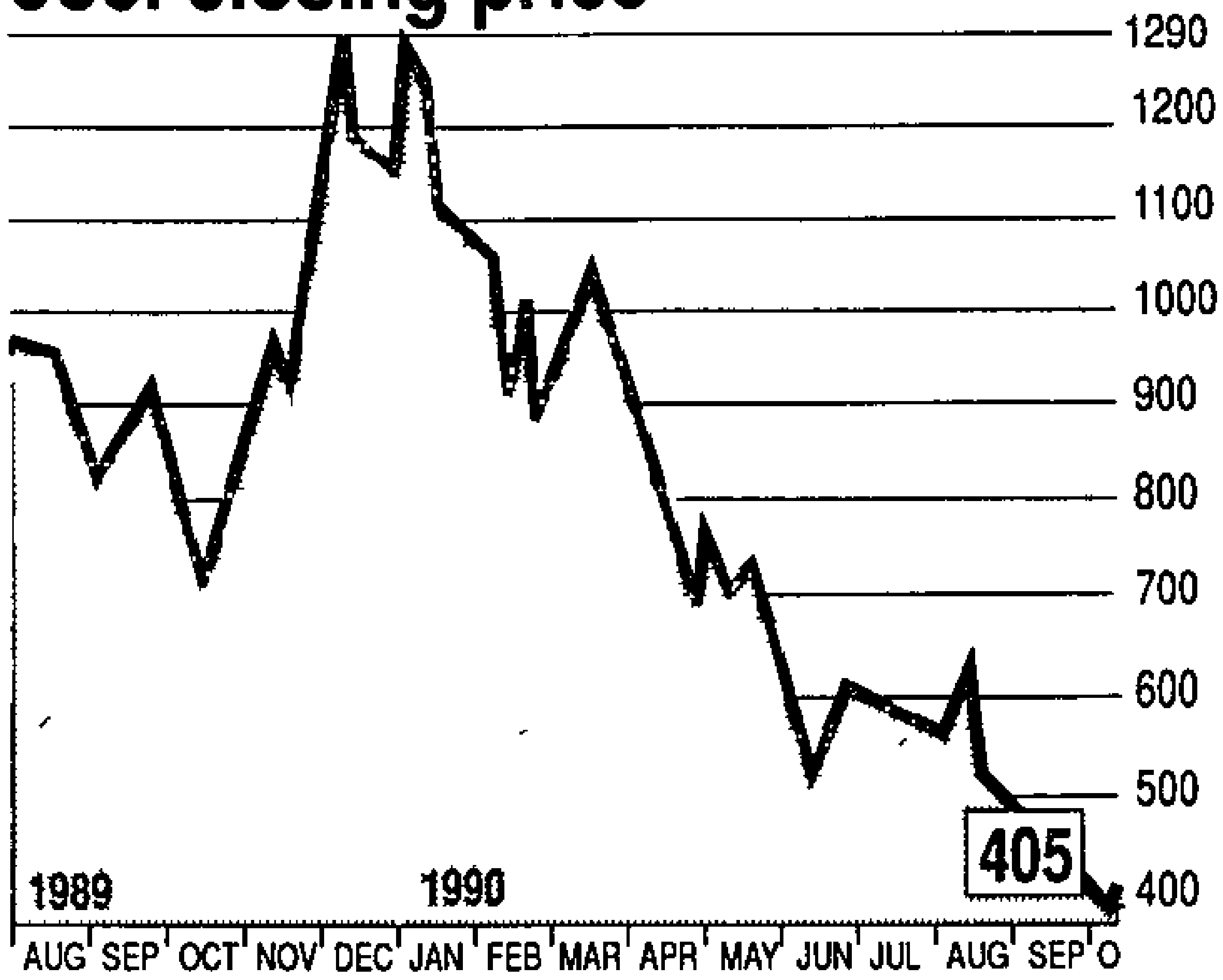
Beatrix had a working profit of R32,4 million (R37,6 million) and a taxed profit of R15,0 million (R17,0 million)

One increased dividend, one unchanged and three reduced dividends have been declared by Gencor group mines. Kinross is paying 165c a share against 160c six months ago and 150c a year ago. Winkelhaak is paying an unchanged 150c making an unchanged 315c for the year. Unisel is paying a final dividend of 26c making 70c (105c) for the year. Bracken is paying 25c against 30c six months ago and 30c a year ago. Leslie is paying 20c against 40c six months ago and 40c a year ago

Joel finally makes it to the big league

Star 18/10/90 (214)

By Derek Tommey



Joel closing price

Source Wen Software Graphic GAIL IRWIN

The developing Joel gold mine, after two years of producing extremely disappointing results, appears to have turned the corner.

The chairman of this Free State mine, Mr Kennedy Maxwell, reports that Joel has finally reached its initial target milling rate of 80 000 tons a month, that development results have improved significantly and that the mine should operate at profit in the second quarter of next year

And JCI, which has a 37 percent stake in the mine, in a major signal of confidence in its prospects, has announced that it will take up R150 million worth of redeemable preference shares in Joel

This money will enable Joel to repay the R132 million of short-term loans it owes to JCI which will save it substantial interest payments In the September quarter these payments cost the mine R7,0 million.

More good news in the JCI group mining quarterlies issued today is that Randfontein significantly increased its profit in the September quarter, and that everything is going well at Western Areas which the management believes will soon return to profitability

Shareholders' joy

The improvement in Joel's affairs will be greatly welcomed by its thousands of shareholders.

The mine was listed in 1986 after raising R560 million with which to fund its development until it reached the self-financing stage in 1990

The mine was estimated to contain 38 million tons of gold-bearing ore which would give an average yield of 5,4 grams over its 25 year life

The shallowness of the workings, which are between 500 metres and 1500 metres below surface, and the use of the labour saving trackless mining method was expected to lead to a low-cost highly profitable operation

Unexpected fault

But in 1988 an unexpected fault was discovered which hampered underground development and restricted the amount of stoping that could be done. The early development grades were also less than expected.

Some of the problems which the mine has had to contend with are raised by Mr Maxwell in his annual statement to Joel shareholders, issued last night.

He says that with the benefit of hindsight and detailed knowledge of the faulting, it was evident that No 3 and No 4 shafts were not ideally placed to ensure a rapid build up of tonnage under difficult geological conditions.

This cost the mine a shortfall in early revenue and a disproportionate expenditure on development out to the west and east flanks of the lease area at an early stage.

However, this development has provided geological information and additional access to the reef plane to the east and west.

The choice of trackless mechanised method of mining was fortunate in that far more capital expenditure would have been incurred on development in the footwall if conventional mining methods been pursued This method of mining had also proved to be extremely flexible

Gold production at Joel in the September quarter reached 815 kilograms, an increase of 54 percent on the 529 kilgrams produced in the June quarter

Gold production should rise further as dilution of the ore with development rock declines

The mine's consulting engineer, Dr CJ Fauconnier, said that the average yield had risen from 3,2 grams a ton in the June quarter to to 3,7 grams a ton in the September quarter. But by the end of September it was more than 4 grams a ton.

Moreover, with development showing a marked improvement from 714 cm/gms to 1171cm/grams a further improvement in yield was expected.

Development has increased by 48 percent in the quarter and the tonnage stoped had risen from 120 000 tons to 159 000 tons

Dr Fauconnier said it was gratifying after two years of battling to at last see some of the results that had been expected.

Mr Maxwell said the mine would move slowly to its next milling target of 120 000 tons a month.

Higher grade

At Randfontein profit from gold rose from R25,2 million to R29,1 million in the September quarter This followed a 7 percent increase in gold production following a 136 000 ton rise in higher-grade underground tonnage.

This rate of production is expected to be maintained in the December quarter

Western Areas had an operating profit of R904 000 in the September e quarter against R178 000 in the June quarter However, both these figures exclude JCI's management fees of around R2,3 million a quarter which JCI has waived.

There was a taxed loss for the quarter of R11,5 million (R6,4 million) but part of the loss arose from the payment of R7,0 million in interest and R5,4 million closing costs at the North Shaft.

Once Western Areas receives the proceeds of the sale of its South Deep shares which it will use to repay its loans, this interest payment will be eliminated

W Areas banks on South Deep bid

S Times 16/9/90

214

STRUGGLING gold mine Western Areas gave details of its proposal to reduce debt and restructure its balance sheet this week

The West Rand mine, administered by JCI, has not had a happy three years in spite of the share price touching almost R30 in 1987 It hit 350c this June after closing the North Shaft with the loss of more than 4 000 jobs, and has since rallied to above R5

Western Areas was one of the first to introduce mechanised mining, which has not been without difficulties Among the positive points for the marginal mine are the Gemsbokfontein dolomitic compartment, which is being dewatered, and the 41%-held South Deep project area

Western Areas says part of its funding difficulties have arisen from the need to provide continued financial support for South Deep South Deep will be sold to newly formed South Deep Exploration Company (Sodexco) in exchange for 41% of that company

At the same time, Sodexco will make a rights issue to its shareholders to raise funds for more exploration and development, and to reimburse Western Areas and other Sodexco participants for expenditure to date

Disguise

Western Areas will pass its rights to all the Sodexco shares to its own members and use the money to repay borrowings

The terms of the rights offer have not been announced, but it will probably raise at least R120-million It will be listed on the JSE and in London

Western Areas shareholders can elect to follow their rights in Sodexco or to sell the nil-paid letters for what they can get In a way, they are being asked to pay for what they already own — it is a rights offer in disguise

The preliminary technical advisers' report says 24 surface boreholes have made more than 100 reef intersections, which have been used to estimate the total resource at 780-million tons in the South Deep project area

"After applying a mining cut-off grade there is still a substantial tonnage of mineable ore The South Deep project is estimated to contain 116-million tons of ore at an in-situ grade of 9,0g/t It has been determined that an economically viable mining operation could be established in the area which would have a life in excess of 30 years"

Those who take up their rights should be aware that the South Deep project is still only an exploration prospect, and there will be a long lead time if the green light to establish a mine is given

Given the great depth and the weighty capital cost of establishing a deep-level mine, and the time and cost of developing novel technology to mine it, South Deep's success is by no means a foregone conclusion.

Darlings

Exploration shares are hardly the darlings of the JSE at the moment Those with cash are trading virtually at cash value, the mineral rights and prospects being completely discounted

The same holds true for mining holding companies The quality of their mineral rights is not in dispute, but the share prices are trading at large discounts to the portfolio valuations

Western Areas' holding company Elsburg also intends to pass on its rights to Sodexco to members A shareholders' meeting will seek approval for the proposals in October

Moab lead time 'may be up to seven years'

B\Day 14\9\90 (214)

RIAAN SMIT

THE Moab extension to Vaal Reefs gold mine announced yesterday could have a lead time as high as seven years because of the structural complexity of the lease area, and the depth of mining

Anglo American Corporation, Amgold and Vaal Reefs said yesterday government had granted a mining lease to mine Moab as an extension of Vaal Reefs

Simpson McKie analyst Rodney Yaldwyn said Moab's 2 149ha lease area south-east of Southvaal was "highly faulted" and the mining depth was about 2 000m to 2 500m

Southvaal is a separate company from Vaal Reefs, but its lease area is mined as an extension by Vaal Reefs, which is to the north west

Although Moab's expected grade was relatively high at 1 800cm/g/ton — which is about 18 g/t over a theoretical one meter mining width, compared with the industry average of 4,99 g/t — Yaldwyn said the R2bn project was "high risk".

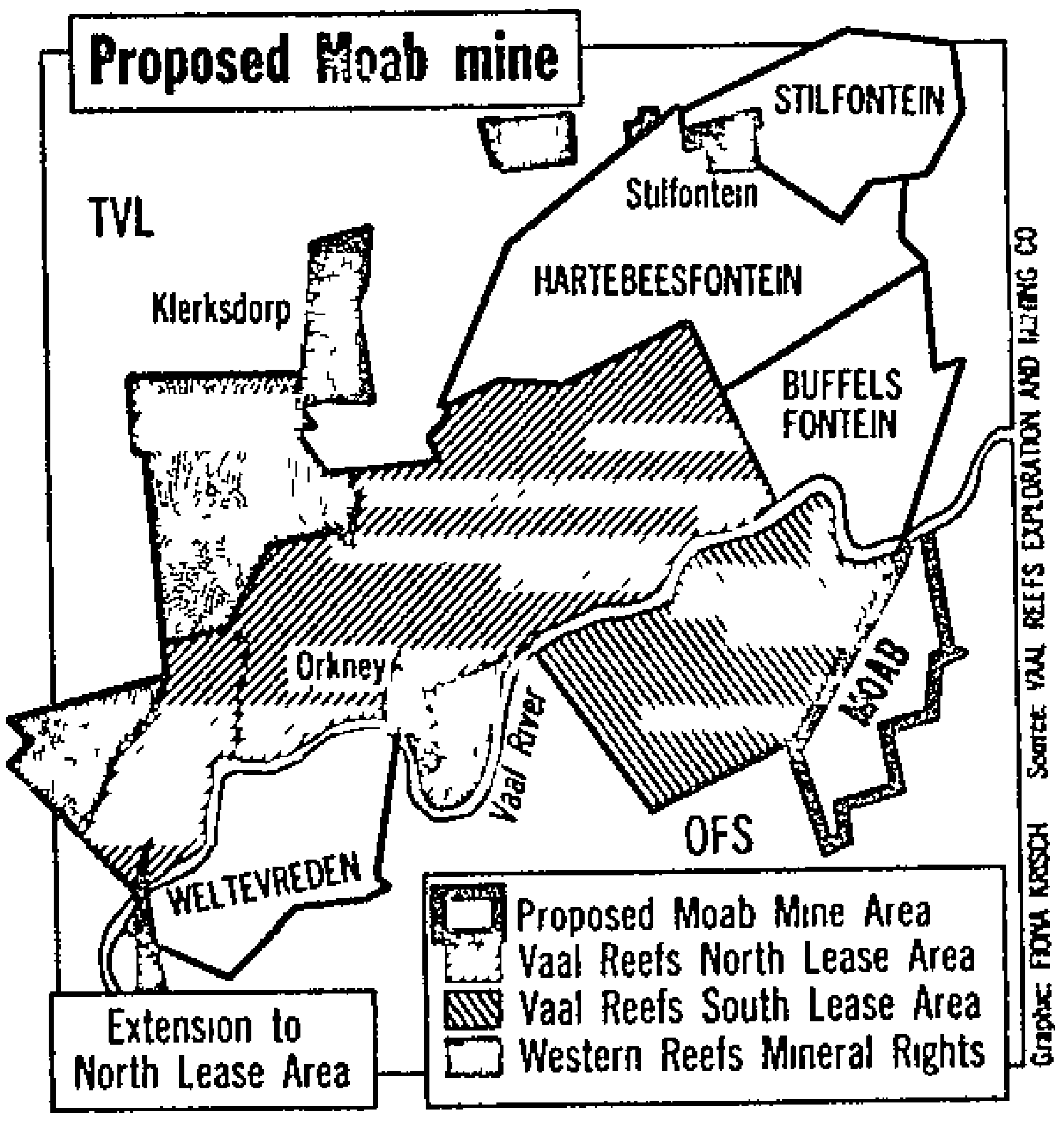
The initial plan for developing the Moab lease area made provision for a two-shaft system, but the three companies said yesterday a single shaft to mine Moab would be situated within the existing Vaal Reefs lease area for technical reasons

Yaldwyn said a possible scenario was that the new shaft would be sunk in the Southvaal area and would be linked to Southvaal's existing No 8 shaft, which would be its a second outlet.

A second new shaft would probably be sunk at a later stage depending on the gold price, he said

Analysts speculated the venture could be similar to the one between Vaal Reefs and Southvaal.

Proposed Moab mine



Proposed Moab Mine Area
Vaal Reefs North Lease Area
▨ Vaal Reefs South Lease Area
☐ Western Reefs Mineral Rights

Source: VAAL REEFS EXPLORATION AND MINING CO Graphic: FIONA KIRSCH

Vaal Reefs mines the Southvaal lease area and pays the company a royalty of 55% of pre-tax profit (after capex and working cost) Southvaal does not pay mining tax on the royalties but the normal company flat rate of 50% Mining tax is normally higher than the company rate.

Frankel Kruger Vinderine's Robert Gillan said he doubted whether government would have approved this type of arrangement if it thought it would lose out on tax revenue.

Yaldwyn said an implication of granting Moab extension status was that government could overhaul the system of gold mining taxation before the next budget.

Another analyst said government indicated it was looking at abolishing lease payments for gold mines

The granting of the lease seems to have set a precedent. Government turned down a similar application for the extension of Freegold into Du Preez Leger and Jonkersrust

Gillan said it seemed extension leases to existing mines would only be granted if tonnage from the extension replaced tonnage from the existing mine Freegold's application for extension could have been deemed to increase tonnage instead of replacing it

Anglo said in its lease application that tonnage from Moab would be replacement ore for Vaal Reef's No 2,3,4 and 5 shafts continued to rise and the

slightly higher price of R1 015

year that our earnings growth will be more modest and rise at a slower rate than last

We place great emphasis on our credit assessment procedures and on spreading our risk"

Gypsum gives warning of price rises

LIZ ROUSE

A WARNING that price increases are in the offing for building materials group Gypsum Industries' (Gypsum's) products is sounded by chairman Derek Fairbairn in his annual review

Fairbairn says that in the short term, sales are likely to be adversely affected and cost increases are likely to persist — some in excess of the published inflation rate

B 10 a1 13/7/90

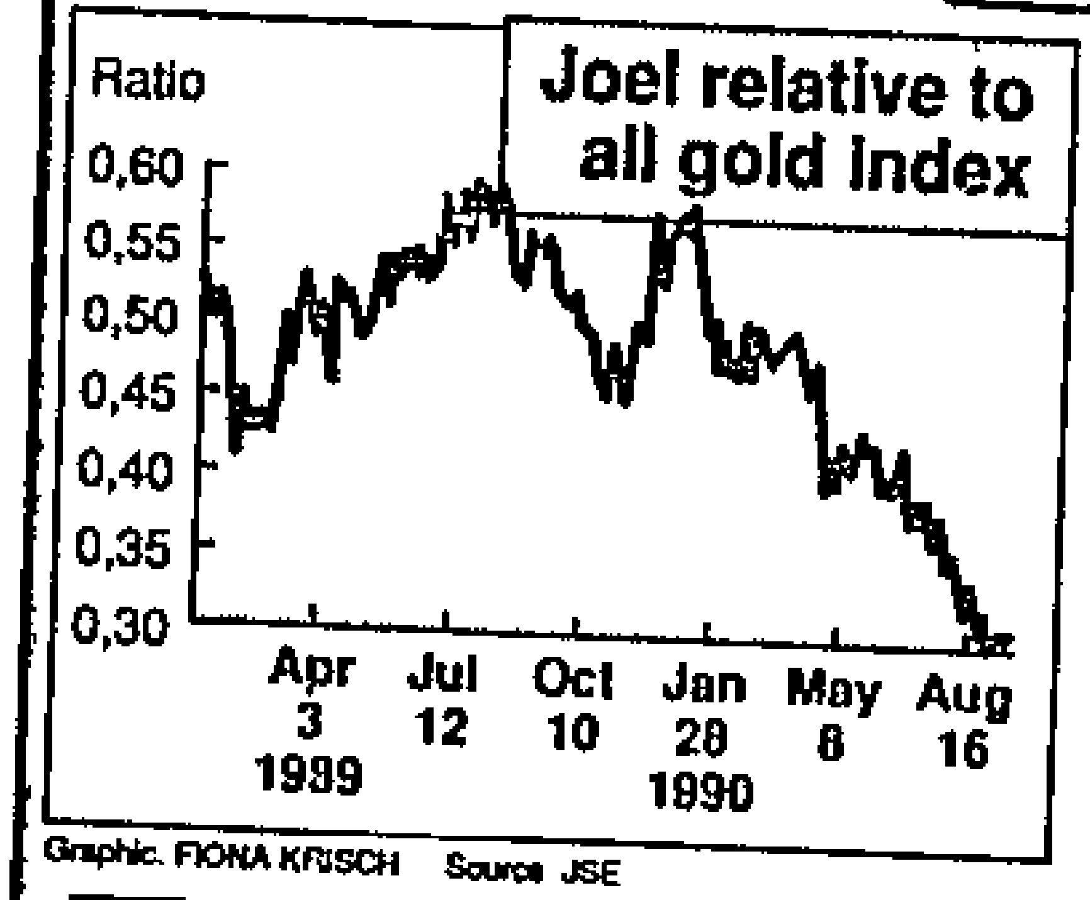
Gypsum had a strong balance sheet, with little long-term debt, placing the company in a strong position to finance the capital expenditure of R43m planned for 1990/1991

Turnover increased by 13% to R166m mainly because of wall board and ceiling tiles sold in the commercial market.

Earnings increased by 14,8% to 187c a share in the year to end-June, out of which a 40c final dividend was declared making a total of 60c (51c)

Joel mine shares disappoint

(214)



Graphic FIONA KRISCH Source JSE

NEIL YORKE SMITH

SHARES in JCI's Free State gold mining development H J Joel have significantly underperformed the JSE mining index, disappointing many investors

Once a JSE darling, the company was lauded as one of the most promising operators on the mining board

Joel shares traded as low as 480c this week, well off the year's high of 1 325c reached in January

A leading mining analyst said yesterday Joel's poor performance was related to two major factors lower than expected yields and the high costs of the trackless mining techniques used at the mine

"Also, it needs more than 1 000cm grams a ton to be viable, but to date less than 700cm g/t has been achieved"

B 10 a1 13/9/90

But he emphasised yields achieved to date only reflected initial development values and did not necessarily represent the whole Joel lease area

Regarding trackless mining, the analyst said international experience had proved its benefits were often neutralised by the disadvantages of dilution

"Another problem is that the rand depreciation has made it extremely expensive to replace sophisticated trackless mining equipment"

At present Joel's debts totalled about R100m Another R100m was expected to be spent before positive cash flows could be achieved

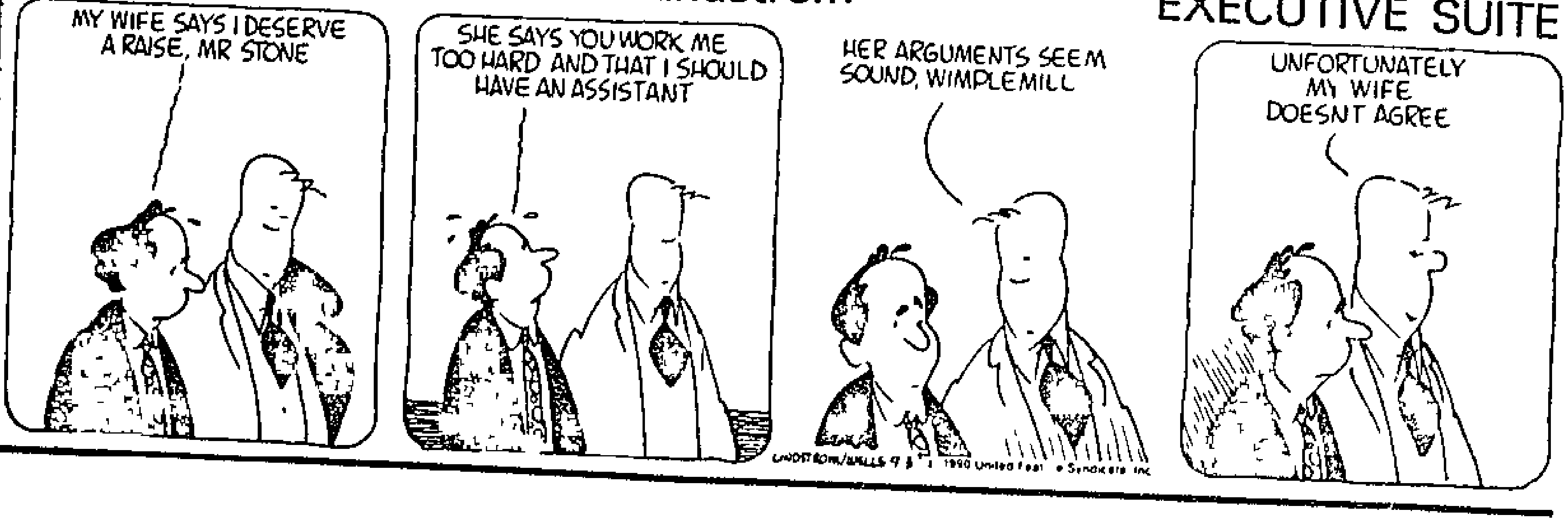
At current interest rates Joel would thus be paying about R40m a year in interest alone

"The mine's success is thus vitally dependent on mining grades that are good enough to produce positive cash flows soon enough to make the project viable"

A JCI spokesman would not comment yesterday on Joel s current situation other than to say grades in the last quarter had been far better than those previously recorded

EXECUTIVE SUITE

By William Wells and Jack Lindstrom



Sun Prospecting results due in 1991

BDay 11/9/90

RIAAN SMIT

EVALUATED results of Anglovaal's exploration programme of the Sun Prospecting area's southern region were expected to be known by mid-1991, Middle Witwatersrand (Midwits) chairman Clive Menell said in the annual report released yesterday

Drilling was aimed at defining ore body boundaries and reef/grade continuity, he said

Midwits' consolidated taxed profit for the year to June 30 was R26,3m (R30,8m), equivalent to 10,8c (12,7c) a share Dividends totalled an unchanged 6c a share, which were covered 1,8 times (2,1 times) by earnings.

The company's expenditure on exploration and the purchase of mineral rights rose to R32m (R27m)

"It is estimated that during the current year exploration expenditure will be expended mainly in the northern Orange Free State on gold exploration (R13,5m) and the purchase of mineral rights (R13,2m)," he said

Selected mineral rights had been bought in the northern part of the Sun area, where drilling was continuing

Turning to De Beers' decision to establish a diamond mine on Venetia — the minerals rights are held by Saturn Mining, Prospecting and Development Company in which Midwits has a 65,6% interest — Menell said limited diamond production was expected during the second half of 1990 once the existing recovery plant had been upgraded and extended.

Completion of a new plant was expected by mid-1992 Pending the recoupment of the estimated R1,1bn capital, Saturn would be entitled to a minimum 12,5% of the mine's profits before capex (214) ([illegible])

Once the capex has been recouped, the mine's after-tax earnings would be divided equally between Saturn and De Beers

Venetia has an estimated production life of 20 years at four million carats a year

Menell said interest earned on the investment of funds raised by the rights offer would result in a sizeable increase in earnings a share

JCI mine's outlook hinges on gold price

BDay 11/9/90

(214)

RIAAN SMIT

THE outlook for JCI's Randfontein Estates gold mine was almost entirely dependent on what the rand price of gold would be during the next two years, chairman Kennedy Maxwell said in the mine's annual report to June 30

"Randfontein is an efficient low-grade mine with many years of life in its reserves, and its future profitability will be highly geared to the rand price of gold," he said

The outlook for the dollar price of gold during the next six to nine months was not particularly good

However, Maxwell said the anticipated decline in supplies of gold from Australia (because of higher tax in 1991), a levelling-off in supplies during the "next year or two" from North America, and a very buoyant jewellery demand augured well for a new supply-demand scenario

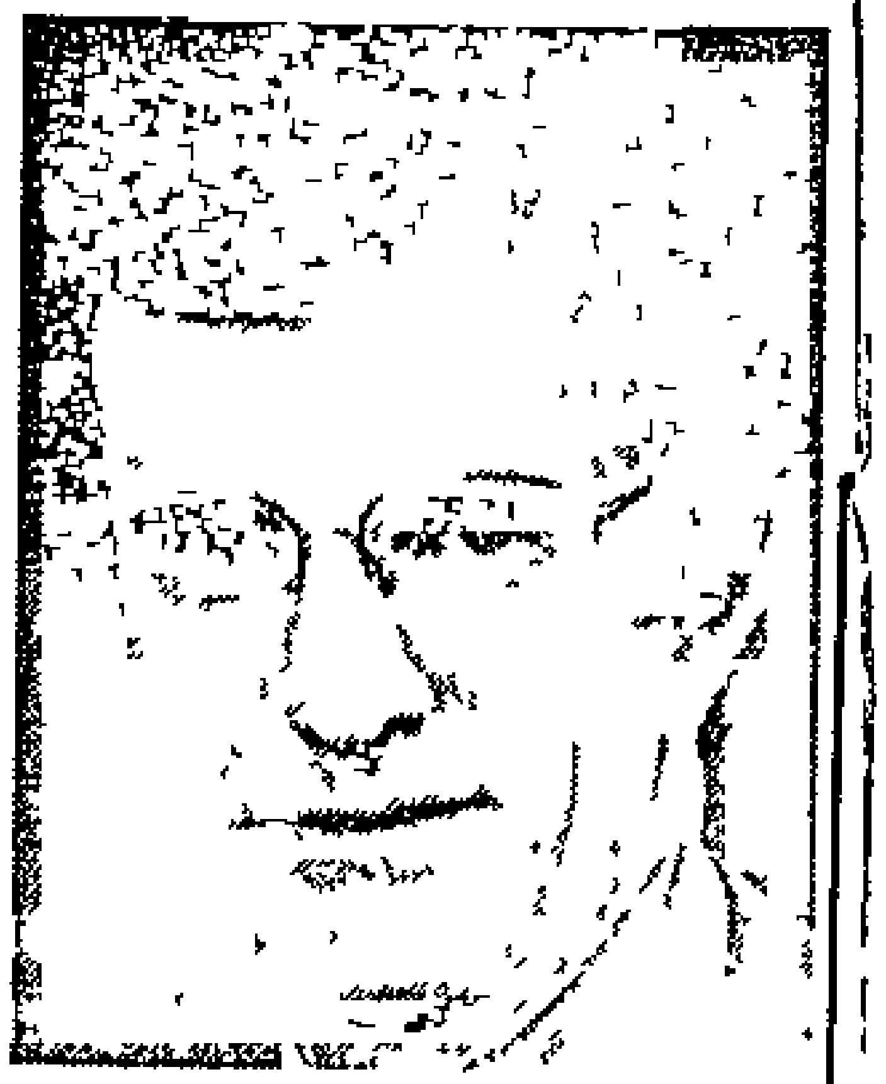
He felt uncertainty in Eastern Europe and the need to address economic imbalances within the free market economies would also bring about a return to faith in gold as an investment medium

He said the mine achieved a 4,6% increase in gold production to 27 875kg Cost a ton milled was limited to an increase of 10%

The average price received for gold during the year at R32 465/kg was virtually unchanged from the previous year's average Profit after tax dropped 24% to R153,2m

Dividends for the year absorbed R61,1m, representing a 23% reduction year on year Capex for the year amounted to R103,7m (R131,5m previously)

Maxwell said that until production from the Doornkop shaft could be established at its planned level of 150 000 tons a month and at



● MAXWELL

"acceptable" recovery grades, the mine would increase the production rate at the Cooke 3 shaft to about 220 000 tons a month

The report showed gold value from Doornkop's Kimberley Reef dropping from 2,68 g/t in 1989 to 2,55 g/t for the year under review

Emphasis would be placed on strict cost control and capex would be curbed while the gold price remained low

Details given of Western Areas plan

BDay 11/9/90

ROBERT GENTLE

WESTERN Areas, the troubled JCI gold mine, yesterday disclosed details of its refinancing scheme aimed at restructuring the balance sheet and providing much-needed cash.

214

The scheme, first revealed on July 20, involves the exchange of Western Areas' interests in the South Deep gold mine project for 40,9% of the share capital of new company South Deep Exploration (Sodexco).

The market estimates this would yield Western Areas R120m-R150m, which would be used mainly to pay off short term debt of around R96m and cover retrenchment costs arising from 4 400 redundancies.

Simultaneously, Sodexco will make a rights issue to its shareholders, including Western Areas, to raise funds to support the continued exploration of the South Deep project.

Western Areas will also offer for sale to its shareholders its entire entitlement of Sodexco shares, including those arising from the rights offer.

COMPANIES

Lindum Reefs reduces losses to R380 000

(214)

PETER GALLI

LINDUM Reefs Gold Mine has reduced its losses for the quarter to end-September compared with the quarter to end-June, but has still posted a net loss of R380 000 (R750 000)

The quarterly performance reflected the revised plan which was implemented after the June quarterly results, director Ossie Rheerder said yesterday

Losses incurred by hard rock underground operations, where gold produced dropped by 46% to 117kg (214kg in the June quarter), on the back of a 48% drop in ore milled, were in terms of this plan.

While revenue received improved 5% to R65,66 (R62,81) per ton milled, costs per ton milled also increased 7% to R76,65 (R71,67) This resulted in a loss per ton milled for underground operations of R10,99; total loss R620 000.

In terms of the revised plan, surface operations were improved, with ore milled increased to 65 232 tons (8 159 tons) and gold produced up to 46 006kg (6 690kg) for a profit of R162 000 (R33 000) However, slimes throughput was below the forecast level

Overall, this translated into a working loss of R458 000 (R908 000) to which R78 000 in sundry revenue was added, resulting in a R380 000 net loss.

24/10/[illegible]

214

JCI optimistic Western Areas will earn profits

B/Day 18/10/90

PETER GALLI

JCI's Western Areas gold mine was expected to return to profits in the December quarter, the group's gold and uranium director Ken Maxwell said

But the three-month period to September was the eighth consecutive quarter in which profits failed to cover capital spending

The after-tax loss increased to R11,5m in the September quarter from June's R6,4m under the combined effect of the once-off R5,4m cost of closing the North Shaft and a net interest payment of R7m

Interest payments should fall away when the Soudex refinancing project was completed, Maxwell said Western Areas had sold its participation rights to JCI's Soudex mine development venture for R110m to repay most of the mine's short-term borrowings

While Western Areas milled less ore and produced less gold due to major changes and the closure of the North shaft, the grade rose to 4,69g/t against June's 4,43g/t

A rise in uranium production at a higher grade — which resulted in a R5,16m profit — and sundry revenue of R686 000 could not offset the gold losses Capex was tightly controlled

Randfontein increased underground production while cutting the rate at which it milled low-grade surface dump material "Randfontein should maintain its results in the December quarter," he said

The mine had sold forward 25% of its expected gold production through to July 1991 at an average price of R32 954/kg Western Areas had sold forward half of the expected production of its South Shaft at R33 114/kg

In the Free State, Joel attained a monthly production rate of 80 000 tons at the end of the September quarter and lifted gold production to 815kg from the June quarter's 529kg The next target is to lift ore output to 130 000 tons a month

Maxwell said the mine should be profitable by the latter half of this financial year It is to issue R150m redeemable preference shares to parent JCI to repay its R127m short-term debt and to finance the next few quarters' capital spending

Sodexco sitting on top of R30-bn pile of gold

(214) St/ 14/9/90

By Derek Tommey

The South Deep project area, which could become one of SA's richest gold mines, is on its way to the share market

According to figures in a circular issued by Western Areas, the South Deep project area, immediately south of Western Areas on the Far West Rand, contains more than 40 tons of gold in mineable ore worth more than R30 billion at current gold prices

This huge quantity of gold is clearly a major incentive to JCI, the controlling mining house, to develop the project area, even though the reefs are at considerable depths and their thickness presents many mining problems.

South Deep is coming to the market through an exploration company to be called Sodexco

Sodexco is to acquire from JCI (acting as principal and agent for other participants in the South Deep project area) and Western Areas the mineral rights in the South Deep project area in exchange for the right to subscribe for shares in Sodexco

This will entitle Western Areas to subscribe for 8,1 million shares, equal to 40,9 percent of its issued capital

Simultaneously, Sodexco will make a rights issue to its shareholders, including Western Areas

The funds raised will be used to finance the continued exploration and development of the South Deep project area

They will also be used to reimburse Western Areas and other participants for expenditure incurred, including the development of the 95-level haulage from Western Areas to the South Deep shaft site

At the same time as the rights issue, Western Areas will offer for sale to its shareholders its entire entitlement to Sodexco shares, including those arising from the rights offer

An application will be made for a JSE listing of Sodexco on completion of the offers

This scheme will provide Western Areas, which has been in financial difficulties for the past three years, with a much-needed cash inflow

Western Areas directors say it will enable company shareholders "to focus separately on the investment merits of an existing marginal gold producer and a green-fields orebody".

The South Deep Project area has been intensely prospected.

A detailed three-dimensional seismic survey and 24 surface boreholes with a total of more than 100 reef intersections have been used to determine the underground structure and estimate mineable ore reserves

In addition, prospecting is now taking place from the 95-level twin haulages being driven from Western Areas

South Deep is believed to contain more than 780 million tons of gold-bearing ore, with 116 million tons of mineable ore averaging 9g/t

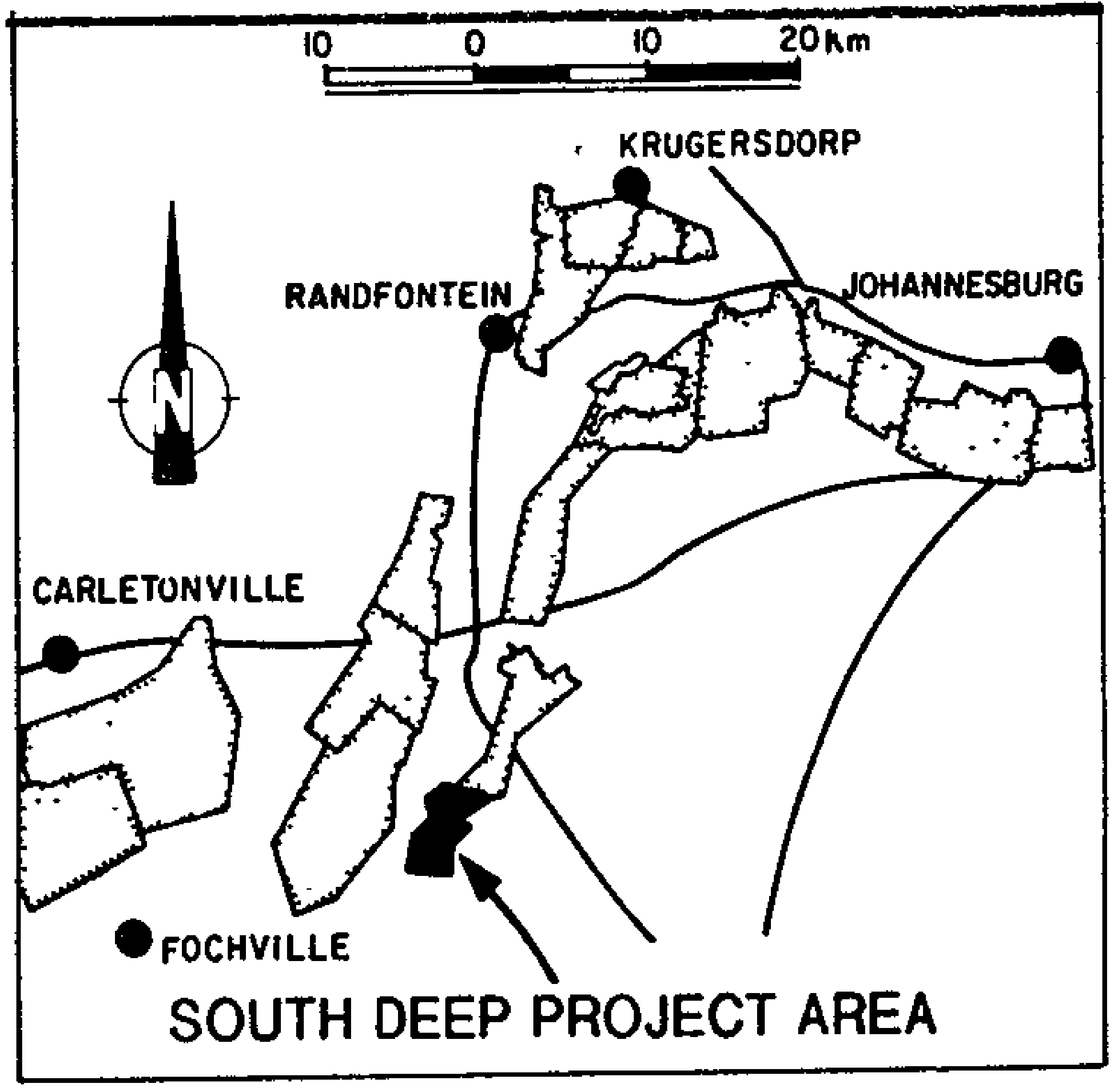
Western Areas directors say that an economically viable mining opertion could be established, which would have a lifespan of more than 30 years.

To improve the knowledge of the area, the 95-level twin haulage will continue and ramping to the reef intersection will be undertaken in the probable shaft area

This will help confirm the grade and the geologivsl structure

It will also help to prove an ore reserve equivalent to at least four years' of stoping at full production

"This will enable any final approval for the full-scale development of a mine to be given with greatly enhanced confidence," the directors say



Location of the South Deep project area

Strong Gencor holds over R1bn in cash

B/Day 3/12/90 210 214

LIZ ROUSE

GENCOR held over R1bn of its R16,2bn assets in cash alone, balances that generated attractive returns for the group.

The year to August 1990 saw a further improvement in Gencor's already strong financial position, the annual report reveals While net cash and money market assets declined by R290m, this was accompanied by R222m in loan repayments, and a R258m increase in the total value of surplus funds invested in listed shares.

Gencor's surplus funds at the year-end were valued at over R1,67bn of which nearly R1,03bn was represented by net cash and money market assets and R647m by listed share investments.

The group generated net cash of R954m from its operations in the past year and after distributions to shareholders, retained R580m in cash

As the expansion plans of Gencor's divisions come to fruition so Gencor's cash balances will be drawn down, but CE Derek Keys is confident Gencor will maintain its dividend

"We are likely to see operating income fall in the current year Transaction profits should be fairly substantial, however, and we should certainly be comfortably able to maintain the dividend at its increased level."

The report also highlights how the group is clearly focused Its ten largest individual investments represent more than three-quarters of its total assets. These ten investments also generated 72% of Gencor's total earnings of 123c a share in the year to August

Engen

The major investments — aside from new entrant Engen, which displaced Winkelhaak in the top ten list — are unchanged from last year.

They are Engen, Implats, Samancor, Sappi, Genbel, Beatrix, Oryx, Malbak/-Malhold, Trans-Natal and Kinross. Together these investments account for 76% of the group's total assets of R16,2bn and 72% of its total income of R1,4bn.

While Gencor's R1bn cash earned a rich harvest, 9% of its assets did not contribute to the past year's income. Of these non-contributing assets over 65% is accounted for by the developing Oryx (which will have to raise funds soon) and Weltevreden gold mines, while 59% of the balance represented investments in assets which are not income-producing

The lion's share of dividend income (53%) was again contributed by Genmin despite a 16% decline in its absolute dividend contribution The dividend contributions from Gencor's other operating divisions were lower than Genmin's and, with the exception of Genbel, reflect their higher retentions to fund growth from internal sources.

Genmin, the largest division in the Gencor group, expects its profits to come under pressure in the current year but is well placed to maintain its long-term growth trend.

Total value of major projects being managed by Genmin's technical services division amounts to R5,5bn.

Long life for Beatrix Mine

B/Day 5/12/90

MARC HASENFUSS

GENMIN'S Beatrix Mine has sufficient ore-rich ground in its existing mining areas to maintain present levels of production well into the next century, chairman Gary Maude said in his annual report.

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He said the study evaluating the economics of sinking a R500m third shaft would be completed in 1991.

Development of the proposed shaft north of existing Free State operations in the next decade would enable mine output to be increased. But at present levels the gold price would not justify the capital cost of such expansion, he said.

Beatrix maintained its gold production, 13 085kgs, at similar levels to those of the previous year while tonnage milled decreased to 2,1-million (2,15 million), and development was increased from 32 850m to 34 727m.

Shareholders in Loraine target of R45m rights issue

PETER GALLI 214

LORAINE gold mine's recently incorporated subsidiary, Target Exploration, is to raise R45m through a one-for-one rights offer to Loraine shareholders of 16,37-million ordinary Target shares at 275c each

Anglovaal, which controls Loraine, will underwrite the rights issue The purpose of the offer is to raise the funds required to conduct a two-year drilling programme to determine the nature, location and extent of any payable ore reserves underlying the mineral rights area to be acquired from Loraine

These funds would also provide for contingencies including, among others, the cost of a feasibility study on completion of the programme if this is necessary

As Target is a wholly owned subsidiary of Loraine, the rights offer will initially accrue to Loraine and will be renounced by Loraine, for no consideration, in favour of its ordinary shareholders, thus giving rise to the one-for-one ratio

Loraine shareholders and/or their renouncees who subscribe for all or part of their entitlement to Target ordinary shares will also be entitled to apply for Target ordinary shares not subscribed for by other people entitled to them

Included in the preconditions is the approval by Loraine's shareholders of the sale to Target of certain mineral rights over the area to the north of, and adjacent to, Loraine's mining lease area

B|Day 5|12|90 (214)

Slow exports keep Rand Mines forecast low

MARC HASENFUSS

RAND Mines has forecast considerably lower earnings for 1991 as relatively flat export earnings, coupled with increasing costs, were likely to result in a reduced profit contribution from its coal division

Chairman Dammy Watts emphasised in the annual report coal would continue to be the major contributor to group profits.

Rand Mines' coal mining arm Witbank Colliery salvaged the group's year-end results which showed a slender 4,7% increase in attributable profits to R226,4m (R216,3m) in the face of lower metals and mineral prices.

Watts said the relatively static earnings were indicative of the pressure on operating margins Major contributing factors were the relative strength of the rand, poor demand for certain of the group's products, notably in the base mineral market, high interest rates on increased borrowings and inflationary pressure on local costs

Although the group would gain strength from the streamlining it has undertaken, it would be operating against a background of economic constraints and far-reaching socio-political adjustments, Watts said

Group profits next year would be primarily determined by US dollar prices received for its exports, the rand/dollar exchange rate and the effects of inflation

Watts said the oversupplied world markets for stainless steel and ferrochrome would continue to depress the group's chrome mining activities, while there would be no profit contribution from Vansa's vanadium operation following the cessation of vanadium production

Contributions from gold to group profits, although not expected to be substantial, would be heavily dependent on the rand price of gold There would be no contribution from the new gold producer Barbrook

Watts said despite disinvestment from marginal gold mines during the year, the group was still over-exposed to this sector of the mining industry, and consequently the disinvestment programme would continue

Profits from the platinum division were not expected to show a major improvement over 1990 and the downturn in the property market would lower Rand Mine Property's earnings forecast

Implementation of the rationalisation plan at ERPM was proceeding well and had a reasonable chance of success, Watts said.

Wage demands hurting job security on mines

Ster 5/12/90

214

By Derek Tommey

Excessive wage demands could destroy employment opportunities on the gold mines, says Rand Mines chairman Dammy Watt

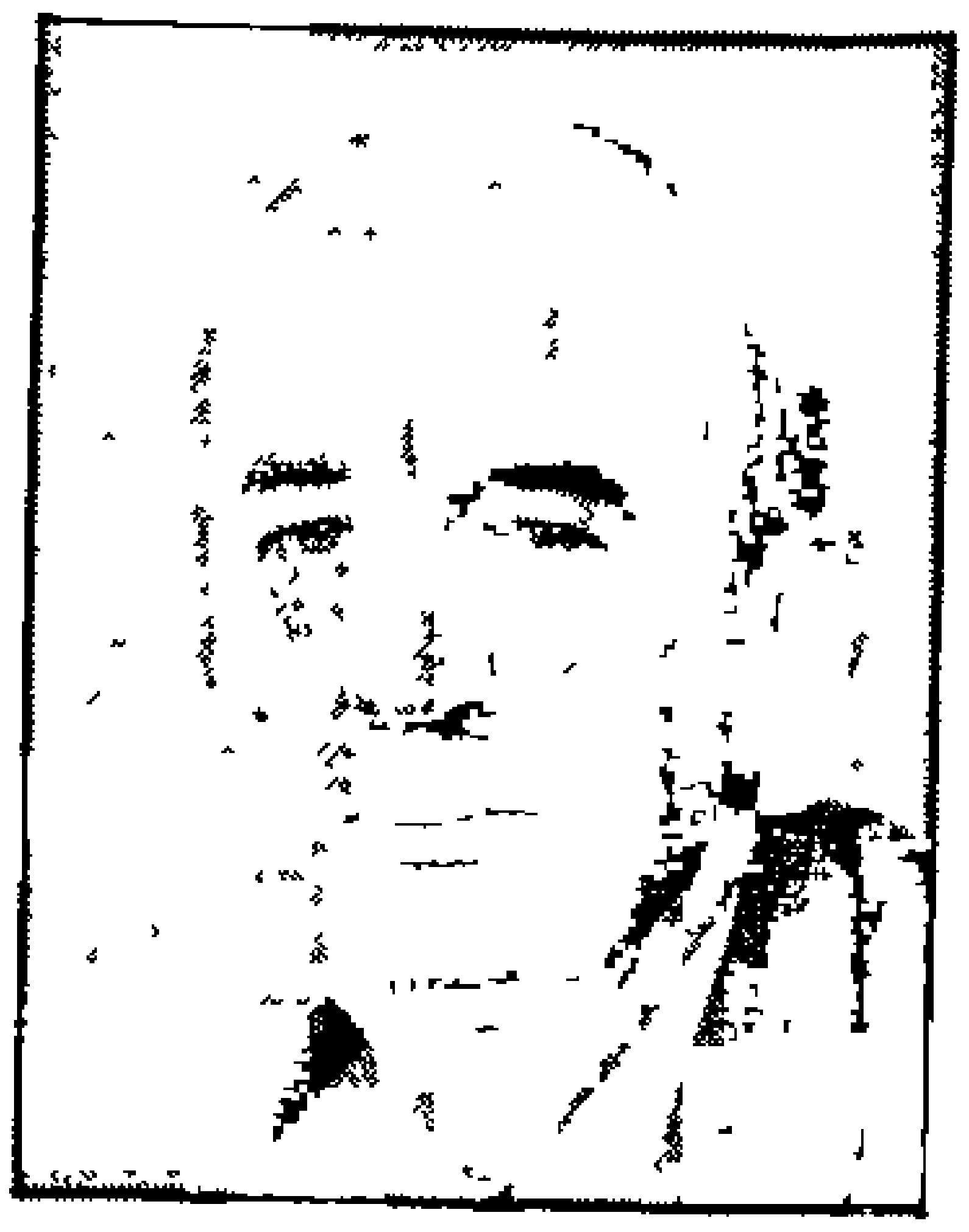
He says in the annual report that margins are at their lowest level for 11 years.

"Further unrealistic wage increases will inevitably lead to low-grade areas being abandoned and the labour employed in those areas becoming redundant."

He warns that the number of wildcat strikes and work stoppages and excessive wage demands could make investors wary of putting money into new mines

Rand Mines's own gold investments were not very profitable in the year to September

Out of total earnings of R226,4 million attributable to shareholders, earnings from gold contributed R5,5 million — down from R17,4 million in 1989 and R31,0 million in 1988



Dammy Watt . . . investors could be wary of putting money into new mines

A sum of R70 million has been provided against the investment in ERPM preference shares In the same cautious vein, R53 million has been provided against losses following the decision to stop production of vanadium pentoxide at Vansa Vanadium

Mr Watt expects earnings to fall in 1991 and forecasts a decline in dividends

While the group should gain strength from the streamlining it has undertaken, it will be operating against a background of economic constraints and far-reaching social and political adjustments.

This makes it difficult reliably to forecast the attributable profit in 1991

Profits will be primarily determind by dollar prices received for export sales, the rand-dollar exchange rate and the effects of inflation, says Mr Watt.

Relatively flat export earnings from coal, together with increasing costs, are likely trim profit from this division.

Chrome profits are likely to be depressed by the over-supply of stainless steel and ferrochrome.

Profits from platinum are not expected to show any major improvement.

The group will continue to disinvest from its managed marginal mines.

At the same time it will continue searching for gold and platinum deposits and plans to spend R21 million on exploration this year.

Boreholes are being sunk south of Johannesburg Encouraging results have been obtained in the Hennemans district.

But two boreholes in the central Free State failed to intersect the Central Rand horizons and have been abandoned.

The group is looking for gold in the Western Transvaal and is sinking a borehole to the northwest of Heidelberg

Mr Watt says the rationalisation plan at ERPM is proceeding well and that results of operations are in line with targets.

He says the operation is still to be regarded as marginal and will be heavily reliant on the rand gold price increasing in line with costs. The plan nevertheless has a reasonable chance of success.

He says ERPM has sold the Far East Vertical Shaft hostel complex for R35 million.

Earlier this year it received R29 million from the sale of certain slimes and sand dumps.

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Host of new projects keeping Gencor on go

Star 6/12/90

By Derek Tommey

Gencor shareholders need not fear that the mining house's rapid progress in recent years might be about to slow down for lack of new investments

The annual report shows it is poised for major expansion in several fields, including possibly launching several mining operations at home and overseas and taking its aluminium operation Alusaf to the stock exchange

The group has been active in prospecting for platinum It reports that encouraging results have been obtained from drilling on ground underlain by Merensky Reef and UG2 chromite ore at depths greater than 700m in the Eastern Bushveld complex

It is evaluating two medium-to-large low-grade platinum deposits which could be worked by opencast methods in the northern limb of the Bushveld complex

An initial drilling programme has delineated a deposit in excess of 150 million tons, with a grade of one to two grams a ton of platinum group elements

Evaluation of the Volspruit Project has revealed a potential deposit of 50 million tons at a grade of one to two grams a ton of platinum group elements

Gencor says that on the basis of results from the Moddergat platinum prospect, it is confident a mining operation could be developed

The group has been looking abroad for mining prospects and has undertaken joint ventures in advanced grassroots exploration projects in Brazil and Turkey

It is exploring a balanced portfolio of projects in Brazil In Turkey it has discovered an open pit heap-leachable deposit with an indicated reserve of 9 million tons at 1,25 grams a ton in situ

Encouraging intersections have been obtained in a hydrothermal gold deposit. Follow-up drilling is being undertaken at four other gold finds

Changes in business and political attitudes have led Gencor to consider opportunities in African countries

In Mozambique, subsidiary Trans-Natal is to undertake a R1,5 million drilling programme at the proposed Moatize coking coal project.

In return, Trans-Natal has the right to take up an equity stake No investment decision will be taken before the mid-1990s. The total project cost might be about R4,8 billion.

Gencor spent R97 million on exploration in the year to August, almost the same as the R95 million spent a year earlier

Trans-Natal's capital expenditure programme at home could amount to more than R1 billion in the next five years

Gencor is investigating a JSE listing for Alusaf in the next three years, should market circumstances be favourable

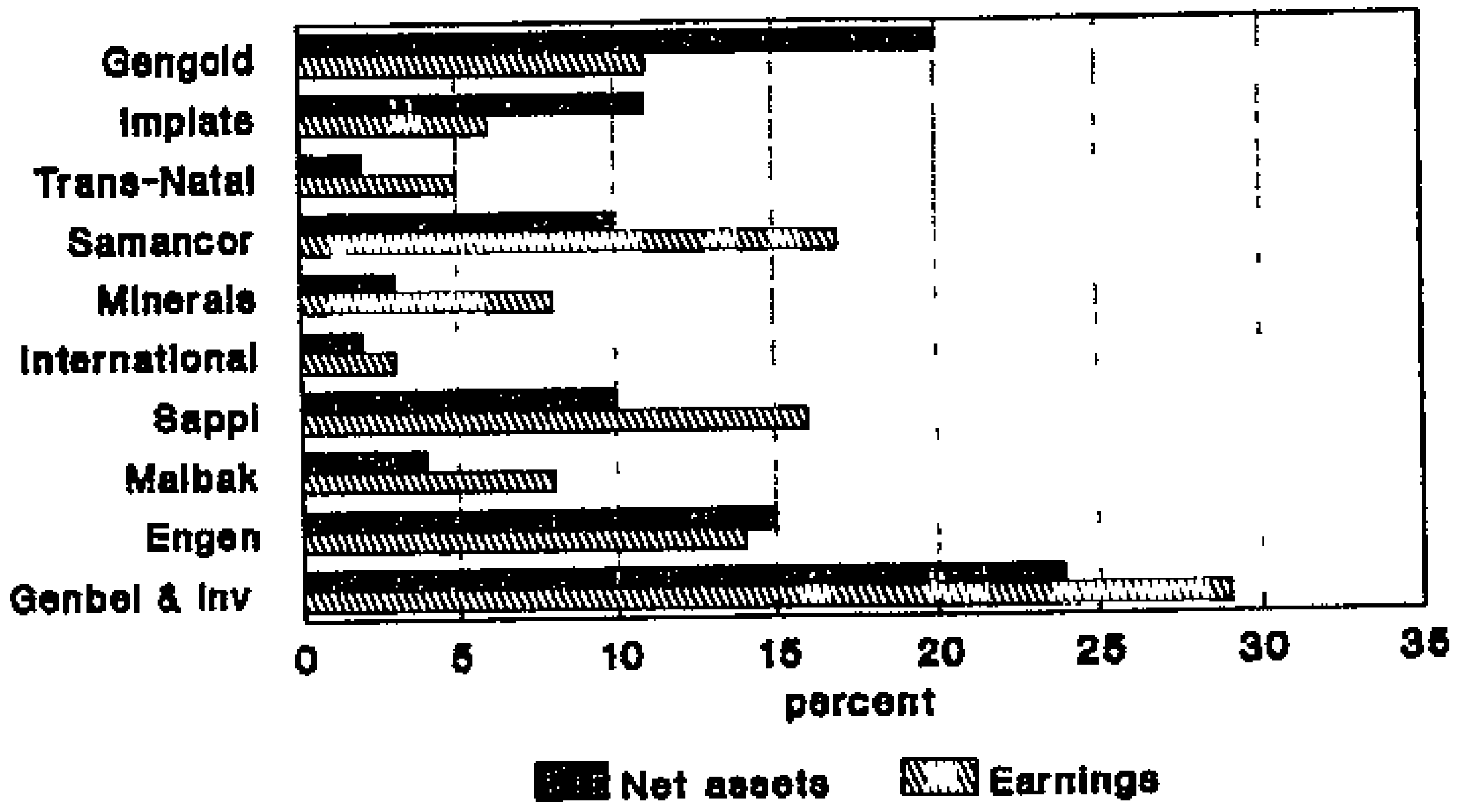
Gencor controls Alusaf with an effective 30,7 percent shareholding Alusaf is SA's only primary producer of aluminium, making remelt and rolling ingot and extrusion billet and rod

Richards Bay Minerals, in which Gencor has a 25 percent stake, is spending R925 million on expanding titanium slag production by one million tons a year

Gencor is developing the Oryx and Weltevreden gold mines, is planning to list the group's platinum operations in Bophuthatswana and is planning to participate in North Sea oil production

The development of the Alba Field in the North Sea should receive official approval in December and should yield its first oil in January 1994

Oil reserves attributable to Gencor's interests are of the order of 30 million barrels The project's economics are robust and it will generate significant cash flows, Gencor says



Gencor's assets and income sources

Retrenchment deal: Key step for gold mines

By DREW FORREST (214)

THE retrenchment deal struck last week between Anglo American's Freegold South and the National Union of Mineworkers is a key step towards joint management of the downscaling of the beleaguered gold mining industry.

W Mail 7/12 - 13/12/90

Containing unique features, it sets a standard for other mine retrenchment negotiations. The NUM is pushing for industry-level procedures in talks with the Chamber of Mines.

It coincides with the announcement that Gold Fields is to shed 3 700 jobs at its Doornfontein and Venterspost mines.

"Management and the union recognise that we are entering a new phase — if the gold price remains at current levels, significant downscaling will take place," said an NUM representative. "Through the agreement, Anglo is accepting a bigger role for the union than ever before."

Besides the NUM's best-ever severance deal on the gold mines — two weeks' pay for every year of service — the agreement is highly unusual in that:

- Anglo has pledged to establish a R1-million fund, jointly administered by the company and the union, to facilitate alternative job creation.
- Anglo has agreed to discuss mine-level cost-saving mechanisms, including restructuring of Freegold, with the NUM.
- It introduces a system of extended leave, which could more than halve the 7 800 threatened retrenchments. Workers will take a maximum of 90 days' leave a year, including paid leave.

The agreement also provides for a recall system, in terms of which Anglo undertakes to offer vacant posts to retrenched workers at current wage rates. Workers will be entitled to three notifications.

"The significant thing is that we have reached agreement on a very difficult issue at a very difficult time for the industry," commented Adrian du Plessis, public affairs manager of Anglo's gold division.

GOLD AND GOLD SHARES 214 FM 7/12/90

PRICES STILL BRITTLE

Gold shares have fallen a long way since taking off in what many saw as a bull market late last year There could be worse to come — the fundamental outlook for the industry remains bleak and share prices are likely to fall further.

The gold industry has not only gone ex-growth but is facing contraction unless the gold price moves to much higher, and sustainable, levels Dividend declarations over the next few weeks will deepen the gloom in the JSE's gold sector

While a few London analysts have offered more bullish forecasts, many believe evidence in favour of a continuing weak gold price is mounting. A study just released by Deutsche Bank falls squarely in the bearish camp Deutsche Bank's conclusion is that it would be surprised to see gold rising above a trading range of US$450-$500/oz, and its longer-term prediction is a clear declining price trend toward a target range of $200-$300/oz.

The report contends that official gold reserves will continue to drop, partly because of the disappointing performance over the past two decades Despite the tripling of oil prices in the mid- and late-Seventies, gold's share of the IMF members' (excluding international organisations) external reserves, valued at market prices, has failed to retain any lasting gain.

Not only has this ratio declined from 58% in January 1980, but the value of these holdings dropped from $362bn in 1983 to just under $350bn by mid-1990, even though the US$ had lost about 25% in value against the SDR and substantially more against the D-mark and yen The value of IMF members' non-gold reserves doubled between 1983 and 1989 while their dollar component fell from 70% to around 60% of total reserves

Liberalisation and globalisation of financial markets, with the refinement of hedging techniques, today offer greater long-term returns and lower risks — a combination hard to resist The Deutsche Bank argues that if the past decades have confirmed gold's demonetisation, the final phase of its demise as an investment will be seen in the private sector, as growing numbers of investors lose faith in the metal's utility as a shield against political or economic misfortune

More important to the speculative-orientated buyer is the rising opportunity cost of a sterile asset with high carrying costs, at a time of declining commodity prices and higher interest rates, in a period when cash is king

Nor would it be surprising to see investors adopt a similar stance towards gold shares There have been sharp cuts in dividends paid by gold producers, including some of the more profitable mines. Driefontein, for example, cut its first quarter dividend by an annualised 11% Last month Harties, a high-grade and well-managed mine, reduced its pay-out from 65c to 50c

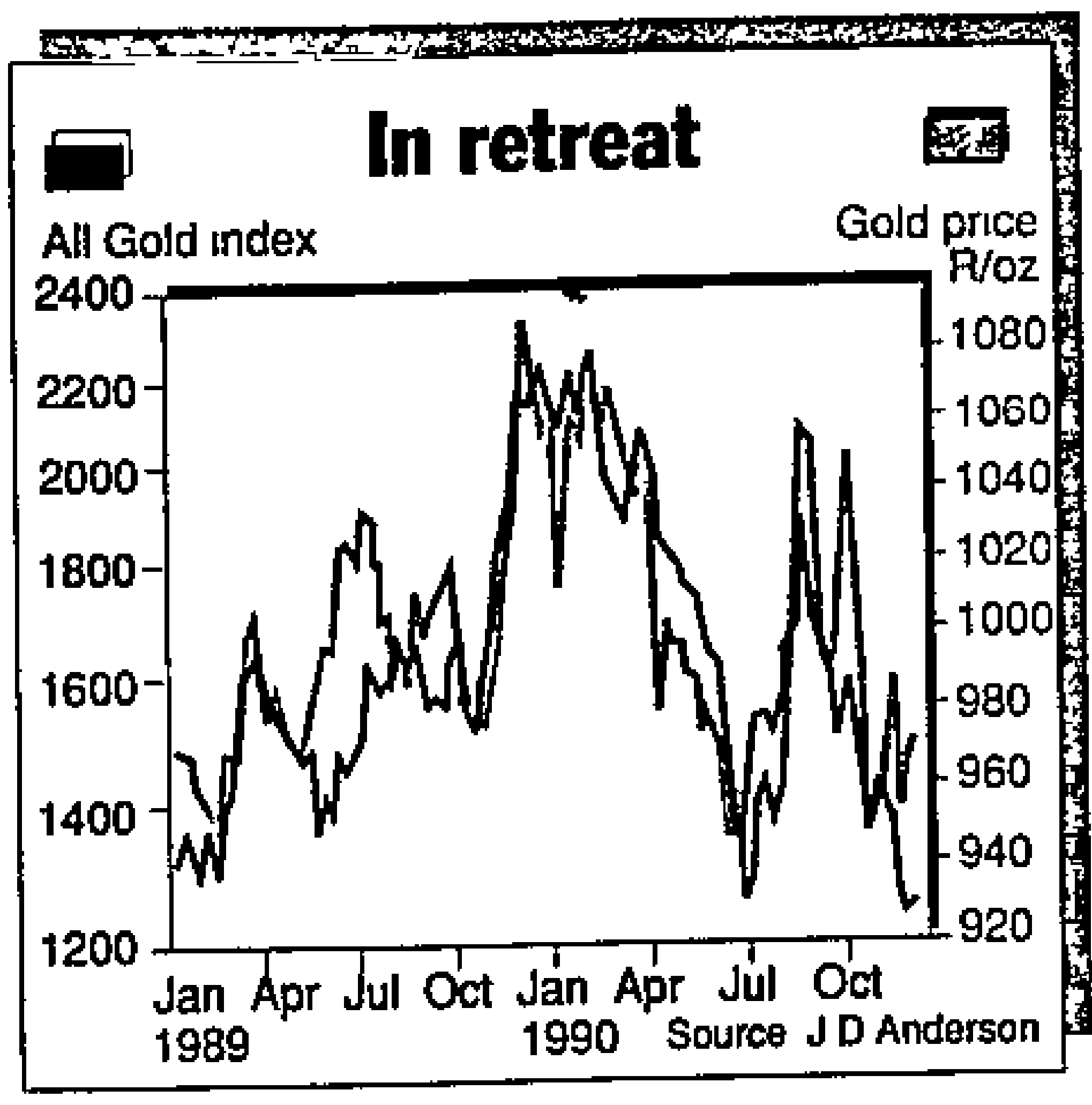
Much, but probably not all, of the industry's deterioration is reflected in the share prices. Since peaking last December at 2 250, the JSE All Gold index has tumbled by some 44%, and stands at 1 267 Average yield on the shares is now 4,5%, but the prospective yield is even lower unless the price moves well above $420 and stays there.

Bruce Williamson, gold analyst at J D Anderson, is forecasting dividends will drop by another 20%-25% in the year to September 1991. Unless investors are willing to accept an even lower yield, that means the All Gold index will keep sliding A prospective yield of, say, 3,5% on gold shares contrasts poorly with the 4,5% average for industrials, which still include growth stocks. It is also a far cry from the gold sector's average 10% yield a decade ago.

Many gold shares have fallen precipitously this year — marginals such as Modder, South Roodepoort, Rand Leases and Venters are down by 60%-80%, heavyweights such as Kloof and Southvaal have fallen by 30%-45% That does not make them attractive.

At the September quarter, only 20 out of 53 mines were covering working and capital costs Unless revenues can outpace cost increases, the profit margins will worsen next year On present trends, the rationalisation now taking place at many mines will generally mean a reprieve rather than a turnaround.

Andrew McNulty



Source J D Anderson

UBS FM 7/12/90

POSITIONING THE BOOK

In the past, building societies would have been worried about impending lower interest rates They have benefited from a rising

SOWETAN Friday December 7 1990

Gold mines declare war on apartheid

(214)

Sowetan 7/12/90.

THE gold mining industry has declared war on apartheid.

The National Union of Mineworkers and the Chamber of Mines are to set up a working committee dedicated to investigating all forms of racial discrimination which may still exist in the mining industry, says Mr Dammy Watt, chairman of Rand Mines.

In the meantime, the group and employee representatives have taken steps, to identify and eliminate as soon as possible any discriminatory practices still in existence

Encouraging

Labour relations on the gold mines have been a major preoccupation for Watt in the financial year ended September, his annual statement to shareholders shows

Encouragingly, he reports that employees who were previously excluded from promotion and advancement owing to discriminatory legislation are being offered intensive training.

A total of 144 non-white employees in the group now hold blasting certificates and are employed in positions previously reserved for "scheduled persons"

However, there has been intense and disturbing inter-racial tensions on some mines, most notably in the Free State.

This has led to a series of meetings to determine practical steps to alleviate the problem, and good progress has been made

But neither employers nor the NUM can afford to lose sight of the anxieties of a large segment of the industry's white employees, he continues.

Suspicious

"They are politically conservative by tradition and are suspicious of the wisdom of the political processes now underway.

"It will be a major task for management and the unions to allay the fears of these employees and their families in order to ensure that their special skills and expertise are not lost to the industry."

Watt expresses concern that excessive wage demands could destroy employment opportunities on the gold mines.

He reports that margins are the lowest for the past 11 years

"Further unrealistic wage increases will inevitably lead to low-grade areas of operations being abandoned and the labour employed in those areas becoming redundant."

He also warns that the number of continued wildcat unprocedural strikes and work stoppages and excessive wage demands could make investors wary of putting money into new gold mines.

Rand Mines's own gold investments were not very profitable during the year ended September Out of total earnings of R226,4million attributable to shareholders, earnings from gold conributed R5,5million - down from R17.4 million in 1989 and R31,0million in 1988

A sum of R70 million has been provided against its investment in ERPM preference shars and, in the same cautious vein, a sum of R53 million has been provided against losses following the decision to stop production of vanadium pentoxide at Vansa Vanadium.

Forecast

Watt expects that Rand Mines' earnings will drop in 1991 and forecast a a drop in dividends.

While the group will gain strength from the streamlining it has undertaken, it will be operating against a background of economic constraints and far-reaching social and political adjustments affecting the entire community

This makes it difficult to reliably forecast the attributable profit in 1991.

But it appears that earnings could be well down and the dividend will not be maintained. - *Sowetan Correspondent*

Gencor rises, Rand Mines slipping

ST Times 9/12/90

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By JULIE WALKER

GENCOR hopes to maintain its dividend in the current year, but Rand Mines forecasts a fall in distribution

The essential difference between the two is that Gencor has a diverse portfolio of investments whereas Rand Mines is the mining arm of the Barlows group

The individual mining components of Gencor — Impala Platinum, Gengold, Samancor and Trans-Natal coal — contributed 47% of earnings for the year to August 1991 Malbak, Engen, Sappi and Genbel made up the balance

Cash

Rand Mines' portfolio is dominated by coal, which contributed 163 on 226 to the bottom line Gold and platinum were small contributors

Gencor's high cash content of more than R1-billion at August 31 generates a good return in itself Rand Mines had R82-million cash at September 30 on a balance sheet 40% the size of Gencor's

Gencor chairman Derek Keys says cash will be drawn down as expansion plans come to fruition Although he expects operating income to fall in the current year, transaction profits should be good enough to maintain the dividend at its increased level

In its latest year Gencor paid 40c, yielding 4,3% on the present share price of R9,30 Rand Mines paid 560c, yielding 7,7% on the current market price of R72,50c

Gencor's annual report is about expansion and optimism Engen was formed from the merging of Trek Beleggings with Mobil SA assets and Gencor's interests in Mossgas and Soekor

Impala did a deal with Lonrho to come by a 25% stake in the multinational group's platinum interests It also gained control of Messina, through which a platinum mine is being developed

The Weltevreden gold mine was opened, a shaft was started at Winkelhaak and progress at Oryx is as planned

A billion rands could be spent in Trans-Natal in the next five years through developments at the Gloria, Optimum and Delmas collieries

Alusaf, of which Gencor holds 31%, might be listed on the JSE within three years, depending on market circumstances

Astute

Rand Mines' most significant acquisition in the year was Douglas Colliery's purchase of 89% of Middelburg and certain other interests held by BP Southern Africa JCI subsequently bought 40% of Middelburg

Chairman Dammy Watt says Blyvooruitzicht and Durban Deep gold mines recorded record profits through astute management and rationalisation

The other three group-managed mines gave problems Rand Mines has made available another R35-million (maximum) loan, contractually preferred among creditors, to East Rand Proprietary Mines

Operations at Harmony had to be cut back because of dwindling profits Barbrook's listing was suspended pending a review of its financial position It has incurred losses Its future appears "very bleak"

Rand Mines is disinvesting from marginal gold mines to which it is still too highly exposed

Profits from the platinum division are not expected to show any major improvement over those for 1990

Barbrook shut down after labour unrest

B\Day 12\12\90 [illegible] [illegible] 214

MARIETTE DU PLESSIS

VIOLENCE at Rand Mines' gold mining subsidiary Barbrook has resulted in the suspension of mining operations until "a final decision on the mine's future can be taken", a statement released yesterday by Barbrook said.

About 280 workers (80% of the underground labour force), armed with various weapons, surrounded and entered the main office block on the eastern Transvaal mine yesterday, in search of a mine overseer whom they demanded be summarily suspended, the statement said.

"They were unable to locate the man concerned and dispersed to their working places, having made death threats to other supervisors," Barbrook said.

At the time of Barbrook's suspension on the JSE in November, pending a re-evaluation of the mine's future, Rand Mines said viability of the mine was in question in view of prevailing economic circumstances, labour difficulties, and disappointing recovery grades

During the course of re-evaluating the mine's potential, industrial relations difficulties had persisted at the mine, Barbrook said yesterday.

"The bulk of the 500-strong labour force refused to follow normal work practices and laid-down procedures agreed between the National Union of Mineworkers and management, and has resorted to direct intimidation of individuals," the statement said.

Management said the decision to suspend operations was taken after careful consideration of all the relevant factors The suspension of the company's shares on the JSE remained in force.

The group has already closed its loss-making vanadium pentoxide production at Vansa, mothballed the developing Kennedy's Vale platinum mine and cut operations at Harmony gold mine near Welkom, a move which was expected to result in an output drop of 500kg of gold a month.

Barbrook became fully operational in December last year but it was unable to achieve the projected milling rate of 25 000 tons a month during the first quarter due to work stoppages and labour problems

In the September quarter, Rand Mines' five mines as a whole generated a greater pre-tax operating loss of R20m against R12,7m in the June quarter. Harmony and Barbrook, the group's largest and smallest gold producers respectively, reported a combined loss of R16,8m.

B/Day 12/12/90

Driefontein still star in GFSA stable

LIZ ROUSE 214

DRIEFONTEIN Consolidated remains the star of Gold Fields of SA's gold producers, having cut its interim dividend for the six months to end-December by only 5c to 60c

This payment is better than expected by gold mining analysts

Kloof has also done well under difficult conditions to declare an interim dividend of 40c, compared with a 60c interim paid for the 1990 financial year Kloof management said the costs of developing Leeudoorn would not affect dividend payments, but an analyst said under current conditions the producer might well have run out of funds

Deelkraal has surprised some analysts by declaring a 10c interim (the previous interim was 25c) It was expected that the interim would be passed

The rest of GFSA's gold mines have, as expected, passed their interim dividends — Libanon, which paid a 10c interim for the 1990 year, Doornfontein, Venterspost and Vlakfontein.

Vlakfontein has passed dividends since 1988 and Doornfontein and Venterspost since 1989

44 000 mine jobs at risk

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[illegible]

Star Bureau Star 12/12/90

LONDON — Six South African gold mines can be expected to close within the next two years unless there is a sustained rise in the price of the precious metal, Michael Spriggs, analyst at the SG Warburg Securities financial services group, suggests.

He says about 44 000 miners, or nearly 10 percent of the South African gold industry's workforce, are likely to be laid off by the start of 1991 as cuts in production already in train begin to bite

The full impact of the production cuts will be felt in 1991 when South African gold output is projected to fall by nearly 15 tons (or about 2,5 percent) to 590 tons.

Mr Spriggs says in Warburg's International Mining Outlook publication that the sustained price rise needed to save the threatened mines is unlikely

The South African industry has been badly squeezed by falling prices and a relentless squeeze on margins from cost inflation

During the past two years the gold price has been down to $350 an ounce, at which point 16 percent of the 1989 South African production and 24 percent of the 1990 production would have been at a loss.

"Even at $400 an ounce, 13 percent of 1990 output is loss-making," he says

Star 12/12/90

(214)

A dismal tale from Gold Fields

By Derek Tommey

The Gold Fields' group dividend declarations today highlight the parlous state in which the gold mining industry has landed.

Gold Fields is regarded as the mining house which above all others, has a predominance of sound long-life gold mines.

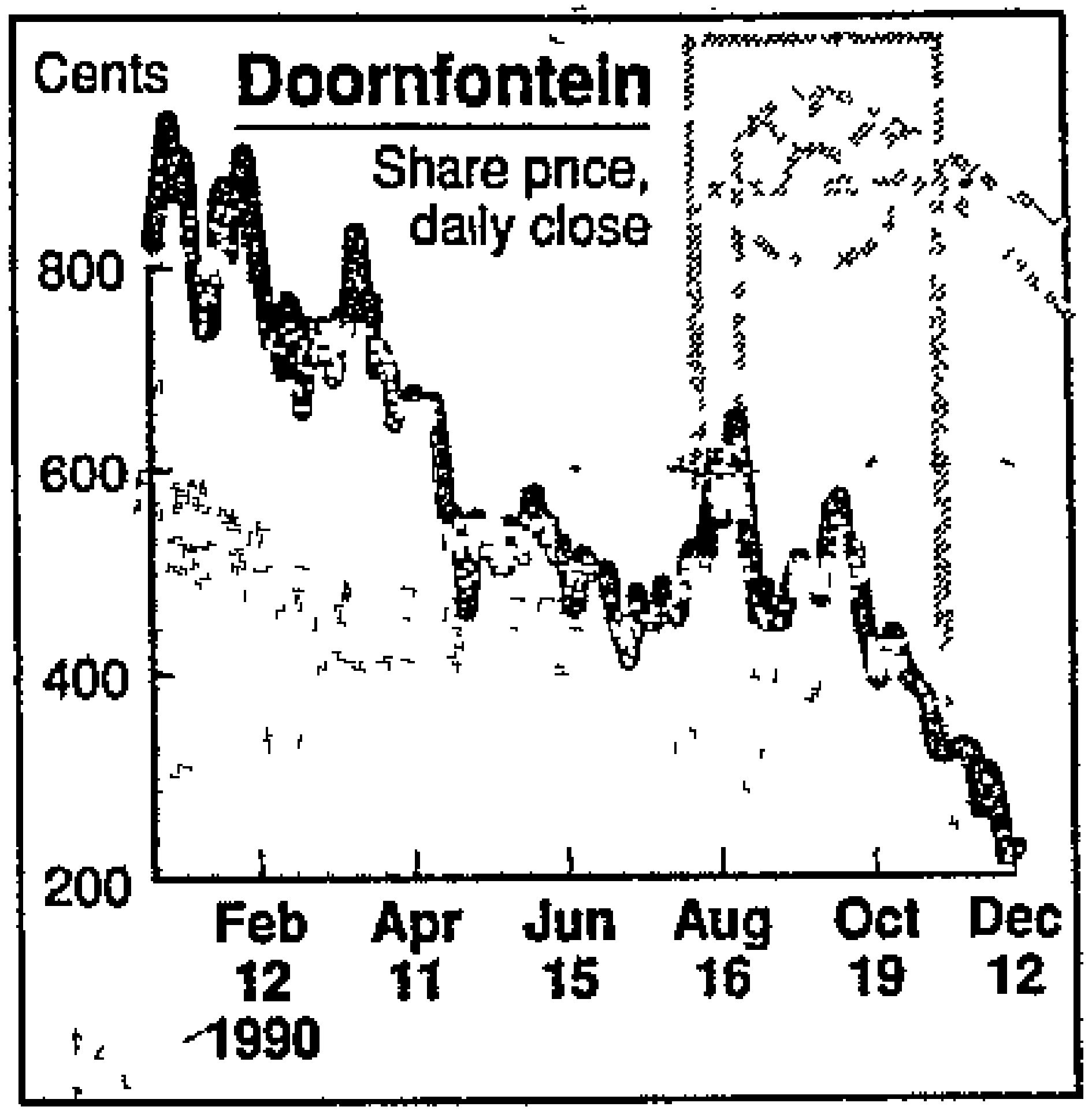
Yet only three of the group's seven mines are in a position to declare interim dividends — and these are all lower, in two instances sharply lower — than a year ago.

The best of today's dividends comes from Driefontein Consolidated. It is paying 60c against 65c a year ago and 80c two years ago.

Kloof has cut its interim by a third from 60c last year to 40c this year And Deelkraal has reduced its interim by 60 percent from 25c to 10c.

Libanon, which paid an interim of 10c a year ago but no final, has passed its dividend, as has Doorfontein and Venterspost, which last paid dividends in June, 1989, and Vlakfontein which paid its last dividend in June, 1988.

These dismal dividend announcements must have some effect on the earnings of the mining houses — and also in the incomes of a large number of investors.



Graphic FIONA KRISCH Source JSE

Fire halts Doornfontein operations

214

ANDREW GILL

DOORNFONTEIN Gold Mine suffered another setback when operations were suspended after a fire broke out in a crucial section of the mine B1004 13/12/90

The fire appeared on a carbon leader stope on level 35 on Tuesday A GFSA spokesman said last night that it was not yet under control Nobody was injured

If the fire could be confined to the bottom of the longhaul, production would only be disrupted for a matter of days But if it spread it was "anybody's guess" as to when operations would resume

Doornfontein recently retrenched 3 700 workers along with GFSA stablemate Venterspost after two quarters of working losses saw the mine lose R9m

In the financial year to end-June Doornfontein ~~produced eight tons~~ of gold

In the last annual report, consulting engineer Neil Kamp said stoping operations below 35 level were expected to begin early in 1991 and that tons milled in that area should account for about 10% of total production by th

Future development

to depend on stoping bel

carbon leader as the Main

low a yield for profitable min

gold price levels

Gold mines post lowest dividends for many years

214

Star 13/11/90

By Derek Tommey

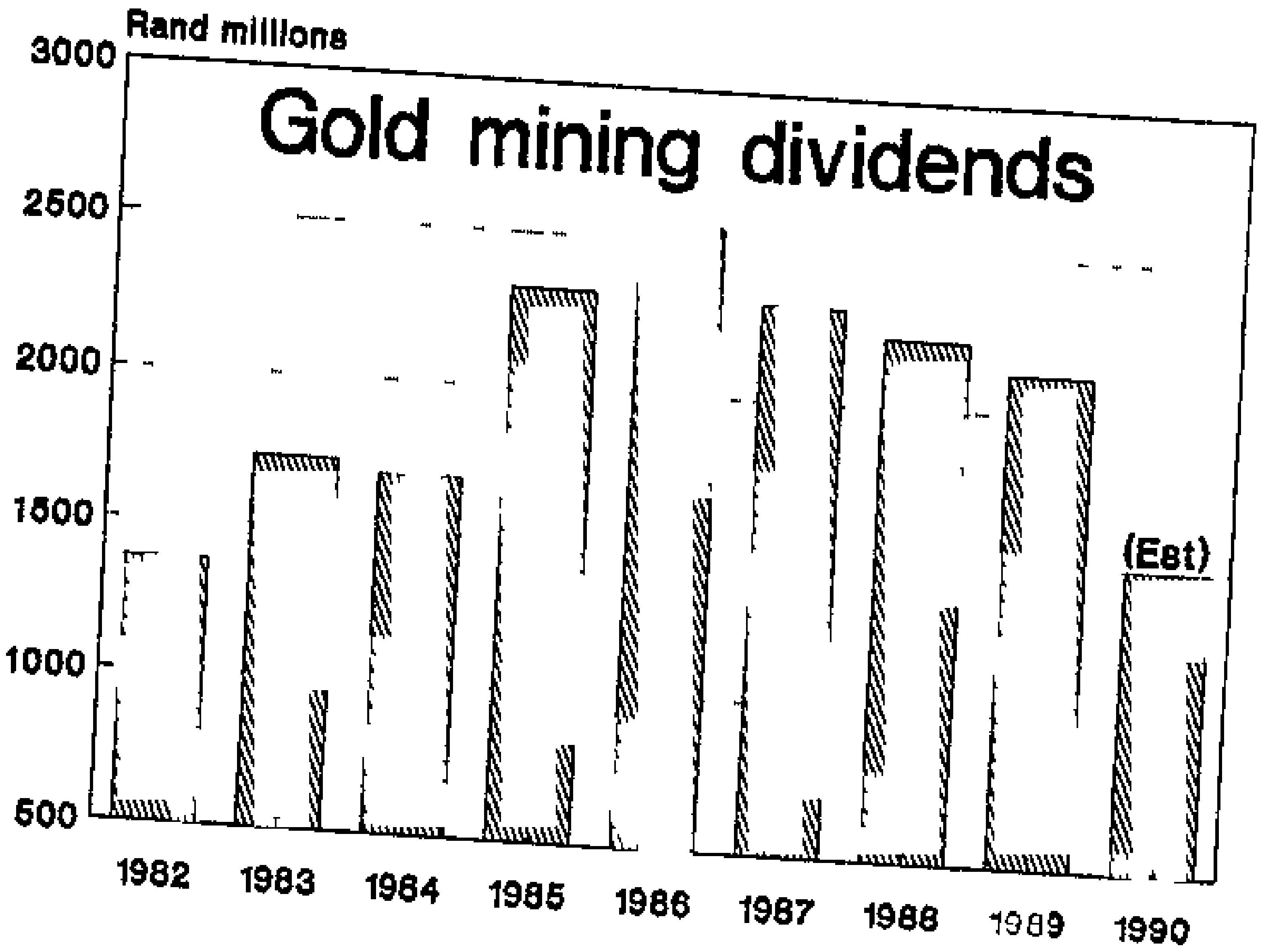
Much has been said about the plight of the gold mining industry, of the depressing effects its low earnings are having on the economy and the distress of the tens of thousands of miners who have lost their jobs.

But spare a thought for the mines' shareholders, for they too are hurting as profits are squeezed between rising costs and lower gold prices

Many shareholders are big mining houses and financial institutions which are well able to weather a drop in dividend income, But there are also a large number of small shareholders who rely on gold shares for a part of their income

An analysis of the dividends paid by Chamber of Mines gold mines shows that this year they have been lower than in any year since 1982.

Moreover, if the effects of inflation on the value of money are taken into account, one would have to go back many years before 1982 to find such a comparable low return in real terms.



The story of gold mining dividends this year has been one of successively lower declarations

In the first quarter of this year those mines which are members of the Chamber of Mines paid out R271,5 million in dividends

This was quite encouraging for it was only nine pecent less than theR283 million they paid out last year

However, the bad news started to arrive in the June quarter when total payments fell to R589,3 million — a drop of 36 percent from the R921,3 paid out a year earlier

The situation deteriorated further in the third quarter.

Dividends totalled R134,7 million — a decline of 47,8 percent from the R258,2 million paid out in the third quarter of last year

Altogether, the mines paid out R995,5 million in dividends in the first nine months of this year

This is 32 percent less than the R1,46 billion paid last year, but slightly more than the RR815,4 million paid out in the first nine months of 1982 — the previous worst year

Yesterday's dividend declarations from Gold Fields shows that this quarter's payments will also be well down on a year ago.

Among them the Gold Fields mines are paying out R181,2 million to their shareholders, which is 22 percent less than they paid out a year ago — and 36 percent below the R234,1 million paid out two years ago

The upshot of these poor dividends payments is that next year will be an extremely tough one for the industry

Investors usually do not put their money into a gold mine unless they can expect a return by way of dividends.

So the industry is faced with the prospect of either finding ways to pay dividends again — which means running more efficiently and more economically — or of being unable to raise new capital.

Without new capital the industry will gradually shrink

Next year, therefore, one can expect even more intensive measures on the mines to cut costs.

Mine workers will certainly not get pay rises anywhere near the 17 percent they received this year.

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FM 14/12/90

GOLD DIVIDENDS

CUTS AT GFSA

Reduced interim dividends from Gold Fields of SA gold mines reflect the continuing squeeze on profits caused by a waning gold price and cost pressures, as well as high capital expenditure in some cases. The poor performance of the mines is not unexpected after recent quarterly figures.

Deelkraal reported a steep decline, with the interim dividend falling 60% to 10c (25c) Not only have its recovery grades been on the slide but high capex on its deep level shaft is affecting profitability

Kloof paid a dividend of 40c (60c) despite operating in the red after capex The payout reflects management's commitment not to

FM 14/12/90 (214)

prejudice current shareholders as a result of the Leeudoorn development Simpson McKie gold analyst Rodney Yaldwyn points out that debenture finance for the Leeudoorn section proved insufficient — because of a lower than expected gold price and cost overruns — and bridging loan finance had to be raised This placed an added burden on the mine but, with capex now tapering off, some relief is in sight

Driefontein Consolidated managed to contain the fall in its dividend to 8% Davis Borkum Hare's gold analyst David Giese says this is because of the mine's size and flexibility In addition, underground problems which have been experienced over the past 12 months may have eased recently and grades could have picked up

Libanon — where production was recently disrupted by a strike — Doornfontein, Venterspost and Vlakfontein all passed their interim payouts. These mines have announced plans to rationalise operations and 3 700 workers were recently laid off from Doornfontein and Venterspost

With an average gold price of R985 in the September quarter and R960 in the fourth quarter (to date), the results overall did not surprise analysts *Pam Baskind*

Benoni Gold Holdings to be listed

BD 27 14/12/90

PETER GALLI

BENONI Gold Holdings will be listed under the gold — rand and others sector of the JSE on Monday via a reverse takeover of Mining and Technical Holdings (Minetec) 214

Minetec shareholders yesterday approved the acquisition of Benoni Gold Mining and the change of name to Benoni Gold Holdings

The transmuted listing statement published today states that, at full production, the plant at Benoni is expected to produce 1 368kg of gold, which should yield earnings of 13,5c a share and a taxed profit of R14m

The Benoni plant recovers gold from sand and slimes in the vicinity Full production is expected to be reached in the financial year ending March 1992 About 160 000 tons of sand and 40 000 tons of slimes are being treated each month at an average recovery grade of 0,57g/t, with average working costs of R10,50 a ton in current money terms

From commissioning at the end of September to end-March 1991, the Benoni plant is expected to produce 480kg of gold, yielding Benhold earnings of 4,8c a share.

Loraine mine may face more contingency plans

B/Day 14/12/90 (214)

ANDREW GILL

FURTHER contingency plans may have to be considered for Anglovaal's Loraine gold mine if the gold price does not improve within the next few months, Loraine chairman David Crowe says.

In his annual chairman's statement, Crowe said the rand gold price was below the estimated cost breakeven price for the 1990/1991 financial year.

In June, a rationalisation programme for Loraine was announced entailing a reduction in mill throughput to 1,48-million tons from 1990's 1,54-million and 1989's 1,61-million

The plan also entailed the retrenchment of about 600 workers.

Proposals for the disposal of its northern area mineral rights through forming a wholly owned subsidiary, Target Exploration, would be discussed at the AGM, he said.

Also to be discussed would be the plan to subsequently list it on the JSE and raise R45m, he said.

This followed recommendations that the area be explored further to determine the nature, location and extent of payable ore reserves.

It would cost R36,5m over 24 months.

The proposals, he said, "are designed to ensure that the drilling programme would not have to be curtailed in the event of increasing demands on the company's cash reserves as a consequence of continuing operating losses arising from a static low rand gold price".

Over the past five years Loraine has seen earnings a share fall from 200c (1986) to 7c in 1989 and nothing in 1990.

Crowe said 50% of the estimated production for next year had already been sold forward in hedging transactions.

In each of the four quarters, 933kg had been sold forward at rates higher than the past financial year's R32 463/kg.

The price ranged from R33 481 in the quarter ending December to R37 095 for the quarter to end September 1991.

Remuneration of directors will also be discussed at the annual meeting.

It is intended that the chairman's annual remuneration be increased to R10 000 from R3 000 and that the other nine directors receive R7 500 compared with the current R2 000.

13 gold mines piling up losses

C/T ARGUS 15/12/90 (214)

By TOM HOOD
Business Editor

ONLY 15 of 28 South African gold mining companies are making money — the others are piling up losses of millions of rands and will have to make serious decisions about cutbacks and retrenchments in the new year

Gold has rescued the country from economic disasters in the past but its role as a lifeline is fading dramatically

Once a huge contributor of taxes to government coffers, the gold mining industry is estimated to provide only about 4 percent of all revenue

Gold mines have been squeezed hard this year by rising costs and a falling gold price

The world's eight highest-cost producers are now all in South Africa, reports the authoratative British *Mining Journal*

These are Afrikander, ERPM, Venterspost, Grootvlei, Eoraine, Western Areas, Stilfontaion and Rand Mines

Only Driefontein is among the world's top eight low-cost producers

A survey by Mining Journal shows that around 6 percent of 217 of the Western world's gold mines are operating at a loss

However, cash costs in rands rose by more than 16 percent last year and the trend seems to be accelerating so that fewer and fewer mines are able kpeep up dividends to shareholders

Since 1970, South Africa's gold production has fallen by 40 percent or some 400 tons and its share of gold output within the Western world has reduced by more than 50 percent

The industry's demise is due to several factors

They relate to geology, technical complexities and high cost of mining ore kilomotres below ground There has also been a steady rise in wages in a highly labour-intensive industry without improvements in productivity

Average ore grade in South African mines has dropped from 13 grams to loss than five grams a ton in the past 20 years, whiule the tonnage of ore has rocketed by 53 percent

The average profit margin for gold mining companies reached a record low of 18 percent in the June quarter, estimates *Mining Journal*

As a result, share prices have continued their slide For example, Vaal Reefs, one of the largest gold mining companies in the world, and in value terms was the most actively traded share in 1990, with almost R1 billion worth changing hands, started out at R450 last January Yesterday it was trading at R187 The price reached a high of R505 a year ago and it is now now below its 1987 low of R202

Despite cost-cutting measures and the retrenchment of thousands of miners, the cost of production is rising against a falling gold price and unless there is a turnaround, mine closures look inevitable, says *Mining Journal*

Speculation is that possibly six mines employing more than 44 000 workers face closure

The low rand exchange has rescued the industry in the past but the governor of the reserve Bank, Dr Chris Stals, has made it clear he will not let the rand devalue to help the gold mines

Gold sales fetched as much as R35 00 to R36 000 a kg a short while ago but today the mines are receiving only about R31 000, estimates Mr David Giese, gold analyst at David Borkum Hare.

With the mines' tax contribution falling significantly, it is obviously wise for the authorities to keep the rand steady to help inflation rather than try to aid the mines, he said.

● In spite of the gloom, Southern Life investment manager Paul Beachy Head contends that some of the background fundamentals are working strongly in gold's favour, with US real interest rates at their lowest since the 1970s and the US Federal Reserve Board credit creation rising rapidly.

Benoni GH to be listed

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Star 15/4/90

DEREK TOMMEY

BENONI Gold Holdings, which operates a gold recovery operation at Benoni, will be listed on the Johannesburg Stock Exchange on Monday

The company's treatment plant, which was commissioned at the end of September, is expected to produce 480kg of gold by end-March and to earn in this period R5 million equal to 4,8c a share

In the year ending March, 1992, production is expected to rise to 1 368kg of gold bringing a taxed profit of R14 million equal to 13,5c a share.

The mine has reserves for 10 years' production, but can be extended by the purchase of dumps in close proximity to the plant

R20bn Gencor capex to provide 33 000 jobs

GENCOR executive chairman Derek Keys has outlined a R20-billion expansion programme which could create nearly 33 000 jobs

He told investors and analysts in London this week of projects in the pipeline for Gencor companies.

Gencor has funds for all the projects to which it is committed, but Mr Keys said that mining finance houses traditionally did not provide all the cash

By IAN SMITH

St Times 16/12/90

"We work in conjunction with our partners and other shareholders in these projects and they would obviously provide their portion of the financing

"However, it must be remembered that the final decision on the projects and their financing depends on the demand for the products and the condition of the markets which we would use for funding"

He said that Gengold, which was establishing two mines, Oryx and Weltevreden, and expanding Winkelhaak, Kinross and Beatrix, had plans which could involve almost R7-billion in the next few ~~years~~.

2116

Fuel

These projects could create more than 11 000 jobs.

Engen, the integrated fuel company, has announced plans to increase the capacity of Genref refinery in Durban The first phase will cost about R670-million

Mr Keys said "The company's shares are highly rated and in strong demand in financing its expansion we may allow our shareholding to fall" The Columbus stainless-steel project, a 50-50 venture between Samancor and Highveld, could involve expenditure of R2,6-billion for the hot mill to be set up in SA and about R900-million for the cold roll mill at a location yet to be determined

"If the project gets the green light, Gencor group will end up with an effective 22% of the project It could eventually mean about 1 200 new jobs."

Impala's planned capex for the 14 shaft, the Deeps shaft, for UG2 growth and for expansion at Messina amounted to about R2,3-billion, he said

These projects could generate more than 17 000 jobs

Paper-maker Sappi could spend more than R1-billion on expansion at its Saiccor, Enstra and Tugela mills.

Mr Keys said Gencor saw its mission as starting or acquiring major businesses and accelerating their development

"From these numbers you will see that we are prepared to put our money where our mouth is"

Benoni Gold Holdings listed today

By Jabulani Sikhakhane

Star 17/12/90

Benoni Gold Holdings, Consolidated Mining Corporation's fourth gold recovery plant, makes its debut on the JSE today.

Benoni is forecast to produce 480kg of gold in the financial year to March 1991, earning R5 million profit — equal to 4,8c per share

The plant will treat 175 000 tons of sands and 25 000 tons of slimes each month at an average recovery grade of 0,57g/t and giving average working costs of R18 420/kg

Chairman of Southgo, CMC's gold mining arm, Anthony Lee says 40 percent of Southgo's production will come from slimes dam and sand dump treatment operations.

(214)

"The overall cost of producing gold from slimes and sand treatment operations in the group is R23 000/kg ($276 an ounce), which leaves a useful margin with today's gold price"

Gencor set to close mines, retrench 10 000

CAPE TIMES 18/12/90

214

From **EDYTH BULBRING**

JOHANNESBURG — Gencor expected to close at least two of its gold mines and retrench 10 000 people next year if gold slid to a predicted $340/oz, gold division MD Gary Maude said yesterday

Gengold recently completed a scenario planning exercise and believes the outlook for the gold mining industry for the next nine months is gloomy

Its "most likely" scenario is that gold will fall from its present $376/oz to between $330 and $340 within the next three months The gold price is expected to improve in next year's fourth quarter

Within this scenario, **Stilfontein** and **Grootvlei** would close while Leslie and West Rand Consolidated would be in danger of closing, Maude said

Maude saw a turnaround in the industry through a change of perception in the market place The supply of gold was seen as increasing, while demand was decreasing

A changed perception, leading to better gold prices, could be triggered by the closure of mines and the reduction in the supply of newly mined gold The closure of Stilfontein and Grootvlei would result in the loss of 5 500 jobs Gengold had reduced its workforce by 31 000 since the beginning of July 1988, of which 18 000 were retrenchments

Marievale and Bracken mines were being closed, which would mean a loss of a further 2 500 jobs

The closure of Leslie and West Rand Consolidated would cost the industry 4 500 jobs Gengold was considering the possibility of closing the No 4 shaft at the St Helena gold mine, which would lead to a further 300 jobs being lost.

Maude said Grootvlei mined 50 000 tons of ore a month and produced about 185kg of gold Stilfontein mined 180 000 tons a month and produced 360kg of gold Kinross, which mined 180 000 tons a month, produced about 1 050kg of gold at a profit of R8 000/kg At the present gold price of $376, both Grootvlei and Stilfontein were just breaking even, he said

Maude emphasised that miners affected would be given retrenchment packages and preference in rehiring

Gengold would spend R7bn over the next seven years on developing two new mines and expanding three existing operations

Expenditure on the two new mines, Oryx and Weltevreden, would total R4,5bn and create 8 900 jobs Oryx would come into production in 1992, while Weltevreden would start producing a year later

The likely expansion at Winkelhaak, Kinross and Beatrix would cost about R2,25bn,would create 2 400 new jobs and increase monthly ore production at each mine by about 60 000 tons, he said

Dividend fall for JCI mine

PETER GALLI (214)

B/Day 18/1/2/20

JCI-controlled Randfontein Estates gold mine declared a dividend 50% lower at 20c a share (40c) for the six months to end-December, JCI announced yesterday.

In a statement, JCI said the mine had not done as well as in last year's comparable period due to the gold market's weakness.

The dividend was also affected by the board's policy of building up a contingency reserve.

Randfontein expects to achieve satisfactory results in the next quarter despite the weak gold price and the negative returns which led to the recent rationalisation of operations in the Doornkop section

Gengold expects to shut two mines

BDay 18/12/90

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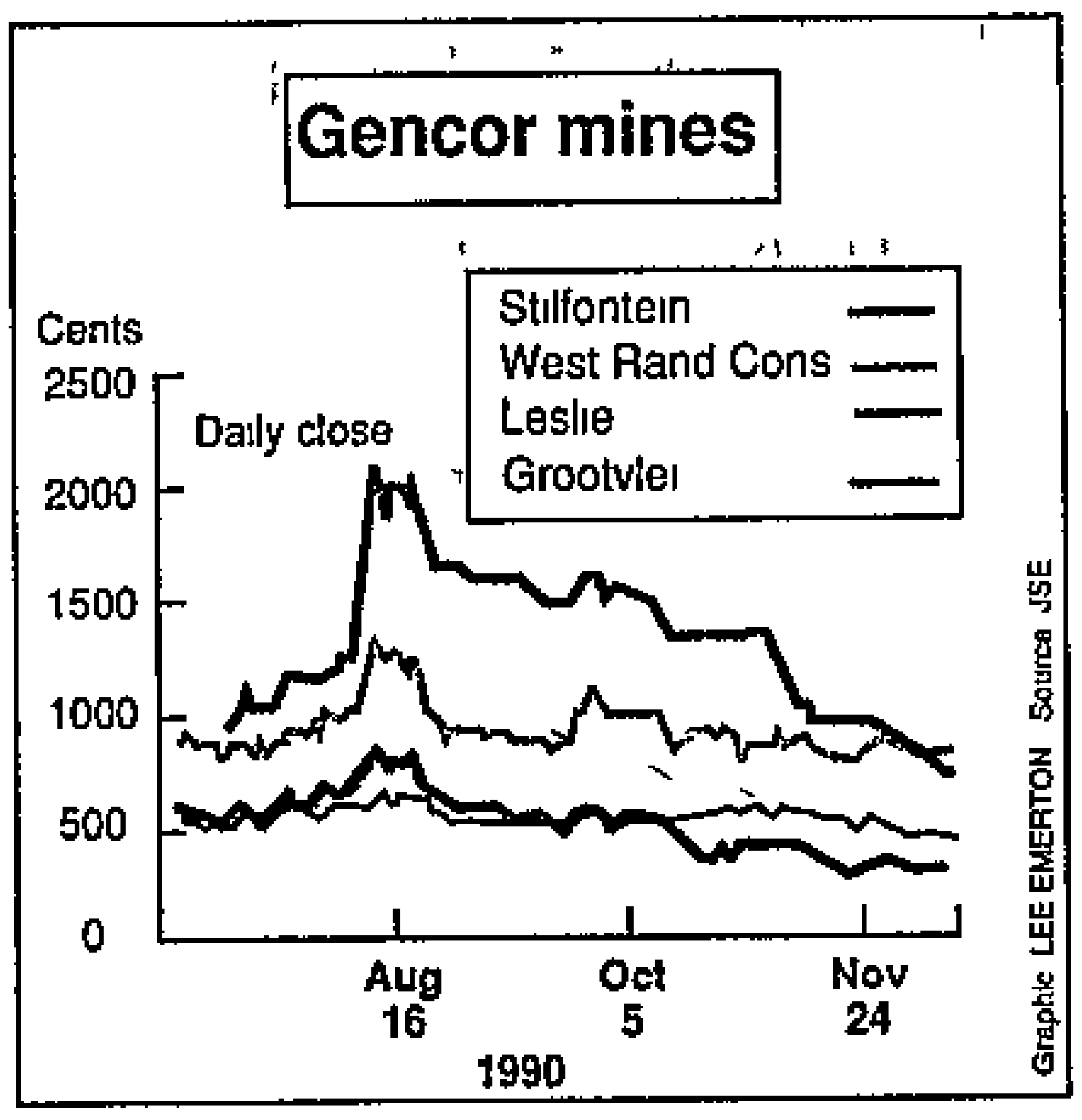
EDYTH BULBRING



Graphic LEE EMERTON Source JSE

GENCOR expected to close at least two of its gold mines and retrench 10 000 people next year if gold slid to a predicted $340/oz, gold division MD Gary Maude said yesterday.

Gengold recently completed a scenario planning exercise and believes the outlook for the gold mining industry for the next nine months is gloomy

Its "most likely" scenario is that gold will fall from its present $376/oz to between $330 and $340 within the next three months The gold price is expected to improve in next year's fourth quarter.

Within this scenario, Stilfontein and Grootvlei would close while Leslie and West Rand Consolidated would be in danger of closing, Maude said

Maude saw a turnaround in the industry through a change of perception in the market place The supply of gold was seen as increasing, while demand was decreasing

A changed perception, leading to better gold prices, could be triggered by the closure of mines and the reduction in the supply of newly mined gold.

The closure of Stilfontein and Grootvlei would result in the loss of 5 500 jobs. Gengold had reduced its workforce by 31 000 since the beginning of July 1988, of which 18 000 were retrenchments.

Marievale and Bracken mines were being closed, which would mean a loss of a

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Gengold

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further 2 500 jobs.

The closure of Leslie and West Rand Consolidated would cost the industry 4 500 jobs Gengold was considering the possibility of closing the No 4 shaft at the St Helena gold mine, which would lead to a further 300 jobs being lost.

Maude said Grootvlei mined 50 000 tons of ore a month and produced about 185kg of gold. Stilfontein mined 180 000 tons a month and produced 360kg of gold. Kinross, which mined 180 000 tons a month, produced about 1 050kg of gold at a profit of R8 000/kg

At the present gold price of $376, both Grootvlei and Stilfontein were just breaking even, he said.

Maude emphasised that miners being retrenched in the new year would be given retrenchment packages and preference in rehiring.

Gengold would spend R7bn over the next seven years on developing two new mines and expanding three existing operations

Expenditure on the two new mines, Oryx and Weltevreden, would total R4,5bn and create 8 900 jobs. Oryx would come into production in 1992, while Weltevreden would start producing a year later.

The expenditure on an additional shaft for Winkelhaak would total about R750m and would start producing in 1997 Feasibility studies on the capital expansion of Kinross and Beatrix were in progress and the possible expenditure on both was expected to be about R1,5bn.

The expansion at these three mines would create 2 400 new jobs and increase monthly ore production at each mine by about 60 000 tons, he said.

SA gold is still target of AAM

Star 18/12/90 (214)

Star Foreign Service

LONDON — Britain's Anti-Apartheid Movement (AAM) has focused on two of the country's leading jewellers in its new campaign against the sale of South African gold jewellery

Letters have been delivered to Argos and Easthope, asking them to follow the example of Ratners and phase out jewellery made from South African gold

The letter to Argos is accompanied by details of the methods by which the origin of gold can be identified, after statements to the press by Argos that it was impossible to distinguish the origin of one piece of gold from another

This weekend AAM campaigners will demonstrate outside jewellers throughout the country, urging them to support the campaign.

The End Loans to South Africa organisation is joining the AAM in the campaign, and is alerting jewellers to the more than 60 sources of gold other than South Africa — including Zimbabwe .

It also applauds the success of the campaign so far in encouraging Ratners to wind down its sale of South African gold jewellery.

Barbrook falls victim to price

B/Day 19/12/90

PETER GALLI 214

BARBROOK, the small eastern Transvaal gold mine in the Rand Mines stable, is the latest casualty of lower gold prices

Its directors said Barbrook was to be run on a maintenance basis, less than a year after it began production The decision would be reviewed during September 1991 or earlier if there was a substantial and sustained increase in the gold price

Net commissioning losses of R23,7m were capitalised until June 30 1990. An after-tax loss of R5,7m was sustained for the three months to end-September A R4,4m loss was incurred in the next two months Borrowings at December 18 were R60,4m.

Gold Fields pair see fall in dividends

LIZ ROUSE

GOLD Fields Coal has cut its final dividend slightly, with Gold Fields Namibia slashing its final dividend after a sharp cut in its interim payment

BDay 19/12/90

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Gold Fields Coal has declared a final of 50c (55c previously), making the year's total 90c (95c)

Gold Fields Namibia has declared a sharply lower final dividend of 25c (60c), which, with the 10c (60c) interim dividend, reduces total distribution for 1990 to 35c (120c)

Gold Fields Namibia, which produces copper, lead and silver, warned shareholders at the interim stage that 1989's total distribution of 120c would not be maintained because of losses at Tsumeb Corp and the absence of increases in metal prices.

The size of the final dividend was dependent on metal prices and developments at Otjihasi The major problem at Otjihasi was a water-bearing oblique fault which held up production

Low gold price and labour unrest shuts down Barbrook

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By Derek Tommey Star 19/12/90

Barbrook, one of South Africa's newest smaller gold mines, is to be put on a care-and-maintenance basis

The mine, which cost R126 million and which mills 25 000 tons of ore a month, began production in September 1989 The mine is in the Barberton district in the Eastern Transvaal.

Barbrook's directors blame the low gold price and labour unrest for this decision

They say that the current gold price of R30 200 a kilogram is not sufficient, when related to the latest production and financial forecasts and the possibility of further labour disruption, to justify continuing operations

However, they emphasise that their decision will be reviewed in September, next year, or earlier if there is a substantial and sustained increase in the gold price.

They say the gold price has effectively declined by 35 percent in real terms since the project was launched three years ago and no significant improvement in the gold price is expected in the short to medium-term

The problem facing the mine now is that the quantity and averge grade of ore milled have been below expectations

In the September quarter Barbrook had an operating loss of just over R3 million Although it received R35 061 a kilogram for its gold, its costs were R56 935 a kilogram resulting in an operating loss of R21 874 a kilogram

The directors say that mining operations have been severely disrupted by labour unrest since March, this year In May the mine discharged 850 miners — the bulk of its work force — after a series of strikes

The directors say that in spite of concerted efforts by the company and the National Union of Mineworkers to restore labour peace, management has been faced with repeated strikes, go-slows, disregard for safety procedures and defiance of its authority.

On November 7 the directors suspended the company's JSE listing while they evaluated the mine's prospects in the light of its problems

Just over a month later on December 11, about 280 workers (about 80 percent of the underground labour force) armed with various weapons surrounded and entered the main office block in search of a mine overseer whom they demanded should be summarily suspended

They were unable to find the man and returned to their working places after making death threats to other supervisors, the directors say

The following day mining operations were halted

The mine has consulted the employee associations and trade unions on the retrenchments

Barbrook's inability to make profits has also led to heavy borrowings and at December 18 it owed its bankers and Rand Mines R60,4 million

Barbrook's shares will be relisted on the JSE today in the curtailed operations section

Clive Knobbs, chairman of Barbrook, said the drop in the gold price in the past three years had almost completely eroded the mine's 40 percent expected profit margin

"Only a greatly improved and sustained improvement in the gold price will cause the mine to reopen"

He added that the policy of recruiting local labour housed in townships close to the mine would need to be reconsidered if and when the mine reopened

Coming bull market in gold will be too late for some mines

214

Star 19/12/90

Star Bureau

LONDON — The coming bull market in gold bullion will take the price up to about $700 a troy ounce and will last about five years, suggests Mr Gary Maud, managing director of Gengold, the gold producer within General Mining Union Corporation (Gencor).

Mr Maud told the London Financial Times's mining correspondent Kenneth Gooding that it might be a year or two before the bull market got under way. That would be too late to save some of the South African mines under threat because of rising costs and low precious metals prices

He says. "1991 will be a tremendously difficult year for gold producers".

Mr Maud points out that the South African gold mining industry has been "crying wolf" about potential closures for two years. "But we will see closures in the next six months. I would not be surprised to see five mines close before next June."

The gold price will eventually be propelled upwards by a flattening off in new supplies and by tremendous demand from the Far East says Mr Maud That demand will assert itself again once problems in the Japanese financial and property sectors stabilise.

Gengold is already getting its mines into a position where it could take immediate advantage of the coming rise in the gold price because the bull market would be relatively short — five years.

"I want to see my mines in first-class condition with spare capacity to take advantage of any increase in the gold price The (market) cycles are getting shorter and those companies which can expand quickly into the upturn will get most benefit."

There will be some benefits to flow from mine closures in South Africa For example, without them Gengold will be short of skilled people when the upturn comes

Two of the 15 mines under Gengold management are candidates for closure because of market conditions, Mr Maud says, while a third, Bracken, is to close because its reserves are exhausted.

The two mines under threat — Grootvlei and Stilfontein — have been offered South African government loans but Gengold was not in favour of these If necessary, it would prefer to close them while there was still cash to fund redundancies.

South Africa's gold mining industry has changed considerably in the past few years, Mr Maud points out "If you are not managing your mines well you go out of business. It was not like that 10 years ago."

Ergo to slash 600 jobs in cut-back plan

Cape Times 20/12/90

2114

JOHANNESBURG. — East Rand Gold and Uranium Co (Ergo), which produces gold from slimes, says it will rationalise operations in the first quarter of 1991

Chairman Clem Sunter said in a statement issued yesterday that the flotation plant, the uranium plant and the larger of two acid plants would close by April Operations at the Simmergo plant would be curtailed

The carbon in leach section and the small acid plant would continue operating at present levels

Sunter said about 600 jobs would be lost by the closures. Every effort would be made to relocate employees

The announcement follows an investigation into the Ergo division which showed that some operations would no longer be viable at ruling product prices, the statement said

As the cut in working costs was forecast to exceed the decline in revenue, the closures would prolong the life and substantially enhance the profitability of Ergo at current gold price levels, Sunter said

Existing uranium and acid supply obligations would be met

In the year ended March 31, total gold production fell slightly to 11,732kg, from 11,992kg the year before

SMD negotiating to sell off a stake in troubled Rand Leases

B104 20/12/90

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MARC HASENFUSS

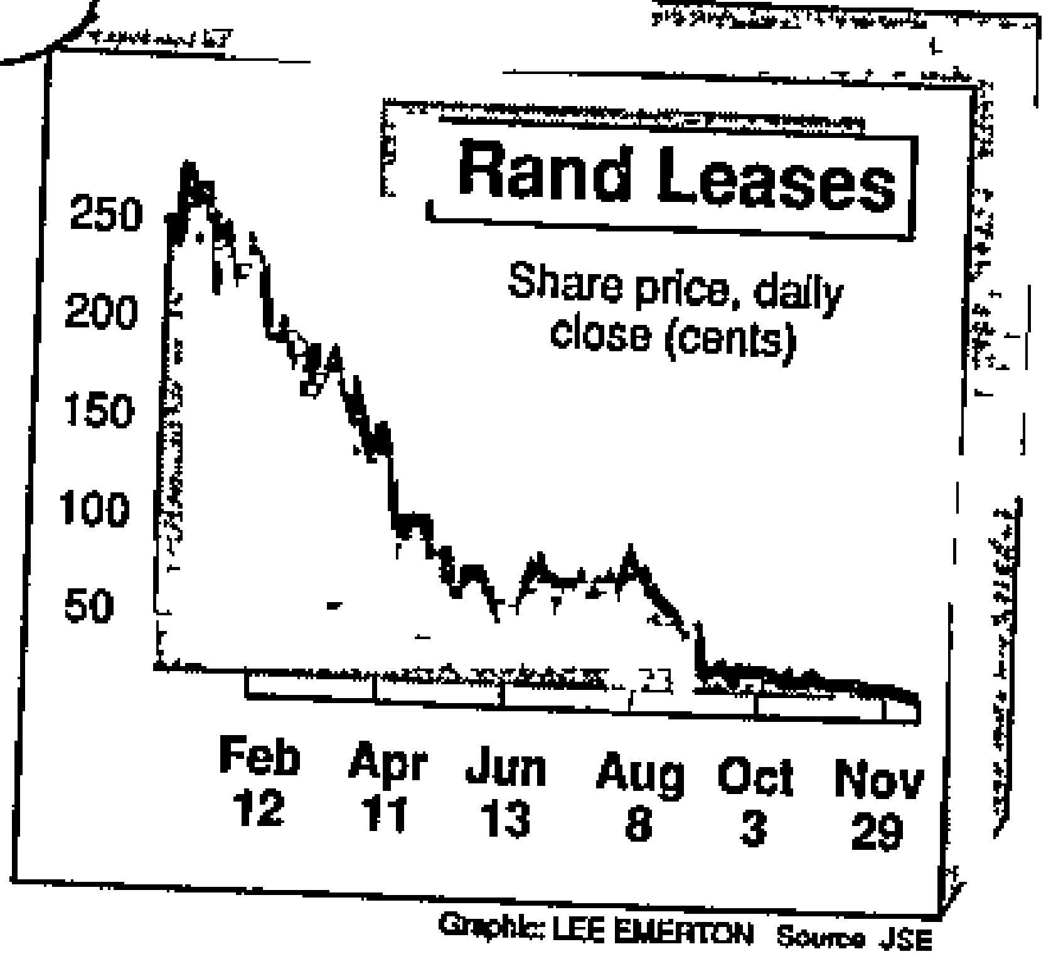
THE Severin Mining and Development Company (SMD) was involved in negotiations for the sale of all or part of its controlling interest in Rand Leases Gold Mining Co because the ailing mine was not performing to expectations, mining analysts said yesterday

A cautionary announcement released yesterday said the sale was being negotiated at a price lower than the current market price

Director Franka Severin denied that SMD was relinquishing all of its controlling stake in the mine, but confirmed it was offering a number of shares for sale

Rand Leases has already rationalised its operations after the cost a kilogram of gold produced rocketed to R47 239 (R29 340), resulting in a R12,8m loss for the year to end-June

Rand Leases retrenched almost 60% of its workforce when production was restricted to 14 500 tons of ore a month, while its KR2-shaft was put under care and maintenance, and No Six Shaft closed



Graphic: LEE EMERTON Source JSE

The company announced a R32m rights offer at the end of August in an attempt to return the mine to profitability by reducing its R28,4m debt

Severin said the economic recession had prompted a change in SMD management style which had already proved fruitful, and was confident of surviving the difficult year ahead for the gold mining industry

Rand Leases shares which peaked at 275c in January eased 13% to a new low of 20c yesterday

Gold Fields chairman cautiously optimistic

B Day 20/12/90 (214) ✓

MARC HASENFUSS

ALTHOUGH the SA gold mining industry is in a state of turmoil it will emerge a smaller and more vibrant industry, says Gold Fields chairman Robin Plumbridge

Elaborating on mining prospects for 1991, Plumbridge told Business Day there would be many casualties during the next year, but if monetary and fiscal initiatives were successful and were adjusted to speedily restore incentives for major investments, then gold mining would remain the backbone of the SA economy

Low recovery grades, a declining price in international terms, the strength of the rand/dollar exchange rate and endemic double-digit inflation, continued to threaten the future of most gold mines, he said

"As a consequence, belt-tightening on a scale last seen in the 1960s is the order of the day"

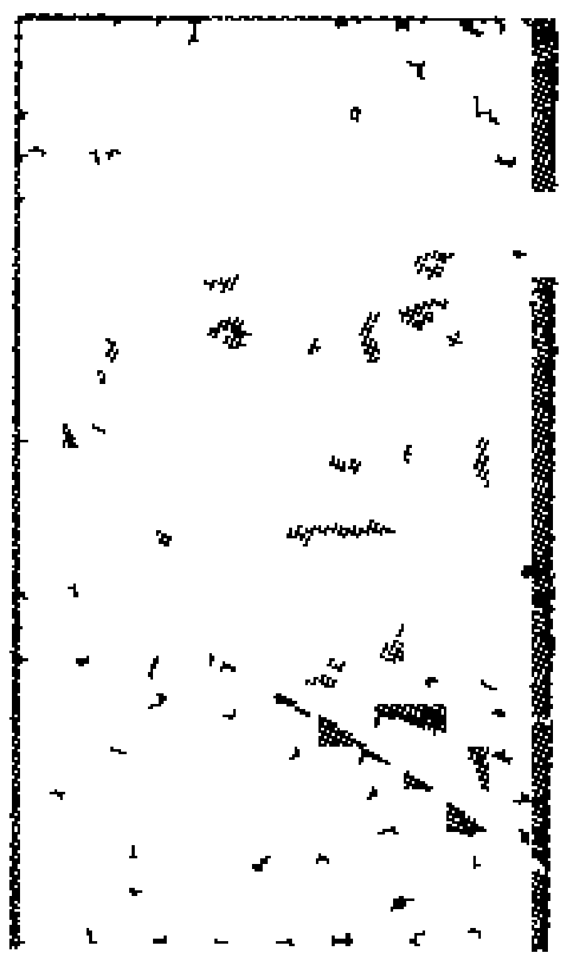
A Gold Fields spokesman confirmed yesterday that the group did not foresee any mine closures in the near future, but would embark on small-scale rationalisation programmes in unproductive mines

Every endeavour would be made to place these employees within the group, the spokesman said

Plumbridge said many mines began production more than 30 years ago, yet substantial gold resources remained unmined

"Given the amount of money required to open a major new mine and the long-term risks, alternative smaller investments with quicker paybacks have received priority in the decision-making process of many major players," he said

He said a further constraint was the uncertainty induced by organised labour as to whether the mining of deep level, narrow ore-bodies would be rendered unprofitable by excessive wage demands



● PLUMBRIDGE

Trade unions had to realise their responsibility to bargain for a fair and reasonable wage without prejudicing their future employment, he said

"Unquestionably management and organised labour have a major part to play and I believe both will emerge from the present period with a greater understanding of the issues involved and, above all, a greater willingness to strive for a common goal of a vibrant, competitive and profitable industry"

Plumbridge also called for a drastic revision of the South African corporate tax model, essential to make the mining industry competitive and encourage investment

"At this stage, however, it is far from certain that the correct action will be taken"

An increase in the tax burden would seriously retard new developments in an industry which productively employs large numbers of semi-skilled people

Plumbridge said the threat of nationalising SA's mines would repel foreign investments more effectively than any sanctions campaign

After Zambian copper mines were nationalised new foreign investments disappeared, exploration for new resources quickly lost impetus and priority, the technical expertise of the copperbelt evaporated as highly qualified staff sought alternative employment opportunities

A recent re-assessment of their earlier policy led the Zambian government to adopt a policy to privatise its copper mines

"The reality of this position is now understood by an influential cadre of black political leaders and we will see a progressive scaling down of emotive rhetoric on this issue"

Plumbridge said the mining industry would have to put greater emphasis on environmental issues although it was not likely to be faced with costly confrontations with environmental regulators that have become a feature in other industries

Plan to rationalise Ergo in first quarter of next year

B|Day 20|12|90 .

(214)

PETER GALLI

OPERATIONS at Anglo American's East Rand Gold and Uranium Company (Ergo) are to be rationalised during the first quarter of next year, chairman Clem Sunter announced yesterday

The rationalisation move previously was expected to occur only in the mid-'90s

The announcement follows a recently completed investigation into the Ergo division, which showed certain elements of the present operations would no longer be economically viable at ruling product prices

The reduction in working costs was forecast to exceed the decline in revenue, prolonging the life and substantially enhancing the profitability of Ergo at current gold price levels, Sunter said

It was estimated that 30% or 600 of the 2 000 Ergo workers would face retrenchment, but Sunter said every effort would be made to relocate affected employees

The flotation and uranium plants and the larger of the two acid plants at the Ergo division are to close by April

An Anglo spokesman said that an oversupply situation existed in the acid market, and that market demand for fertiliser had also been lower

Ergo has three divisions — Ergo, Daggafontein and Simmergo Operations at the Simmergo plant would also be curtailed, Sunter said However, the carbon-in-leach section and the small acid plant would continue to operate at present levels

In the latest annual report Sunter said that without rationalisation, Ergo's operations would not be profitable much beyond the mid-1990s

"However, a major strategic planning exercise has confirmed the possibility of extending Ergo's life into the next decade by rationalising operations at the Ergo division when the sulphur level of slimes becomes too low for flotation At this stage the flotation, uranium and acid plants will be closed down, leaving only the carbon-in-leach section operating at approximately the same rate as at present," Sunter said

There would be a decline in gold output which would be compensated for by a substantial decrease in working costs Overall Ergo would remain profitable for many more years It would produce more gold in aggregate over a longer period, although at a lower annual rate, Sunter said

Mining industry 'is still good business'

C

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By Derek Tommey Star 20/12/90

Mr Naas Steemkamp, senior vice president of the Chamber of Mines is extremely optimistic about the future of the South African mining industry

He says in the latest issue of the Chamber's newsletter that the South African mining industry is a good business and should remain so for many years to come.

"We have greater reserves of metals and minerals than any other country in the world.

He highlights the fact that the current difficulties facing the gold mining industry are not deterring the mining houses from looking for new gold deposits.

Much of the gold exploration is being carried out at great depths and huge expenditures would be required to bring to production any mines established in these areas, he says.

But the growth in the exploration expenditures of the six major mining houses suggest that they believe such new mines can be justified in economic terms This year these houses are expected to spend about R400 million on gold exploration — up from R254 million in 1987 and R90 million in 1983, he says

However, he points out that the mining industry is not without its problems

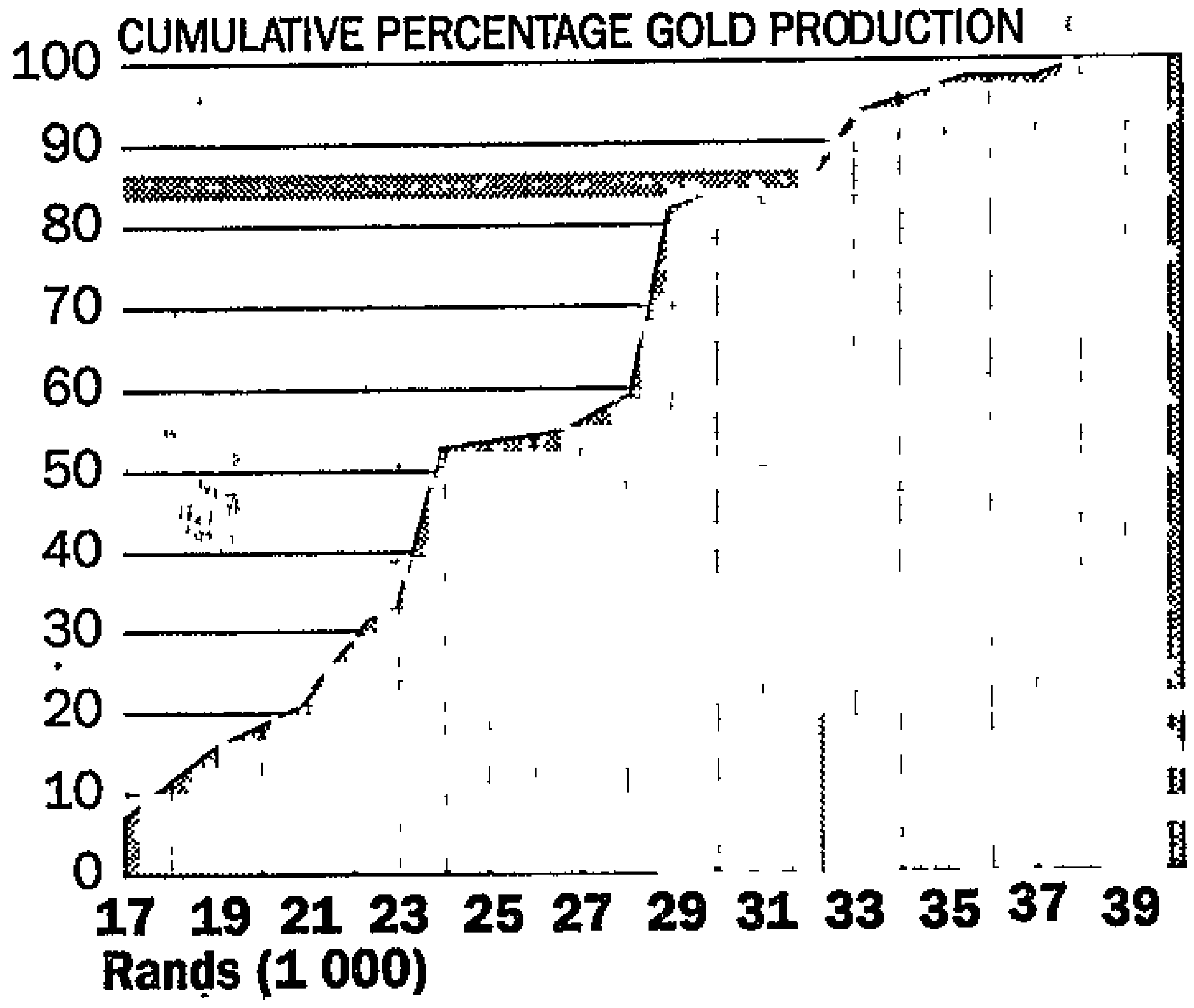
One is inflation which has been at double digit level for some time.

Another is labour costs In the 10 years ended 1988 wage rates rose on average by 18,6 percent a year, compared with general inflation of 14,4 percent a year.

Productivity was also poor owing to the low average standard of education, one of the legacies and consequences of apartheid.

Labour relations were another major problem, and the most volatile variable and crucial determinant of whether "the mines are run efficiently or even whether they are to run at all".

Mr Steenkamp says that given the advent of appropriate political and economic climates, he is sure that the mining industry will continue to create the wealth so fundamental to the material well-being of the people of South and southern Africa



Mining problem . . . With an average price of R32,148 per kg over the nine months to September some 11 mines lost money, placing some 15 percent of gold output at risk. Chart shows cumulative percentage gold production against working costs over the nine months.

Net asset discounts can hit investors — analysts

B/Day 21/12/90

NEIL YORKE SMITH

THE discounts to net asset value at which shares in Anglo American and Gencor trade can represent billions in forfeited shareholder wealth and prejudice long-term investors, say analysts.

Shares in Anglo American and Gencor trade at discounts of about 30% to net asset value while comparable conglomerates like Anglovaal appear to trade at very close to stated net asset value

Maximise

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Analysts attribute the discounts to a shortage of available scrip, perceived quality of management, dividend policies, corporate structures and the difficulty in evaluating unlisted investments

Gencor, SA's second biggest mining group, recently announced it was studying the possibility of "unbundling" its diverse interests in an attempt to reduce the discount and maximise shareholders wealth

"Investors prefer investing directly in operating companies — they feel management is more hands-on and capital is better utilised," an analyst said

The question arises as to why the discounts vary so much from company to company.

A Frankel Max Pollak Vinderine analyst said investors were avoiding conglomerates with big exposures to gold operations.

"Holding companies that rely largely on dividends from gold businesses are unlikely to gain favour in the short term"

Gold represented 33% of Gencor income and 20% of assets last year. At Anglo gold accounted for 34% of investment and 17% of equity earnings

Anglo's net asset value is about 13 300c a share but the shares have traded below 9 500c this week.

Given the bleak long-term outlook for gold and the 42% discount to net asset value at which Anglos have traded at in the past the shares could go lower, say analysts

By contrast Anglovaal's exposure to gold is small. Its industrial operations produced 54% of earnings and the group is rapidly expanding into financial services — further reducing its reliance on the metal

But stated asset values are often deceptive For example Anglovaal's interest in Anglovaal Industries (AVI) is probably worth far more than book value, analysts say

Minorco buyout discounted

B/Day 21/12/90

ROBERT GENTLE

MARKET speculation that Anglo American's Luxembourg-based associate Minorco might buy control of diamond giant De Beers-/Centenary to make the latter safe against predators found little credibility among analysts

They cited two key reasons why such a move was a non-starter firstly, it would cost Minorco far too much, and secondly it would thwart Minorco's strategic aim of becoming a worldwide natural resources company

Despite Minorco's coffers hovering around the $2bn mark — swelled largely by the $1,6bn disposal of its 29,9% stake in UK-based Consolidated Gold Fields in 1989 — buying up a company with a market capitalisation of about R25bn would prove too expensive

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"They've got a lot of cash, but not that much," said an analyst

Moreover, the interest earned on this cash pile brought in $234m in the year ending June

More fundamentally, the analyst said, a move on De Beers would simply mean Minorco was turning in on itself instead of expanding

A Mathison & Hollidge analyst said De Beers/Centenary was effectively locked up within the Anglo stable anyway through direct and indirect stakes totalling around 40%

A De Beers spokesman said it was not company policy to comment on market rumour

BUSINESS DAY, Friday, December 21 1990 3

NUM hopes Lebowa mine will reopen soon

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BDay 21/12/90

MATTHEW CURTIN

THE National Union of Mineworkers (NUM) was optimistic yesterday that production at JCI's Lebowa Platinum mine would restart early in the new year as care and maintenance operations began this week, union assistant general secretary Marcel Golding said yesterday

He said JCI had rejected original NUM proposals for the reinstatement of the majority of the 1 600 workforce, dismissed a month ago after management claimed union members had broken a moratorium on unprocedural industrial action

The mineworkers were first fired from the Atok mine in May but management agreed to their conditional reinstatement after Lebowa government intervention.

Progress

Golding said there was no decision on when the mine would reopen and no new meetings with JCI had been scheduled, but added "channels were open" for discussion

A JCI official said there had been progress in recent talks, but the company was waiting for the union to suggest "more constructive" proposals which would allow production to restart.

Management had employed a small contracting labour force to "restore conditions underground" The company claimed a group of NUM marshals held workers underground against their will during a protest sit-in against the dismissals while others destroyed a vehicle and damaged an administrative building with explosives when they returned to the surface

In a separate issue, Golding said the NUM and management at Rand Mines' Barbrook gold mine were negotiating recall procedures for the mineworkers after the decision to close the mine

He said Rand Mines had advised the union that operations at Barbrook, the smaller of the company's two gold mines which posted a R16,8m combined loss in the September quarter, were no longer viable.

Rand Mines announced the closure of Barbrook on Tuesday, citing the low gold price and lower than expected tonnage and grade "due to higher dilution in the stopes and the unplanned treatment of low grade development ore, necessitated by labour disruptions"

The Barbrook workforce was suspended on December 11 after a violent protest by 280 workers

The spokesman said the 700 black and 90 white workers at the mine would be paid off tomorrow and receive severance pay in January

The mine was employing a small crew for care and maintenance purposes The status of the mine would be reviewed in September next year, "or earlier if there is a substantial and sustained increase in the gold price"

Unisel gold mine set to improve — Maude

B\Day
21\12\90

LIZ ROUSE

214

GENGOLD'S Unisel gold mine in Welkom has a better outlook for the coming year, says chairman Gary Maude in his annual review

The new sub-inclined shaft in the eastern block will come into production, contributing a higher proportion of the richer Basal Reef, while development towards the Basal Reef extension will provide additions to these higher grade reserves

Tonnage milled is to be kept at 80 000 tons a month, higher than the average for 1990 Development will be increased to strengthen the Basal Reef ore reserve position and reduce dependency on Leader Reef reserves

The evaluation of the Leader Reef in the Jurgens Hof area is disappointing However, the exposure of the duplication of the Basal Reef on the thrust fault on the Jurgens Hof boundary, and the drilling of the Basal Reef above 4 level south drive, are encouraging, Maude says

An evaluation of the Leader Reef to determine the distribution of value is continuing and the sinking of the sub-inclined shaft in the eastern block is expected to increase payable ore reserves

Unisel's working profit was substantially lower in the year to September due to a static rand gold price and increased working costs

The mining of unpayable ore was eliminated and consequently the square metres mined and the tonnage milled were reduced The labour compliment had to be reduced slightly and the increase in working costs was contained to 7,5%

Distributable income was down 25% to R22,2m (R29,6m) and dividend was cut by 27,6% to 76c (105c) Expenditure for the past year totalled R18,7m Planned expenditure for 1991 is R21,4m

Prospects look good for Soudex

LIZ ROUSE

214

B Day 24/12/90

A NEWCOMER to the JSE mining board, JCI's South Deep Exploration Company (Soudex), is a new venture promising above-average returns

This is the view of gold mining analyst David Giese of Davis Borkum Hare

Before the listing, R231,6m was raised through a rights offer to existing shareholders After meeting development costs, the company will have R180,5m for further development over the next 12-18 months

Giese says the decision to proceed with mining, if taken, will be made with a much higher degree of confidence of success than any other recent new mining venture

The reason for this is that the inherent risks associated with new mining ventures have been substantially reduced by the large amount of comprehensive information derived from surface and underground boreholes, a seismic survey and underground development

These have shown that mining costs will be below the industry average as a result of the ore-body lying at a relatively shallow depth of between 2 450 and 3 000m

The mining plan indicates there are sufficient reserves at the upper levels for the first 30 years of mining to be at depths of less than 3 000m below the surface.

Giese says an estimated R2bn will be incurred in order to bring the mine into full production

Major shareholders in Soudex are Western Areas/Elsburg shareholders (33%), JCI (30,4%), West Witwatersrand Gold Holdings (8,1%), Free State Development & Investment Corporation (7,2%), Gencor (4,8%), unlisted GFMD (3,3%), Anglo American (2,4%), unlisted Rooderand (2,4%), Rand Mines (2,4%) and subparticipants (6%)

Light starts to gleam at end of gold tunnel

Star 24/12/90 (214)

By Derek Tommey

The gold mining industry has had a rough 12 months, with the realisation slowly dawning that the Government was not going to increase the rand gold price by letting the rand fall against the dollar

It has also been a tough time for holders of gold shares who have seen the value of their investment fall by about 43 percent — about R20 billion.

But some gold market analysts believe both the gold mining industry and they gold share market might see better days in 1991 — and that the time might soon come when investors should start thinking again about buying gold shares.

Many people have become disillusioned about gold and gold shares as investments because of the metal's lacklustre performance in the face of growing war fears in the Gulf.

On the other hand, gold's ability to maintain its price at a time when conditions have been heavily against it has impressed some analysts.

They says that since August 2, when Iraq invaded Kuwait, the dollar gold price has risen by 2,7 percent.

In sharp contrast, share prices in Japan have fallen 20 percent, in Germany 26 percent, in New York 9,3 percent and in London 7,7 percent.

Gold clearly has been a better store of value than have shares - especially SA gold shares, which have fallen almost 24 percent in price since the Iraqi invasion

Analysts find gold's firmness encouraging, espcially as this year it had had to cope twice with unprecedented dumping of extremely large quantities of gold by Saudi Arabian banks.

It has also had to absorb heavy sales of Russian gold and possibly of Kuwaiti gold, with the Kuwaiti government-in-exile raising cash to help finance the US war effort

Yet despite these price-depressing factors, gold has always bounced up again and at over $380 last week was well above its low of $345,85 six months ago

Bullion dealers belive there is a strong floor under gold at $370.

They also suspect that there may have been a small recovery in investment demand, stimulated by the drop in the gold price in Europe and the Far East.

Some are also encouraged by the Reserve Bank's move to rebuild its gold stocks by withholding newly mined gold from the market.

It has done this several times in recent months, whenever it had sufficient foreign exchange for that purpose.

In November, it held back 300 000 ounces from the market and, with the balance of payments likely to remain healthy in 1991, it is expected to make further substantial retentions next year

Holding back 300 000 ounces a month out of a total production of 1,6 million ounces may not seem particularly large

But it means that the flow of newly mined gold from the non-communist world to the market is being cut by 10 percent. Over time this must lead to a firming in the gold price.

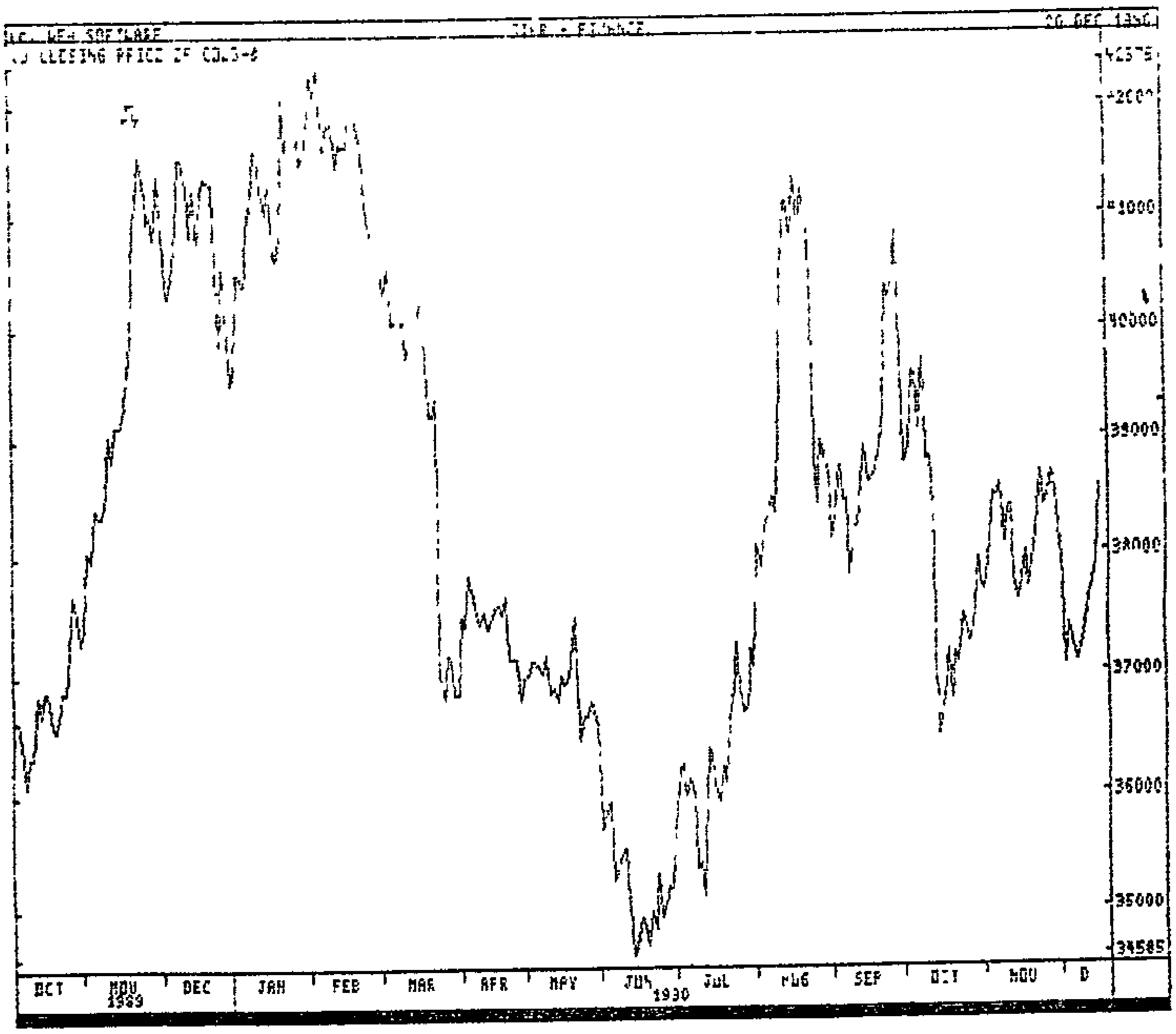
A third encouraging factor has been America's decision to grant credits to Russia, which could lead to a marked reduction in Soviet gold sales next year

There is evidence that Russia has been scraping the bottom of the barrel of its gold stocks It recently started selling gold with Tsarist markings, even though it was not "good delivery" as it requred further refining

So there is doubt whether Russia has much gold left for sale, in any event

But with the US granting Russia a credit of $1 billion (R2,5 billion) — equal to 2,5 million ounces of gold — and likely to lend more in the coming months, some reduction in Russian gold sales seems almost certain

Should these expectations about SA holding back more gold and Russia reducing its own sales be realised, then the supply-demand position in the gold market could be very different in 1991 from what it was this year — which would please both gold miners and gold investors equally.



Closing price of gold (in dollars) from October 1989 to date

OUTLOOK '91

Gold fundamentals looking good

By Gary Maude,
Managing Director,
Gengold

Star 27/12/90

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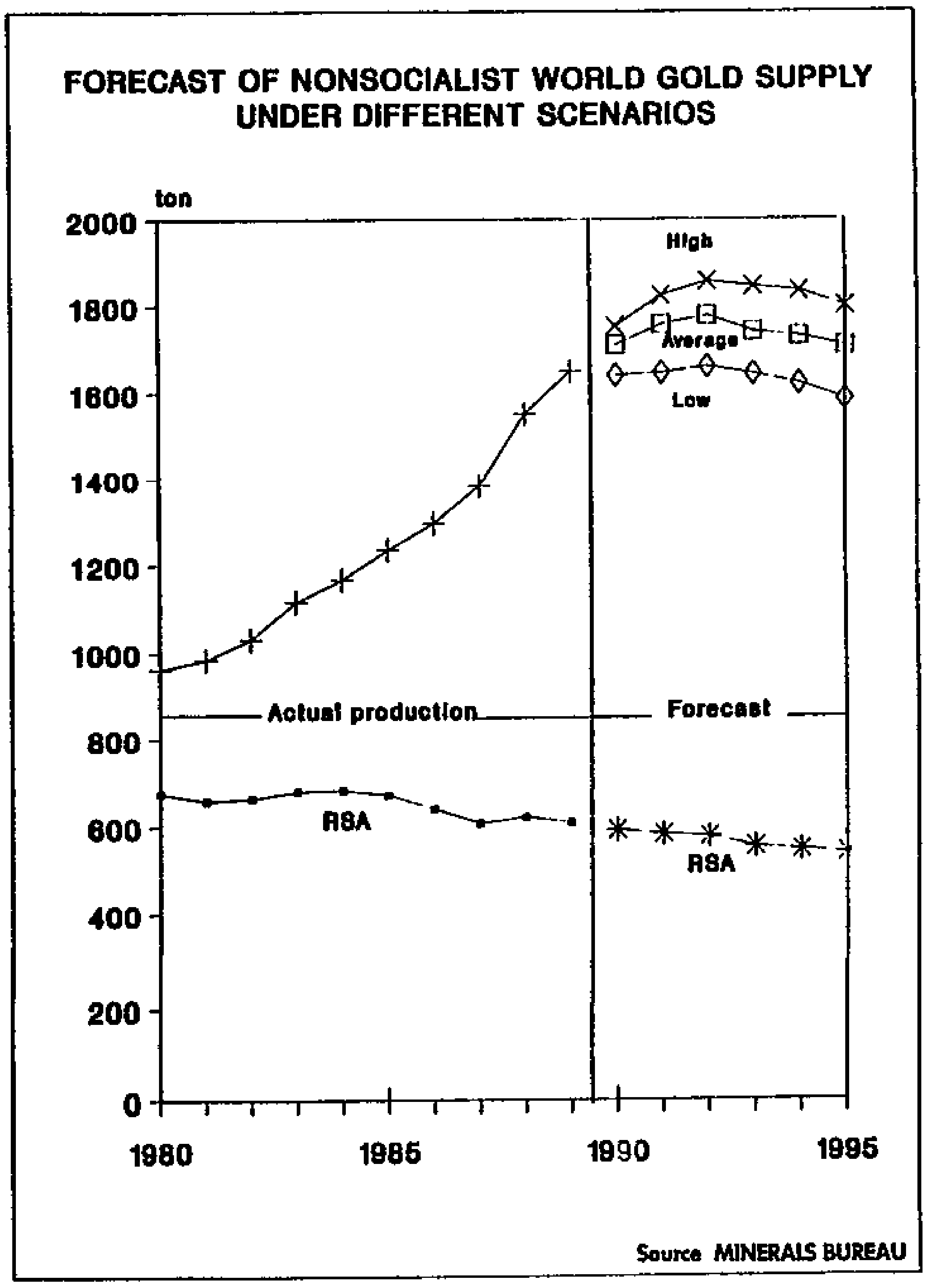
FORECAST OF NONSOCIALIST WORLD GOLD SUPPLY UNDER DIFFERENT SCENARIOS

Source MINERALS BUREAU

Gold can be expected rise at a steady rate next year as a consequence of bigger demand and a drop in supply The price cannot be accurately predicted When the market changes direction is of more importance than predicting the actual price

The problem with trying to predict the gold price is that there are so many variables one must or can build into a price model and any of these variables can have a major effect on predictions

There are several ways of producing meaningful indications of what is likely to happen. The most important is by looking at supply and demand and the factors influencing supply and demand.

The Gengold group's 15 mines produce 85 tons of gold a year, which makes it the third-largest producer in the world

One of the major factors to have had an impact on the SA gold mining industry is escalating costs Some of SA's mines produce very expensive gold because of relatively high costs

When the gold price rose nearly 10 years ago it sparked of intensive exploration programmes, which led to new mines and an increase in supply

Most of the newly discovered deposits were shallow and the new mines benefited because of lower costs and shorter lead times.

The more conventional deeper mines started in the early 1980s also came on stream in the second half of that era and made a significant contribution to world supplies

The "gold rush" of the 1980s was sparked off by the higher price, but led by new technology

The technology allowed previously unworkable, low-grade oxidised surface deposits to become profitable propositions

Leaching technology enables these mines to produce gold at a cost of about $150 an ounce, while the average for the SA industry is about $322 (R807 July/September 1990) an ounce

During this "gold rush" the West's production rose from 962 tons a year to 1 653 tons a year

Supply increased substantially, there were no major upheavals, investors found it more profitable to put their money into currency and developed countries managed to control inflation

All these factors had a negative impact on gold

There is another factor one often loses sight of dealers are traditionally young men and the current generation of dealers has not experienced times when gold was the only secure haven

A plus factor for the SA gold mining industry is that these oxidised deposits are relatively small and have an average life of about three to five years

I can foresee that world production will peak in 1991 and that it will taper off from then on

Once these shallow oxidised deposits are mined out, and new ones are becoming more difficult to find, the world will again have to look to SA for most of its gold supplies The drop in supply should benefit the gold price, as well as those producers with vast, but more expensive reserves SA has about 60 percent of the world's reserves.

On the gold demand side of the equation there are also several plus factors contributing to an optimistic view

The 1990s will be more turbulent than the 1980s America's difficulties with its debt and the general recession looming over the West will probably create a bigger demand for gold as a safe haven. Nor should the influence of a Gulf war be underestimated

Gold provides security in troubled times Furthermore, an upturn in demand in the Far East can be expected as people there become more affluent.

For instance, in Japan where it is difficult for the private individual to invest in real estate, they consider jewellery as one of the best alternatives

Another interesting factor is that the private individual's holiday yen competes with his jewellery yen.

We see a major increase in demand for gold jewellery, as well as an investment alternative in the Far East, but we would also like to see our traditional market in Europe and America expanding

The gold price has been steadily rising right through the ages. Despite the recent increase in supply, the metal has maintained its value. This bodes well for demand and consequently for the gold price.

One of the pre-conditions for an increase in the price is that it must be perceived by the world that the supply is decreasing

This can only be attained by closing some existing mines. Some SA mines are rapidly approaching the time when they will have to announce closure, maybe as soon as the first half of 1991.

I think we are approaching the point where the bear market will change into a bull market, but it is very difficult to pinpoint the exact time.

The tiger could well be the closure of mines in SA, as well as in other parts of the world, or even a war in the Middle East

This change of direction will probably not be brought about within a month. It will take at least several months or even a year for the supply/demand situation (bear/bull market) to change.

Once the market situation changes it will immediately benefit those who have reserves suitable for leaching operations, but the bull market will have to last for quite a while before confidence in gold again reaches a point where deep-level mines can be started.

These mines normally have a lead time of seven to 10 years, which means that even with a constant demand and a drop in supply, the gold price will increase.

Looking at the 1990s, I foresee a drop in supply and maybe a shortage of new gold because of the shallower oxidised deposits being worked out, deeper high-cost producers disappearing and new deep mines lagging behind because of the long run-up time

Demand is set to increase because of a less tranquil era and the changing economic situation in the Far East.

Bobsat now under Simmer & Jack Mines

NEIL YORKE SMITH 214

SIMMER & Jack Mines has acquired Bobsat Investments — holder of mining rights in the Eastern Transvaal — from Transatlantic Mining Investments in a deal worth R25,9m.

This follows the recent rights issue whereby Simmers raised about R30m to enable it to acquire and develop mining interests.

In terms of the deal — effective from December 1 — Simmers is to issue Transatlantic renounceable letters of allocation in respect of 14 007-million shares at the share price on December 5 of 185c per Simmers share.

The mining rights are focused in the Barberton, Nelspruit, Pilgrims Rest and Sabie areas.

Total output is expected to be about 1 600kg of gold (once they are at full production) in the year ended June 30 1993.

The Bobsat mining operations are expected to earn R22,8m (or 67,2c a Simmer share) during their first full year of production.

Unisel mine's outlook 'positive'

B|Day 28|12|90

(214)

MARIETTE DU PLESSIS

THE 1991 outlook for Gengold's Unisel gold mine appears more positive than last year's, says chairman Gary Maude

In the annual report, he said it was expected that tonnage milled would be maintained at the current level of 80 000 tons a month

Tonnage milled during the year to end-September declined by 146 000 tons to 921 000, due mainly to a planned reduction of reef tons mined from the lower grade Leader Reef.

Promising prospects were the new sub-inclined shaft at the mine's eastern block which, once in production, would increase the payable ore reserves

Development towards the Basal Reef extensions would also provide additions to the higher grade reserves, Maude said

● MAUDE

Although the evaluation of the Leader Reef in the Jurgens Hoi area had proved disappointing, the exposure of the duplication of the Basal Reef on the thrust fault in the Jurgens Hof boundary was encouraging, he said

Capital expenditure during the year to end-September totalled R18,7m, and planned expenditure for financial 1991 was expected to amount to R21,4m, the main items being the sub-inclined shaft (R7,5m) and exploration at Adamsons Vlei (R1,9m)

The past year was a difficult one for Unisel. The mine was faced not only with labour unrest and retrenchment costs, but it also had to cope with the relocation of working places due to seismic events and an underground fire in December 1989

In addition, the gold price in rand terms had remained static which, with rising costs, had resulted in pressure on profit margins

Consequently, the working profit for this period was substantially lower at R56m, compared with 1989's R85m, Maude said.

A slight reduction in the labour complement resulted in a reduction in both the square metres mined and the tonnage milled

This enabled management to contain the increase in total working costs to 7,2%, he said

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Star 28/12/90

Closure looming for Bracken

By Derek Tommey

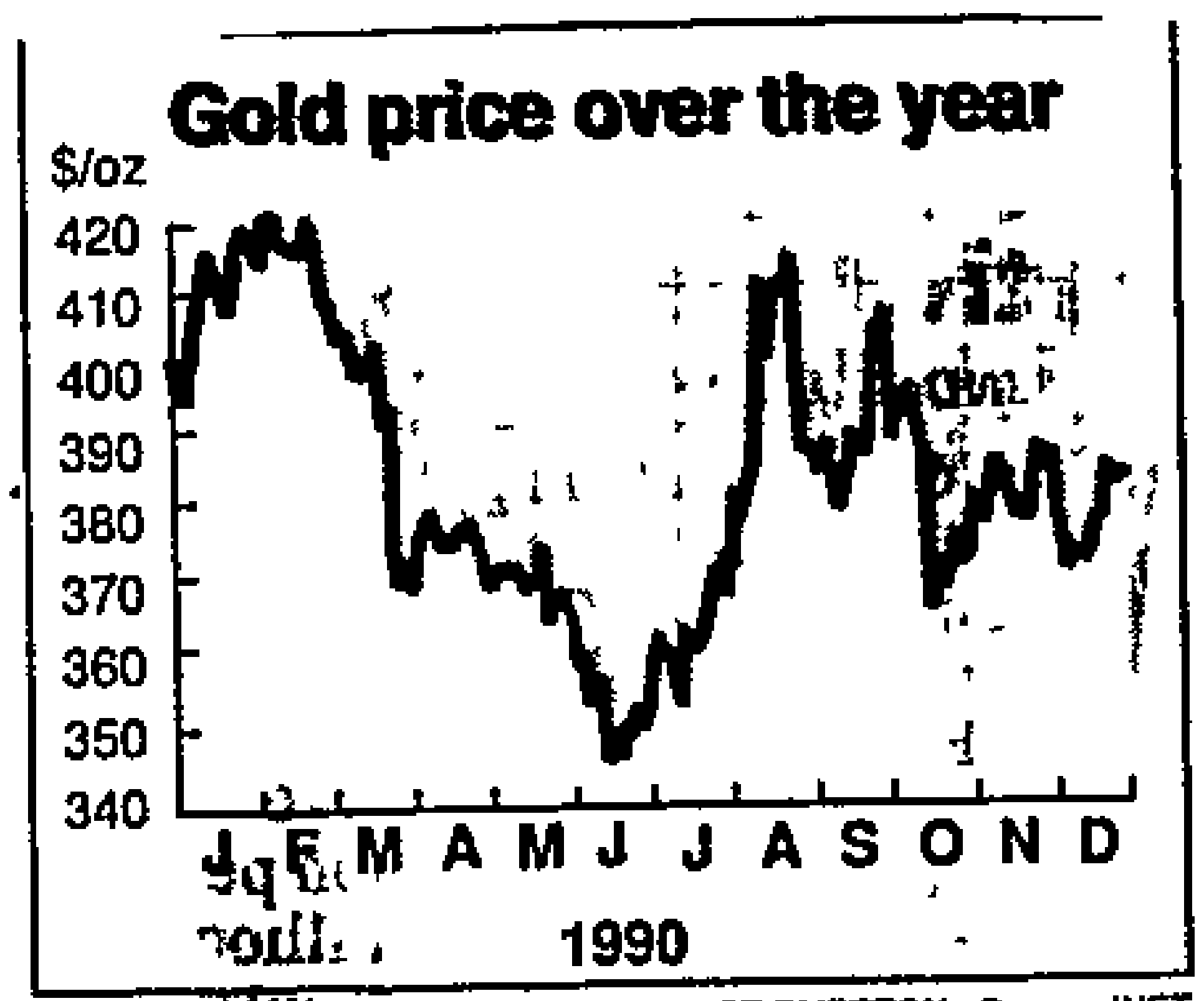
Lack of gold-bearing ore is slowly killing the Bracken gold mine, near Evander.

"The best that can be expected from the mine is for it to continue operations for the next few years at a reduced milling rate, while maintaining the present recovery grade," says chairman JE Olivier

The area remaining to be developed is small and the potential for opening-up small blocks of ore for mining is limited

Work has begun on mining the higher grade shaft pillar, Mr Olivier says in his annual statement to shareholders

Among steps taken to ensure the mine remains profitable until its closure, direct and indirect costs were curtailed during the year by reducing the square metres mined and the tonnage milled.



Graphic: LEE EMERTON Source: INET

BDay 31/12/90

Tax from bullion takes a nosedive

GRETA STEYN (214)

GOVERNMENT's revenue from gold mines tax plunged by an unexpected 30% in the first seven months of the fiscal year from the same period in the 1989/90 book year — making a mockery of the 5% drop foreseen in the Budget.

Revenue from gold mining is shrinking as a percentage of overall state revenue, while the stake of individuals rises.

The metal's tiny contribution of 1,3% to total revenue in the period April to October is a far cry from 1980, when revenue from gold mines accounted for almost a fifth of government's total revenue

Although government did not disclose its estimate of the gold price in the March Budget, officials indicated it was an average price for the year of more than $400

But gold spent most of the year languishing below that level, even briefly sinking below $350 in June and failing to impress as a "safe haven" during the Gulf crisis.

Government also budgeted for an 8% drop in income tax receipts from gold mining leases.

But here, too, massive underrecovery is taking place (down 40%).

The few hundred million rands in revenue lost because of weak gold mining will be more than offset by substantial overrecovery of personal income taxes because of fiscal drag.

The Reserve Bank's policy of keeping the rand stable saw it refuse to push the rand exchange rate lower to help the ailing gold mining industry — a move which also kept down the taxes the industry paid

The effects of the lower-than-expected gold price on the balance of payments were not as severe as initially feared, with the current account still set to record a

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Nosedive

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R5bn surplus

The Bank had projected a surplus of about R6bn at the beginning of 1990

The Bank said it would intervene in the gold market to support the price It has built up enough foreign cash reserves to allow it to keep gold from the market, and has indicated it wants to rebuild gold reserves

There was evidence of that at the end of November, when gold holdings surged by 323 000 oz — the biggest move since February 1990

But at just more than 4-million ounces, the Bank's gold holdings are 33% lower than three years ago and 66% less than in 1980

Jewellery demand for gold outstrips output

B/Day
31/12/90

PETER GALLI

214

JEWELLERY demand for gold outstripped the total mining output of the Western world in 1989 for the first time in 10 years, the Chamber of Mines reported in a recent newsletter.

Jewellery demand accounted for 1 811 tons of gold while Western output stood at 1 653 tons.

Sales of gold jewellery used about two-thirds of newly mined gold, with a quarter sold in the form of bars and coins. The remainder was used industrially in areas such as dentistry and electronics.

Research carried out by the World Gold Council showed that there were different motivations for jewellery purchases which varied according to culture and geography. However, gold jewellery was bought either purely for adornment or for investment, it said.

Nevertheless, the demand for gold jewellery was highly susceptible to competitive pressures and changes in cultural values

The British-based Metal Bulletin reported that sales in the four key European markets of France, Germany, Italy and the UK were 17% higher for the year to date than the same period last year.

This would result in 1990 being another record year for gold jewellery usage, it said.

Arthur Kaplan MD Arthur Kaplan said last week that he believed the large chains were experiencing strong sales, but that the individual stores were not faring so well.

The cumulative figure for sales revenue for his group up to November was 20% higher than in 1989.

Kinross production is likely to be maintained

B Day 31/12/90

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ZILLA EFRAT

GOLD production at Kinross should be maintained at current levels next year, Kinross chairman Gary Maude said in his annual review

He said Kinross's rationalisation programme would result in the tonnage milled being slightly lower than that of 1990 But an expected higher recovery grade should offset this shortfall

The two declines, in the eastern area of Number 1 Shaft and in the northern area of Number 2 Shaft, reached 16 and 19 levels respectively

Stoping the Number 1 decline area commenced in April and stoping the Number 2 decline area would get under way in March next year

Maude said the excellent grades found in both declines indicated that the payshoots would persist at depth and arrangements were being made to deepen the mining layouts The ore reserves from these operations would make it possible to maintain production at current levels for several years, he said

The profitability of the mining industry had been hampered generally by the continued effect of inflation on working costs and the depressed rand gold price

This necessitated labour rationalisation, with the retrenchement of 632 employees, and stringent cost and ore grade control at Kinross These measures led to the increase in the cost per kilogram of gold produced being contained to 8,1% at R20 130/kg in the year to September

Maude said gold production increased by 269kg to 12 270kg But income after tax and the state's share fell by 9,1% to R76m

However, because of the reduced capital expenditure, the earnings available for distribution rose 8,7% to R58m, enabling the company to declare dividends of 325c per stock unit

UK pension policy slammed

TANIA LEVY

BRITISH pensioners living in SA receive pensions that are fixed at retirement and never increased, a pensioner living in Randburg says

Pensions of about 60% of British pensioners living outside the UK are frozen, while the remaining 40% receive pensions that are regularly reviewed and updated to keep pace with inflation

The pensioner says that while Britain is donating billions of pounds in aid to eastern Europe, Africa and elsewhere, it seems inappropriate to penalise those who have paid for full pension rights, just because they choose to reside in foreign countries

There are people who served in the Second World War who now have to live on a pension of £10 a week, while pensioners in other foreign countries receive inflation-proof pensions, he says

The Durban-based British Retirement Pensions Society (SA) says British pensions are indexed in 49 countres but former dominions such as SA, Australia and Canada, are "discriminated" against.

The society asks in its November newsletter why the "gross injustice" when pensioners have contributed equally They should recieve the same benefits, it says

The pensioner says that over the years representation has been made to the British government by individuals, organisations and even Australian Prime Minister Bob Hawke But the bottom line has always been a refusal because of costs

British embassy spokesman John Sawers said it would cost £287m in the first year alone for the UK to give pension increases to all expatriate pensioners

He said British pensioners in SA were not eligible for annual pension increases because there was no reciprocal agreement with the SA government

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'Not essential'

The UK government could not pay full pension increases to all its expatriate pensioners while at the same time providing social security to South Africans, resident in the UK, who received inadequate pensions

British pensioners who received inflation-proof pensions were living in countries that had reciprocal agreements with the British government

The society says a reciprocal agreement is not essential for the indexing of pensions What is necessary is a willingness by the UK government to change the legislation

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We cannot allow what happened last year to occur again People who think that jumping on vehicles is part of the party, will find that nothing of this sort will be tolerated," he said

"During the same festivities last year, firecrackers were thrown into buildings or fired at people standing on the balconies of adjacent flats This sort of irresponsible behaviour will not be tolerated and people setting off firecrackers in public must expect to be arrested," he said

Opperman said he did not think "it would be nice for any person to spend time in a police cell on New Year's Eve"

Besides being locked up, offenders could expect to appear before a court where heavy fines might be imposed, he said

He also warned against the "abuse of intoxicating liquor" which, when it occurred at street parties of this size, led to injuries and damage to property

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Fire again puts a stop to Doornfontein production

B/Day 31/12/90

MATTHEW CURTIN

(214)

A FIRE at Doornfontein Gold Mine brought a halt to underground production at the weekend for the second time in two weeks.

A GFSA spokesman said the decision to close the mine was taken as a result of a fire at the No 1 sub-vertical shaft on 33 level, 2 550m below the surface. The fire started on December 18

He said in a statement "safety considerations have dictated this course of action" although the fire had been successfully sealed off.

The company was working on plans for the earliest resumption of production

GFSA said last week one mineworker died when the fire broke out on the carbon leader stope on December 18.

Operations at Doornfontein were suspended on December 12 after a fire broke out on a carbon leader stope on level 35, 2 700m below the surface The fire was extinguished a few days later and production restarted on December 17.

Doornfontein recently retrenched 3 700 workers along with GFSA stablemate Venterpost after two quarters of working losses saw the mine lose R9m.

In the last annual report, consulting engineer Neil Kamp said stoping operations below the 35 level were expected to start early in 1991, while ore milled in the area should account for about 10% of total production by the end of June 1991.

The mine produced eight tons of gold in the financial year to end-June 1990

Future development on the mine is seen to depend on stoping below 35 level on the carbon leader as the Main Reef line has too low a yield for profitable mining at the present gold price